

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



Lay Hong Berhad (107129-H) Incorporated in Malaysia

ANNUAL REPORT 2002



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**LAY HONG
BHD** (107129-H)
Incorporated in Malaysia

...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.



our mission ...

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corporate information

BOARD OF DIRECTORS

Yap Hoong Chai
Chairman and Group Managing Director
Non-Independent Executive Director

Yip Kim Hoong
Non-Independent Executive Director

Yeap Weng Hong
Non-Independent 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

Abdul Hamid bin Mohamed Ghows

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, ACIS
(MAICSA 0798613)
Nancy Teoh, L503084

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 22, 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

AUDITORS

Arthur Andersen & Co.
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, a Malaysian, aged 52, is the Chairman and Group Managing Director and a founder member of the Lay Hong Berhad Group. He was appointed to the Board of Directors of Lay Hong Berhad on 27th September 1983. Under his stewardship for the past 28 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 and does not hold any other directorship of public 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 six (6) 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, a Malaysian, aged 54, is an 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 is currently 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 and does not hold any other directorship of public 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 five (5) of the six (6) 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, a Malaysian, aged 44, is an Executive Director of Lay Hong Berhad. He was appointed to the Board of Directors of Lay Hong Berhad on 18th April 1986. He has more than 20 years experience in poultry farming and 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 and does not hold any other directorship of public 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 6,000 shares of RM1/- each in Lay Hong Bhd and has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd.

He attended all the six (6) 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, a Singaporean, aged 48, is a Non-Executive Director of Lay Hong Berhad and was appointed to the Board of Directors of Lay Hong Berhad on 18th January 1994. He has been a pilot since 1973 and currently holds the position of Assistant Chief Pilot for a major airline. He also sits on the Board of Directors of several private limited companies and does not hold any other directorship of public 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 10,000 shares of RM1/- each and has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd.

He attended all the six (6) 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, a Malaysian, aged 68, is 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 fellow member of the Institute of Chartered Accountants of Australia. Presently, he is the Chairman of Commerce Asset-Holding Berhad. He also sits on the Board of Directors of several public and private companies, which include Landmark Land & Properties Sdn Bhd (formerly PGK Sdn Bhd), Saujana Hotel Sdn Berhad, YA Horng Electronic (M) Berhad, Petaling Garden Bhd, Landmarks Berhad, Xian Leng Holdings Berhad,

Leader Steel Holdings Berhad, Saujana Consolidated Berhad, Tracoma Holdings Berhad, Amanah Saham Nasional Berhad and Perbadanan Nasional Berhad. 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. He was appointed as the first Chief Executive Officer of Permodalan Nasional Berhad in 1978 and later in 1982 as the Executive Chairman of Malaysia Mining Corporation Bhd. He also served in various capacities with the Fleet Group Sdn Bhd, the Shell Group of Companies, and The New Straits Times Press (Malaysia) Berhad. He holds 2,000 shares of RM1/- each in Lay Hong Berhad.

He attended all the six (6) 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 no conviction for any offence within the past 10 years.

GAN SOO JIN, a Malaysian, aged 52, is an Independent Non-Executive Director of Lay Hong Berhad and was appointed to the Board of Directors of Lay Hong Berhad on 10th August 1994. He was appointed Chairman of the Lay Hong Berhad Audit Committee on 26 February 2002. He is a Fellow member of the Institute of Chartered Accountants in England and Wales, member of the Malaysian Association 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 40,000 shares of RM1/- each in Lay Hong Bhd.

He attended all the six (6) 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 no conviction for any offence within the past 10 years.

ABDUL HAMID BIN MOHAMED GHOWS, a Malaysian, aged 51, is an Independent Non-Executive Director of Lay Hong Berhad and was appointed to the Board of Directors of Lay Hong Berhad on 11th October 2001. 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 Berhad Group. From 1974 to March 2000, he served in various capacities with Price Waterhouse Coopers, 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 Berhad.

He attended all the two (2) board meetings held after his appointment as a Director in the financial year. He has no family relationship with any director and/or major shareholder of Lay Hong Berhad. He has no conflict of interest with Lay Hong Berhad and no conviction for any offence within the past 10 years.

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
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 or major accounting policy changes;
- (ii) significant and unusual events; and
- (iii) compliance with accounting standards and other legal requirements;

(h) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions or management integrity;

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

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

3.2 recommend the nomination of a person or persons as External Auditors.

4 Procedure

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

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

- (b) in order to form a quorum in respect of an Audit Committee, the majority of members present must be Independent Directors.
- (c) a resolution in writing signed by all the committee members shall be as effective as a resolution passed at a meeting of the Committee duly convened and held, and may consist of several documents in the like form, signed by one or more of the Committee.

- (d) In the event of any vacancy in an Audit Committee resulting in the non-compliance of subparagraph 15.10(1) of the 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.

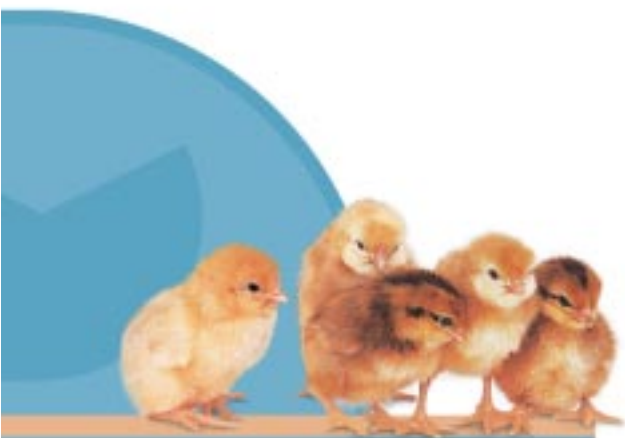
6 Reporting of breaches to the exchange

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.



audit committee report

8 Review of the audit committee

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

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2002

The Audit Committee held five meetings during the Financial Year.

It worked closely with the internal and external Auditors and the recommendations made were considered by the Committee for implementation. The minutes of each meeting were distributed to each member of the Board at the subsequent Board Meeting. The Audit Committee Chairman reported on each meeting to members of the Board.

During the Financial Year, the Audit Committee:

- reviewed the quarterly results and annual financial statements to ensure that the statements give a true and fair view of the state of affairs and results of the Company and the Group before submissions to the Board and announcements to the Kuala Lumpur Stock Exchange.
- reviewed the annual audit plan and areas of concern with the external auditors, critical issues were highlighted and resolved accordingly.
- reviewed and considered the proposed fees increase by external auditors given the heavier responsibilities imposed on them as outlined in the revamped listing requirements.

For the Financial Year ended 31 March 2002, the Audit Committee members' attendance at meetings are as follows:

	Attendance At The Audit Committee Meetings	
	No. of Audit Committee meetings held during member's tenure in office	No. of Audit Committee meetings attended by member
Gan Soo Jin	5	5
Yap Hoong Chai	5	5
Abdul Hamid bin Mohamed Ghows (Appointed as member on 23.11.01)	1	1
Dato' Mohd Desa bin Pachi (Ceased as member on 23.11.01)	4	4



notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of the Company will be held at Goldcourse Hotel, 9 Jalan Pasar, 41400 Klang, Selangor Darul Ehsan on Thursday, 19th September 2002 at 10.30am for the following purposes:

ORDINARY BUSINESS

- 1 To receive the Audited Accounts for the year ended 31st March 2002 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 2002. Resolution 2
- 3 To approve an increase in Directors' Fees for the year ended 31st March 2002. Resolution 3
- 4 To re-elect the following Directors who retire in accordance with the Company's Articles of Association, viz:
 - (i) Dato' Mohd Desa bin Pachi Resolution 4
 - (ii) Mr Yeap Weng Hong Resolution 5
 - (iii) Encik Abdul Hamid bin Mohamed Ghows Resolution 6
- 5 To appoint Auditors for the ensuing year.

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965 has been received by the Company for the nomination of Messrs Ernst & Young who have given their consent to act, for appointment as Auditors and of the intention to propose the following ordinary resolution:

"That Messrs Ernst & Young be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs Arthur Andersen & Co. to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors." Resolution 7

SPECIAL BUSINESS

- 6 To consider and, if thought fit, adopt the following resolution, with or without amendment as 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 8

- 7 To consider and, if thought fit, adopt the following resolution, with or without amendment as 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 4 of the Circular to Shareholders dated 28th August 2002 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 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;

notice of annual general meeting

(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 9

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.

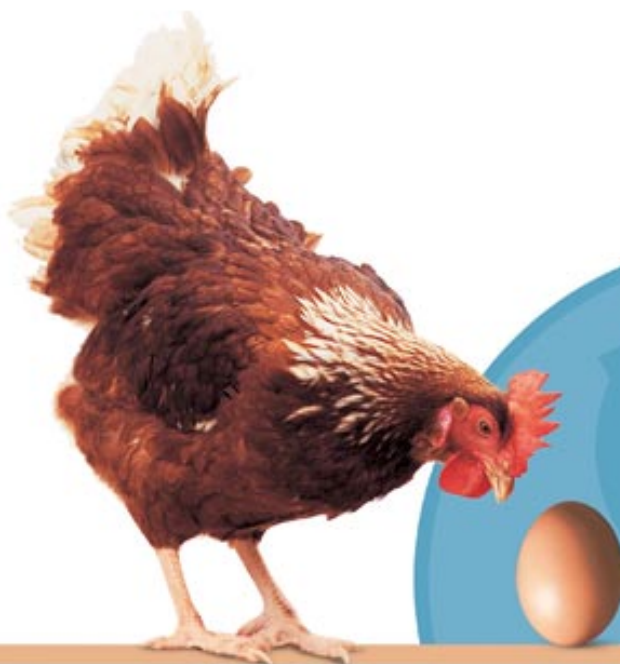
(b) shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

By Order Of The Board

Secretary
LIM KING HUA (F)
MAICSA 0798613

28th August 2002

Klang



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 15th October 2002 to depositors who are registered in the Record of Depositors at the close of business on 25th September 2002 if approved by members at the Eighteenth Annual General Meeting on 19th September 2002.

A Depositor shall qualify for entitlement only in respect of:

(a) shares transferred into the Depositor's Securities Account before 12.30 pm on 25th September 2002 in respect of ordinary transfers; and

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 of appointment 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 28th August 2002 for more information.

statement accompanying the notice of eighteenth annual general meeting of Lay Hong Berhad

A] NAMES OF THE DIRECTORS WHO ARE STANDING FOR RE-ELECTION

- (a) Dato' Mohd Desa bin Pachi (retiring pursuant to Article 71 of the Company's Articles of Association).
- (b) Yeap Weng Hong (retiring pursuant to Article 71 of the Company's Articles of Association).
- (c) Abdul Hamid bin Mohamed Ghows (retiring pursuant to Article 72 of the Company's Articles of Association).

B] DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETING

6 Board Meetings were held during the financial year ended 31st March 2002. 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	6 / 6	100%
Yip Kim Hoong	5 / 6	83%
Yeap Weng Hong	6 / 6	100%
Non-Executive Director	Attendance	Percentage (%)
Yeap Fock Hoong	6 / 6	100%
Dato' Mohd Desa bin Pachi	6 / 6	100%
Gan Soo Jin	6 / 6	100%
Abdul Hamid bin Mohamed Ghows	2 / 2	100%

*(appointed on 11.10.2001)

- C] The Eighteenth Annual General Meeting will be held at Goldcourse Hotel, 9 Jalan Pasar, 41400 Klang, Selangor Darul Ehsan on Thursday, 19th September 2002 at 10.30am.

D] FURTHER DETAILS OF THE INDIVIDUALS WHO ARE STANDING FOR ELECTION AS DIRECTORS

- 1 (a) Dato' Mohd Desa bin Pachi, a Malaysian, aged 68, is 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.

(b) He is a Fellow member of the Institute of Chartered Accountants of Australia. Presently, he is the Chairman of Commerce Asset-Holding Berhad. 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. He was appointed as the first Chief Executive Officer of Permodalan Nasional Berhad in 1978 and later in 1982 as the Executive Chairman of Malaysia Mining Corporation Bhd. He also served in various capacities with the Fleet Group Sdn Bhd, the Shell Group of Companies and The New Straits Times Press (Malaysia) Berhad.

(c) He sits on the Board of Directors of several public and private companies, which include Landmark Land & Properties Sdn Bhd (formerly PGK Sdn Bhd), Saujana Hotel Sdn Berhad, YA Horng Electronic (M) Berhad, Petaling Garden Berhad, Landmarks Bhd, Xian Leng Holdings Berhad, Leader Steel Holdings Berhad, Saujana Consolidated Berhad, Tracoma Holdings Berhad, Amanah Saham Nasional Berhad and Perbadanan Nasional Berhad.

(d) He holds 2,000 shares of RM1/- each in Lay Hong Berhad and has no shareholding in the Company's subsidiaries.

(e) He is not related to any Director or major shareholder of the Company.

(f) He has no conflict of interest with the Company.

(g) He has no conviction for any offences within the past 10 years.

statement accompanying the notice of eighteenth annual general meeting of Lay Hong Berhad

- 2 (a) Yeap Weng Hong, a Malaysian, aged 44, is an Executive Director of Lay Hong Berhad. He was appointed to the Board of Directors of Lay Hong Berhad on 18th April 1986.
 - (b) 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.
 - (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 Fock Hoong, who are also Directors of the Company.
 - (e) He holds 6,000 shares of RM1/- 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.
- 3 (a) Abdul Hamid bin Mohamed Ghows, a Malaysian, aged 51, is an Independent Non-Executive Director of Lay Hong Berhad and was appointed to the Board of Directors of Lay Hong Berhad on 11th October 2001.
 - (b) He is a Fellow member of the Institute of Chartered Accountants in England and Wales, 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.
 - (c) Presently, he holds the position of Director, Group Management Systems and Controls at Rashid Hussain Berhad Group. From 1974 to March 2000, he served in various capacities with Price Waterhouse Coopers, Singapore, Kenmore Asia Pte Ltd, Drexel Oilfields Services and Rothmans International Tobacco Group in Holland, United Kingdom and Malaysia.
 - (d) Presently he is also a director in Malaysia Merchant Marine Berhad.
 - (e) He has no shareholding in the Company or the Company's subsidiaries.
 - (f) He is not related to any Director or major shareholder of the Company.
 - (g) He has no conflict of interest with Lay Hong Berhad.
 - (h) He has no conviction for any offence within the past 10 years.

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I'm pleased to present you the Annual Report and Audited Financial Statements for the year ended 31st March, 2002 of the Lay Hong Berhad Group.



PERFORMANCE PREVIEW

The Lay Hong Berhad Group recorded a higher revenue of RM81.964 million in the financial year under review, compared to RM77.140 million in the previous year. This represents an increase of RM4.824 million or 6.25%.

Consolidated pre-tax profit of RM1.256 million for the financial year was RM0.138 million (12.3%) higher than RM1.118 million achieved in the previous year. If not for the charging out of the advertising and promotion expenditure incurred on the initial brand building of the Group's range of speciality eggs, the performance for the Group would be better.

Prices for the Group's commercial table eggs and broiler products remained sluggish and depressed throughout the year due to the continuing oversupply situation carried forward from previous year and is expected to continue into the next financial year given the scenario where major competitors have recently either expanded their production or had announced their intention in the local press to increase capacity soon. In view of this development, your Board is sensitive and has taken proactive measures to mitigate the situation by creating long-term consumers' loyalty and awareness by labelling the Group's products through branding. I'm pleased to report that during the financial year, the Group had commenced to market its range of speciality eggs under the tradename of "NUTRIPLUS" with tag a line "HEALTHIER AND MORE NUTRITIOUS EGG". The response to date has been

very encouraging. Other initiatives taken, include the review and re-engineering the Group's channel of product distribution. Traditionally, the Group relied heavily on its existing wholesalers to distribute its products to consumers. To ensure greater market penetration, the Group now sells direct to consumers through large hypermarket / supermarket chains and van sales.

CAPITAL EXPENDITURE

The Group through its subsidiary, Sri Tawau Farming Sdn Bhd (STF) with its operation located in Kota Kinabalu, Sabah has commenced its expansion plan during the financial year as follows:

- Construction of 6 broiler breeder houses had been completed.
- Of the 9 broiler houses under construction, 6 had been completed and 3 are in progress.
- Feedmill construction is in progress and is expected to be fully operational by the 2nd half of the next financial year.

When fully completed, the above investment including land cost will amount to RM7.523 million. With this expansion, STF will be a fully integrated poultry operator and will now rank among the top players in Kota Kinabalu, Sabah.

chairman's statement

To improve efficiency, the Group had also invested in automation by commissioning two (2) new automatic computerized egg grading and packing equipment costing RM1.813 million at its production facilities in Kapar and Ijok.

CORPORATE DEVELOPMENT

Due to the weak market sentiments in the Kuala Lumpur Stock Exchange, your Board had revised downwards the proposed bonus and rights issue from one for one to one for two. The Securities Commission approved this revision on 13th July 2001.

With the improving economy and liquidity thus resulting in better sentiments in the KLSE, your Board had implemented the above corporate proposals. The additional 8,750,000 bonus and 8,750,000 rights shares have been listed in the KLSE on 31st May 2002 and 11th July 2002 respectively. With the completion of this corporate exercise, the issued and paid-up capital of the company is now RM35,000,000/- divided into 35,000,000 ordinary shares of RM1/- each.

Of the total rights proceeds of RM8.75 million, RM2.5 million had been utilised as at 31st July 2002 for the construction of chicken houses and expenses related to the exercise.

To meet the minimum paid-up capital of 40,000,000 million ordinary shares required for second board listed company by 31st December 2002, your Board is now evaluating various proposals to meet this requirement and will make an announcement soon at an appropriate time.

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 2002. Subject to approval by shareholders at the forthcoming Annual General Meeting, this dividend will be paid on 15 October 2002.



partnership

We inculcate sense of participation,
team spirit and loyalty which will benefit all



TO PROMOTE a healthier lifestyle and diet among malaysian ...



chairman's statement

PROSPECT

The board has implemented a few initiatives as mentioned above to mitigate the difficult trading condition. With the Group's lean, effective and proactive management, the Directors are confident that these initiatives will bear fruits in the ensuing years. Also, with bonus and rights issues being implemented, the Group now has a bigger capital base to work on and will be in a better position to tap opportunities when it arises.

DIRECTORATE

On behalf of the Board, I wish to welcome Encik Abdul Hamid bin Mohamed Ghows who was appointed as an Independent Non-Executive Director and member of the Lay Hong Berhad Audit Committee on 11th October 2001 and 23rd November 2001 respectively.

APPRECIATION

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

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

Lastly, 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



celebration

We expand market value,
developing new product and build trust among customers



TO BECOME an increasing important supplier of egg ...



statement on corporate governance

The Board of Directors of Lay Hong Berhad is committed to ensuring that the highest standards of corporate governance are practised throughout the Group and that integrity and fair dealing are paramount in all its activities.

It recognizes that maintaining the trust and confidence of shareholders, employees, clients, business associates and the public is crucial to the Group's continued growth and success. This encapsulates the Group's approach to the principles of the Code and the extent of its compliance with best practices during the financial year.

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, three (3) are executives and non-independent, one (1) is non-independent non-executive and three (3) are independent. The Board is headed by a Chairman who is also the Group Managing Director. The presence of a sufficient number of independent directors provide a strong element of independence in the Board.



nutritious

We develop highly nutritious
and hygienic products
utilising the highest quality processing standards



TO PROVIDE a caring environment for our employees ...



statement on corporate governance

The three (3) 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 corporate and financial services environment and the Non-Executive Non-Independent Director is a professional pilot with a major Airline.

All Directors have served the full year except for Encik Abdul Hamid bin Mohamed Ghows who was appointed to the Board on 11th October 2001.

The profile of each Director is presented on pages 2 to 3 of this Annual Report.

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.

Six (6) 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	6 of 6 meetings
Yip Kim Hoong	5 of 6 meetings
Yeap Weng Hong	6 of 6 meetings
Yeap Fock Hong	6 of 6 meetings
Dato' Mohd Desa bin Pachi	6 of 6 meetings
Gan Soo Jin	6 of 6 meetings
Abdul Hamid bin Mohamed Ghows (appointed on 11th October 2001)	2 of 2 meetings



freshness

We deliver our product fresh on time
to our partners and customers





TO WORK diligently and consistently ...



statement on corporate governance

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 4 to 6 of this Annual Report.

Access to Information

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

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

Appointments of the Board and Re-election

The Board re-composite its Nomination Committee on 20 May 2002 and delegated to it the responsibility of recommending the appointment of any new Directors. It also reviews the Board's structure, size and composition, as well as the Board's succession plans.

The committee now 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.

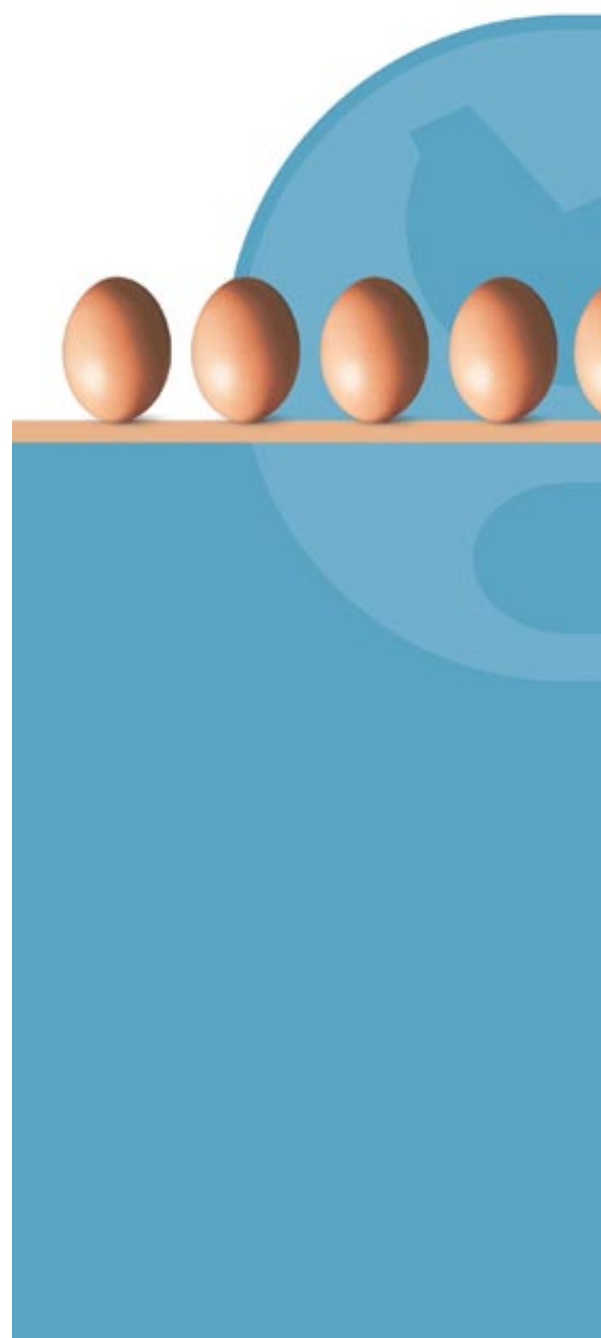
In compliance with the KLSE Listing Requirements on continuous training of directors, all the directors have completed the Mandatory Accreditation Programme (organized by the Research Institute of Investment Analysts Malaysia) during the year under review and will attend the Continuing Education Programme 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 fixed directors' fees, which are approved by the shareholders at the Annual General Meeting based on the recommendation of the Board.

The Remuneration Committee set up by the Board on 20 May 2002 is entrusted with the role of determining and recommending suitable policies in respect of salary packages for Executive Directors. The remuneration packages of Non-Executive Directors are determined by the Board.



The remuneration of the directors for the financial year under review is disclosed on pages 55 and 56 of this Annual Report.

SHAREHOLDERS COMMUNICATION

The group recognizes the importance of effective communications 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 31 of this Annual Report.

Relationship with auditors

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

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

Statements of compliance with best practices of the code

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

OTHER INFORMATION

Share buybacks

During the financial year, there were no share buybacks by the Company.

statement on corporate governance

Option, warrants and convertible securities

No options in the Company were exercised during the financial year. The Company has not issued any warrants and convertible securities during the financial year.

American Depository Receipt ("ADR") / Global Depository Receipt ("GDR")

During the financial year, the Company did not sponsor any ADR or GDR programme.

Sanctions and/or penalties

There were no material sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

Non-audit fee

The total amount of non-audit fee payable to the external auditors by the Group and by the Company for the financial year ended 31 March 2002 amounted to RM 3,855 and nil respectively.

Profit guarantee

During the financial year, there was no profit guarantee given by the Company.

Material contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) subsisting as at or entered into since the end of the previous financial year, by the Company or its subsidiaries which involved the interests of the Directors and major shareholders.

This statement is made in accordance with the resolution of the Board dated 22nd August 2002.



statement on internal control

BOARD'S RESPONSIBILITY

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

KEY PROCESSES

The Board confirms that there is an ongoing process in identifying, evaluating and managing significant risks faced by the Group; that the process has been in place up to the date of this statement; that this process is reviewed by the Board and is in accordance with the Statement on Internal Control : Guidance for Directors of Public Listed Companies.

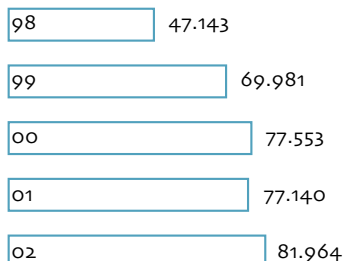
The key processes that the directors have established in reviewing the adequacy and integrity of the system of internal controls are as follows:

- A Risk Management Committee was set up 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 have been identified, prioritised and profiled. The risk assessments include areas of protection of livestock against adverse climatic conditions, diseases as well as recruitment and retention of employees.
- The Group established an internal audit department ("IAD") during the 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.
- 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 businesses 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 businesses 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.

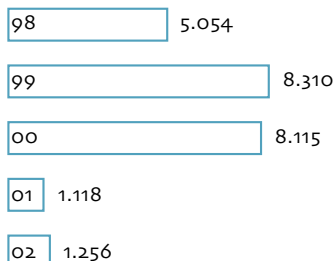
This statement is made in accordance with the resolution of the Board dated 22nd August 2002.

group financial highlights

RM' MILLION	1998	1999	2000	2001	2002
Turnover	47.143	69.981	77.553	77.140	81.964
Profit before tax	5.054	8.310	8.115	1.118	1.256
Total assets	51.578	62.870	81.492	76.178	90.019
Net Tangible Assets (NTA)	33.134	37.034	41.082	41.199	42.465
NTA per share	1.893	2.116	2.348	2.354	2.427
Earnings per share - sen	22.01	42.67	33.54	0.78	6.62
Dividend per share - sen	10.00	12.50	10.00	1.00	1.00



Turnover



Profit before Tax

group structure and operations



LAY HONG BHD

Feedmill, Layer Farms,
Chick Farm, Management
Investment Holding

- 100.00%
Hing Hong Sdn Bhd Breeder farm, Hatchery, Layer farm
- 70.00%
Innofarm (Klang) Sdn Bhd Layer farm
- 50.00% plus one share
Sri Tawau Farming Sdn Bhd Feedmill, Layer farm, Broiler farm, Breeder farm
- 51.00%
Evergreen Organic Fertilisers Sdn Bhd Organic fertiliser production
- 50.00% plus one share
Innobrid Sdn Bhd Breeder farm, Hatchery, Broiler farm
- 51.00% by Innobrid Sdn Bhd
Innobrid Marketing Sdn Bhd Processing & marketing of broilers

financial statements

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directors' report

The directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31st March 2002.

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 these activities during the financial year.

RESULTS

IN RM	GROUP	COMPANY
Net profit for the year	1,159,235	1,250,393

DIVIDENDS

The dividends paid or declared by the Company since the end of the previous financial year were as follows:

IN RM	
In respect of financial year ended 31st March 2001	
Final ordinary dividend of 1% on 17,500,000 ordinary shares less taxation of 28% paid on 22nd October 2001	<u>126,000</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year of 1% on 17,500,000 ordinary shares less 28% taxation amounting to RM126,000 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 the shareholders' equity as an appropriation of retained profits in the next financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets were made out, the directors took reasonable steps to ascertain that 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.

At the date of this report, the directors are not aware of any circumstances which would render the amounts written off as bad debts or provided for as doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and balance sheets were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business their values as shown in the accounting records of the Group and the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

Significant events during the year are disclosed in Note 29 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 30 to the financial statements.

directors' report

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company's ESOS was approved by the shareholders at the Extraordinary General Meeting held on 27th September 1996 and became effective on 16th November 1996.

The main features of the ESOS are as follows:

- (a) Eligible persons are employees of the Group (including executive directors) who have been confirmed in the employment of the Group and have served for at least one year and any non-Malaysian employee who has served the Group on a full time basis for a continuous period of at least five years before the date of the offer. The eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.
- (b) The total number of shares to be offered shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the duration of the ESOS, which shall be in force for a period of five years from 16th November 1996.
- (c) The option price for each share shall be the average of the mean market quotation of the shares as shown in the Daily Official List issued by the Kuala Lumpur Stock Exchange for the five trading days preceding the date of offer or the par value of the share, whichever is the higher.
- (d) No offer shall be made for less than 1,000 shares nor more than 500,000 shares to any eligible employee.
- (e) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company before the expiry of five years or such shorter period as may be specified in such offer.
- (f) The shares under option shall remain unissued until the option is exercised and shall on allotment rank pari passu in all respects with the existing shares of the Company at the time of allotment save that they will not entitle the holders thereof to receive any rights and bonus issues announced or to any dividend or other distribution declared to the shareholders of the Company as at a date which precedes the date of the exercise of the option.

The options over unissued shares which have been granted to eligible employees are as follows:

DATE GRANTED	OPTIONS OVER ORDINARY SHARES OF RM1 EACH	OPTION PRICE RM
23rd December 1996	720,000	7.78
28th July 1997	981,000	6.66

The ESOS has lapsed on 16th November 2001.

DIRECTORS

The directors who served since the date of the last 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 (appointed on 11/10/2001)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company or its subsidiaries are a party with the object of enabling directors of the Company to acquire benefits by means of the 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 a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full time employee of the Company or its related companies) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in the shares of the Company and its related corporations during the financial year were as follows:

THE COMPANY	NUMBER OF ORDINARY SHARES OF RM1 EACH			
	1ST APRIL 2001	BOUGHT	SOLD	31ST MARCH 2002
Yap Hoong Chai – indirect	7,875,000	–	–	7,875,000
Yip Kim Hoong – indirect	7,875,000	–	–	7,875,000
Yeap Fock Hoong				
– direct	5,000	–	–	5,000
– indirect	7,875,000	–	–	7,875,000
Yeap Weng Hong				
– direct	3,000	–	–	3,000
– indirect	7,875,000	–	–	7,875,000
Gan Soo Jin – direct	20,000	–	–	20,000
Dato' Mohd Desa bin Pachi				
– direct	1,000	–	–	1,000

	* OPTIONS OVER ORDINARY SHARES OF RM1 EACH			
	1ST APRIL 2001	GRANTED	LAPSED	31ST MARCH 2002
Yap Hoong Chai	330,000	–	330,000	–
Yip Kim Hoong	200,000	–	200,000	–
Yeap Weng Hong	200,000	–	200,000	–

directors' report

SUBSIDIARIES:	NUMBER OF ORDINARY SHARES OF RM1 EACH			
	1ST APRIL 2001	BOUGHT	SOLD	31ST MARCH 2002
EVERGREEN ORGANIC FERTILISERS SDN BHD				
Yap Hoong Chai – indirect	147,000	–	–	147,000
Yip Kim Hoong – indirect	147,000	–	–	147,000
Yeap Fock Hoong – indirect	147,000	–	–	147,000
Yeap Weng Hong – indirect	147,000	–	–	147,000
INNOBRID SDN BHD				
Yap Hoong Chai – indirect	880,000	–	–	880,000
Yip Kim Hoong – indirect	880,000	–	–	880,000
Yeap Fock Hoong – indirect	880,000	–	–	880,000
Yeap Weng Hong – indirect	880,000	–	–	880,000
SRI TAWAU FARMING SDN BHD				
Yap Hoong Chai – indirect	150,001	350,000	–	500,001
Yip Kim Hoong – indirect	150,001	350,000	–	500,001
Yeap Fock Hoong – indirect	150,001	350,000	–	500,001
Yeap Weng Hong – indirect	150,001	350,000	–	500,001

* The options were granted pursuant to the Company's ESOS which entitles the holders to subscribe for ordinary shares of RM1 each for each option held at the option price of between RM6.66 to RM7.78 each. These options have lapsed on 16th November 2001.

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

The other director in office at the end of the financial year had no interest in the shares of the Company or its related corporations during the financial year.

AUDITORS

Arthur Andersen & Co. retire and have indicated their willingness to accept re-appointment.

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

YAP HOONG CHAI

YEAP WENG HONG

Dated: 20th May 2002

statement by directors

We, YAP HOONG CHAI and YEAP WENG HONG, being two of the directors of LAY HONG BERHAD, do hereby state that, in the opinion of the directors, the financial statements set out on pages 33 to 60 give a true and fair view of the state of affairs of the Group and the Company as at 31st March 2002 and of their results and their cash flows for the year then ended, and have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

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

YAP HOONG CHAI

YEAP WENG HONG

Dated: 20th May 2002

statutory declaration

I, NG KIM TIAN, the officer primarily responsible for the financial management of LAY HONG BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 33 to 60 are, to the best of my knowledge and belief, 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) NG KIM TIAN
in Selangor Darul Ehsan on 20th May 2002)

Before me:

Yam Cheok Wan
No. B. 022
Commissioner for Oaths

auditors' report

To the Shareholders of LAY HONG BERHAD

We have audited the financial statements set out on pages 33 to 60. 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 approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia and give a true and fair view of:
 - (i) the state of affairs of the Group and the Company as at 31st March 2002 and of their results and their cash flows 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 its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of all 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 these purposes.

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

ARTHUR ANDERSEN & CO.
No. AF 0103
Chartered Accountants

PUSHPANATHAN A/L S.A. KANAGARAYAR
No. 1056/03/03(J/PH)
Partner of the Firm

Dated: 20th May 2002

consolidated balance sheet - 31st March 2002

IN RM	NOTE	2002	2001
NON-CURRENT ASSETS			
Property, plant and equipment	3	61,466,348	52,209,450
Investments	4	813,079	731,279
Goodwill arising on consolidation, net	5	1,979,686	2,086,157
		<u>64,259,113</u>	<u>55,026,886</u>
CURRENT ASSETS			
Inventories	6	14,067,806	12,397,408
Trade receivables	7	7,663,674	4,970,572
Other receivables	8	1,565,035	1,412,013
Placements with licensed banks		1,819,264	1,840,000
Cash and bank balances		644,122	530,918
		<u>25,759,901</u>	<u>21,150,911</u>
CURRENT LIABILITIES			
Due to a corporate shareholder	9	753,362	1,650,891
Trade payables		6,275,162	5,932,713
Other payables	11	3,401,955	2,714,102
Short term borrowings	12	12,198,462	4,987,336
Taxation		519,299	624,255
Dividend payable		–	126,000
		<u>23,148,240</u>	<u>16,035,297</u>
NET CURRENT ASSETS			
		<u>2,611,661</u>	<u>5,115,614</u>
FINANCED BY:			
Share capital	13	17,500,000	17,500,000
Reserves		26,944,761	25,785,526
Shareholders' equity		44,444,761	43,285,526
Minority interests		4,610,790	4,572,128
		<u>49,055,551</u>	<u>47,857,654</u>
Due to a corporate shareholder	9	3,398,000	2,898,000
Long term borrowings	14	10,087,223	5,331,846
Deferred taxation	16	4,330,000	4,055,000
Non-current liabilities		17,815,223	12,284,846
		<u>66,870,774</u>	<u>60,142,500</u>

The accompanying notes are an integral part of this balance sheet.

consolidated income statement for the year ended 31st March 2002

IN RM	NOTE	2002	2001
Revenue	17	81,964,217	77,139,870
Other operating income	18	634,883	601,650
Changes in inventories		1,752,718	621,633
Raw materials, livestock and consumables used		(52,562,968)	(53,051,034)
Finished goods purchased		(3,387,834)	(1,261,595)
Staff costs	19	(7,851,025)	(6,190,823)
Depreciation		(4,400,864)	(4,061,478)
Other operating expenses	21	(14,148,668)	(11,809,698)
Profit from operations		2,000,459	1,988,525
Finance costs	22	(744,890)	(852,987)
Share of loss of associated company		–	(17,509)
Profit before taxation		1,255,569	1,118,029
Taxation	23	(407,669)	(90,628)
Profit after taxation		847,900	1,027,401
Minority interests		311,335	(889,808)
Net profit attributable to shareholders		1,159,235	137,593
Basic earnings per share	24	6.6 sen	0.8 sen

The accompanying notes are an integral part of this statement.

consolidated statement of changes in equity for the year ended 31st March 2002

IN RM	NON-DISTRIBUTABLE		← DISTRIBUTABLE →		TOTAL
	SHARE CAPITAL	REVALUATION RESERVE	CAPITAL RESERVE	RETAINED PROFITS	
At 1st April 2000	17,500,000	142,536	539,441	25,091,956	43,273,933
Net profit for the year	–	–	–	137,593	137,593
Dividends (Note 25)	–	–	–	(126,000)	(126,000)
At 31st March 2001	17,500,000	142,536	539,441	25,103,549	43,285,526
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

The accompanying notes are an integral part of this statement.

consolidated cash flow statement for the year ended 31st March 2002

IN RM	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,255,569	1,118,029
Adjustments for:		
Amortisation of goodwill	106,471	106,471
Bad debt written off	9,290	2,079
Depreciation	4,400,864	4,061,478
Dividend income	(13,500)	(14,750)
Property, plant and equipment written off	70,358	56,139
Interest expense	741,221	852,987
Interest income	(36,411)	(78,613)
Loss on exchange – unrealised	20,613	51,667
Net gain on disposal of property, plant and equipment	(64,100)	(61,219)
Preliminary expenses written off	–	7,199
Share of loss in associated company	–	17,509
(Writeback of)/provision for diminution in value of quoted investments	(81,800)	81,800
Writeback of provision for doubtful debts	–	(686,955)
Operating profit before working capital changes	6,408,575	5,513,821
(Increase)/decrease in receivables	(2,876,030)	633,566
(Increase)/decrease in inventories	(1,670,398)	4,667,453
Increase/(decrease) in payables	552,720	(1,437,315)
Increase in amounts due to related companies	–	899,018
Cash generated from operations	2,414,867	10,276,543
Interest paid	(741,222)	(738,267)
Taxes paid	(237,625)	(804,463)
Net cash generated from operating activities	1,436,020	8,733,813
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	–	(6,600)
Purchase of property, plant and equipment	(11,587,387)	(7,385,225)
Proceeds from disposal of property, plant and equipment	331,719	136,690
Interest received	36,411	78,613
Dividend received	11,428	14,750
Net cash used in investing activities	(11,207,829)	(7,161,772)

The accompanying notes are an integral part of this statement.

IN RM

CASH FLOWS FROM FINANCING ACTIVITIES

	2002	2001
Repayment of hire purchase financing	(269,709)	(85,452)
Drawdown/(repayment) of short term borrowings – net	4,767,000	(4,785,000)
Drawdown of long term borrowings – net	3,549,531	1,023,422
Dividend paid	(126,000)	(1,260,000)
Movement of minority interest	350,000	–
Net cash generated from/(used in) financing activities	8,270,822	(5,107,030)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,500,987)	(3,534,989)
CASH AND CASH EQUIVALENTS AT 1ST APRIL 2001/2000	1,493,842	5,028,831
CASH AND CASH EQUIVALENTS AT 31ST MARCH	(7,145)	1,493,842
Cash and cash equivalents comprise:		
Cash and bank balances	644,122	530,918
Placements with financial institutions	1,819,264	1,840,000
Bank overdrafts	(2,470,531)	(877,076)
	(7,145)	1,493,842

The accompanying notes are an integral part of this statement.

balance sheet - 31st March 2002

IN RM	NOTE	2002	2001
NON-CURRENT ASSETS			
Property, plant and equipment	3	24,977,176	23,428,407
Investments	4	9,683,001	9,301,200
		<u>34,660,177</u>	<u>32,729,607</u>
CURRENT ASSETS			
Due from subsidiaries		9,983,359	9,430,553
Inventories	6	5,710,174	5,513,834
Trade receivables	7	1,925,214	1,116,173
Other receivables	8	714,060	248,954
Placements with licensed banks		950,000	870,000
Cash and bank balances		141,961	97,436
		<u>19,424,768</u>	<u>17,276,950</u>
CURRENT LIABILITIES			
Due to subsidiaries	10	–	53,276
Trade payables		2,692,857	3,254,389
Other payables	11	1,452,663	1,706,207
Short term borrowings	12	3,889,425	1,192,479
Taxation		506,699	606,876
Dividend payable		–	126,000
		<u>8,541,644</u>	<u>6,939,227</u>
NET CURRENT ASSETS			
		<u>10,883,124</u>	<u>10,337,723</u>
		<u>45,543,301</u>	<u>43,067,330</u>
FINANCED BY:			
Share capital	13	17,500,000	17,500,000
Reserves		22,945,024	21,694,631
		<u>40,445,024</u>	<u>39,194,631</u>
Long term borrowings	14	1,219,277	466,699
Deferred taxation	16	3,879,000	3,406,000
Non-current liabilities		5,098,277	3,872,699
		<u>45,543,301</u>	<u>43,067,330</u>

The accompanying notes are an integral part of this balance sheet.

income statement for the year ended 31st March 2002

IN RM	NOTE	2002	2001
Revenue	17	58,032,376	54,020,386
Other operating income	18	463,748	834,556
Changes in inventories		177,519	(9,580)
Raw materials, livestock and consumables used		(42,634,031)	(42,653,852)
Finished goods purchased		(1,977,631)	(708,964)
Staff costs	19	(3,768,419)	(3,130,719)
Depreciation		(2,099,800)	(2,031,646)
Other operating expenses	21	(6,239,071)	(4,400,398)
Profit from operations		1,954,691	1,919,783
Finance costs	22	(167,298)	(155,595)
Profit before taxation		1,787,393	1,764,188
Taxation	23	(537,000)	(378,200)
Net profit for the year		1,250,393	1,385,988

The accompanying notes are an integral part of this statement.

statement of changes in equity for the year ended 31st March 2002

IN RM	NON-DISTRIBUTABLE			TOTAL
	SHARE CAPITAL	REVALUATION RESERVE	DISTRIBUTABLE RETAINED PROFITS	
At 1st April 2000	17,500,000	142,536	20,292,107	37,934,643
Net profit for the year	–	–	1,385,988	1,385,988
Dividends (Note 25)	–	–	(126,000)	(126,000)
At 31st March 2001	17,500,000	142,536	21,552,095	39,194,631
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

The accompanying notes are an integral part of this statement.

cash flow statement for the year ended 31st March 2002

IN RM	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,787,393	1,764,188
Adjustments for:		
Depreciation	2,099,800	2,031,646
Dividend income	(13,500)	(14,750)
Gain on disposal of property, plant and equipment	(46,694)	(44,517)
Property, plant and equipment written off	69,983	–
Interest expense	167,298	155,595
Interest income	(14,992)	(277,487)
Loss on exchange – unrealised	2,079	14,704
Provision for diminution in value of associated company	49,999	–
Writeback of doubtful debts	–	(371,850)
(Writeback of)/provision for diminution in value of quoted investments	(81,800)	81,800
Writeback of provision for diminution in value of a subsidiary	–	(900,000)
Operating profit before working capital changes	4,019,566	2,439,329
(Increase)/decrease in receivables	(1,189,113)	657,548
(Increase)/decrease in inventories	(196,340)	5,459,698
(Decrease)/increase in payables	(815,076)	309,082
Net change in related company balances	(606,082)	417,139
Cash generated from operations	1,212,955	9,282,796
Interest paid	(167,298)	(155,595)
Taxes paid	(164,177)	(184,350)
Net cash generated from operating activities	881,480	8,942,851
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,828,545)	(2,821,981)
Proceeds from disposal of property, plant and equipment	164,302	55,500
Purchase of investments	(350,000)	(3,300)
Interest received	14,992	7,055
Dividend received	11,428	14,750
Net cash used in investing activities	(1,987,823)	(2,747,976)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(126,000)	(1,260,000)
Drawdown/(repayment) of short term borrowings – net	1,846,173	(3,935,000)
Repayment of term loans	(633,135)	(606,953)
Net cash generated from/(used in) financing activities	1,087,038	(5,801,953)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(19,305)	392,922
CASH AND CASH EQUIVALENTS AT 1ST APRIL 2001/2000	412,957	20,035
CASH AND CASH EQUIVALENTS AT 31ST MARCH	393,652	412,957
Cash and cash equivalents comprise:		
Cash and bank balances	141,961	97,436
Placements with financial institutions	950,000	870,000
Bank overdrafts	(698,309)	(554,479)
	393,652	412,957

The accompanying notes are an integral part of this statement.

1 PRINCIPAL ACTIVITIES AND GENERAL 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 these 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. 41-A, 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 477 (2001 : 330) and 165 (2001 : 129) respectively.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Group and 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

Consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits therefrom. Companies acquired or disposed off are included in the consolidated financial statements from the date of acquisition or to the date of disposal. Subsidiaries are consolidated using the acquisition method of accounting.

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 difference between the cost of an acquisition over 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 reserve arising on consolidation. Reserve arising on consolidation is not amortised. Goodwill arising on consolidation is amortised over a period of 25 years. Goodwill on consolidation is reviewed at each balance sheet date and will be written down for impairment where it is considered necessary.

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 reserve on consolidation which were not previously recognised in the consolidated income statement.

(c) Associated Companies

The Group treats as associated companies those companies in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associated companies.

The Group's share of post-acquisition profits less losses of associated companies is included in the consolidated income statement and the Group's interest in associated companies is stated at cost plus the Group's share of post-acquisition retained profits or accumulated losses and reserves.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Associated Companies (cont'd)

Unrealised gains on transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are eliminated unless cost cannot be recovered.

The difference between the purchase consideration and the fair value of net assets acquired is reflected as goodwill or reserve on acquisition. Goodwill on acquisition is reviewed at each balance sheet date and will be written down for impairment when it is considered necessary.

(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 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 of International Accounting Standard No. 16 (Revised): Property, Plant and Equipment as adopted by the Malaysian Accounting Standards Board, these assets are stated at their 1993 valuation less accumulated depreciation.

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to 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 previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

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%

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Inventories

Inventories are stated at the lower of cost (determined on a first-in, first-out basis) and net realisable value. Cost represents cost of purchase, direct labour and attributable overhead costs.

(f) Currency Conversion and Translation

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currency at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences are taken to the income statement.

The principal exchange rate ruling at balance sheet date used is as follows (denominated in units of Ringgit Malaysia per unit of foreign currency):

IN RM	2002	2001
Singapore Dollar	2.032	2.073

(g) Deferred Taxation

Deferred taxation is provided under the liability method for all material timing differences except where there is reasonable evidence that these timing differences will not reverse.

(h) 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.

The Group recognises finance leases as assets and liabilities in the balance sheets at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. 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. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for a leased asset is consistent with that for depreciable property, plant and equipment as described in Note 2(d).

Lease rental payments on operating leases are charged to the income statements either in the year they become payable or in equal instalments over the period of the lease.

(i) Investments

Quoted investments are stated at the lower of cost and market value, determined on an aggregate basis by category of investments.

The Company accounts for its investments in subsidiaries, associated company and other investments at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the year in which the decline occurred. On disposal of an investment, the difference between the net proceeds and its carrying amount is charged or credited to the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Revenue Recognition

(i) Sales are recognised net of discounts when transfers of risks and rewards have been completed.

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

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

(k) Interest Capitalisation

Interest incurred on borrowings relating to the construction of property, plant and equipment is capitalised until the assets are ready for their intended use.

(l) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

(m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and deposits at call, net of bank overdrafts.

3 PROPERTY, PLANT AND EQUIPMENT

GROUP IN RM	LAND AND BUILDINGS	PLANT AND MACHINERY	MOTOR VEHICLES	OFFICE EQUIPMENT, FURNITURE AND FITTINGS	TOTAL
COST/VALUATION					
At 1st April 2001	49,557,262	18,599,530	4,310,478	2,091,267	74,558,537
Additions	7,599,362	4,375,295	1,759,014	262,068	13,995,739
Disposals	-	-	(550,461)	(6,850)	(557,311)
Write-offs	-	-	(71,169)	(549)	(71,718)
At 31st March 2002	57,156,624	22,974,825	5,447,862	2,345,936	87,925,247
ACCUMULATED DEPRECIATION					
At 1st April 2001	11,030,517	8,017,138	2,525,265	776,167	22,349,087
Charge for the year	2,016,347	1,452,186	774,626	157,705	4,400,864
Disposals	-	-	(287,144)	(2,548)	(289,692)
Write-offs	-	-	(1,186)	(174)	(1,360)
At 31st March 2002	13,046,864	9,469,324	3,011,561	931,150	26,458,899

notes to the financial statements - 31st March 2002

3 PROPERTY, PLANT AND EQUIPMENT (cont'd)

GROUP IN RM	LAND AND BUILDINGS	PLANT AND MACHINERY	MOTOR VEHICLES	OFFICE EQUIPMENT, FURNITURE AND FITTINGS	TOTAL
NET BOOK VALUE					
At 31st March 2002	44,109,760	13,505,501	2,436,301	1,414,786	61,466,348
At 31st March 2001	38,526,745	10,582,392	1,785,213	1,315,100	52,209,450
DEPRECIATION CHARGE FOR 2001	1,824,545	1,417,129	682,749	137,055	4,061,478
COMPANY					
COST/VALUATION					
At 1st April 2001	19,078,789	9,776,377	2,453,461	1,731,658	33,040,285
Additions	905,349	1,886,955	895,370	233,527	3,921,201
Write-offs	–	–	(71,169)	–	(71,169)
Disposals	–	–	(315,300)	(6,850)	(322,150)
At 31st March 2002	19,984,138	11,663,332	2,962,362	1,958,335	36,568,167
ACCUMULATED DEPRECIATION					
At 1st April 2001	4,111,627	3,489,503	1,391,166	619,582	9,611,878
Charge for the year	719,555	794,064	457,762	128,419	2,099,800
Write-offs	–	–	(1,186)	–	(1,186)
Disposals	–	–	(116,953)	(2,548)	(119,501)
At 31st March 2002	4,831,182	4,283,567	1,730,789	745,453	11,590,991
NET BOOK VALUE					
At 31st March 2002	15,152,956	7,379,765	1,231,573	1,212,882	24,977,176
At 31st March 2001	14,967,162	6,286,874	1,062,295	1,112,076	23,428,407
DEPRECIATION CHARGE FOR 2001	711,982	768,203	440,754	110,707	2,031,646

3 PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

GROUP IN RM	VALUATION	COST	TOTAL
COST/VALUATION			
Land – Freehold	3,237,000	3,704,991	6,941,991
– Long leasehold	–	2,632,809	2,632,809
– Short leasehold	–	264,352	264,352
Buildings	11,145,678	34,142,216	45,287,894
Buildings-in-progress	–	2,029,578	2,029,578
	<u>14,382,678</u>	<u>42,773,946</u>	<u>57,156,624</u>
ACCUMULATED DEPRECIATION			
Land – Freehold	–	–	–
– Long leasehold	–	32,129	32,129
– Short leasehold	–	1,574	1,574
Buildings	4,595,857	8,417,304	13,013,161
Buildings-in-progress	–	–	–
	<u>4,595,857</u>	<u>8,451,007</u>	<u>13,046,864</u>
NET BOOK VALUE			
At 31st March 2002	<u>9,786,821</u>	<u>34,322,939</u>	<u>44,109,760</u>
At 31st March 2001	<u>10,372,322</u>	<u>28,154,423</u>	<u>38,526,745</u>
COMPANY			
Land – Freehold	2,047,000	2,018,545	4,065,545
Buildings	8,302,543	7,616,050	15,918,593
	<u>10,349,543</u>	<u>9,634,595</u>	<u>19,984,138</u>
ACCUMULATED DEPRECIATION			
Land – Freehold	–	–	–
Buildings	3,082,520	1,748,662	4,831,182
	<u>3,082,520</u>	<u>1,748,662</u>	<u>4,831,182</u>
NET BOOK VALUE			
At 31st March 2002	<u>7,267,023</u>	<u>7,885,933</u>	<u>15,152,956</u>
At 31st March 2001	<u>7,658,159</u>	<u>7,309,003</u>	<u>14,967,162</u>

notes to the financial statements - 31st March 2002

3 PROPERTY, PLANT AND EQUIPMENT (cont'd)

- (a) Freehold and long term leasehold land of certain subsidiaries with net book value amounting to RM2,131,000 (2001 : RM968,000) have been pledged to a financial institution as security for bank borrowings.
- (b) Due to the absence of certain historical records, the net book values of the above land and buildings had the revalued assets been carried at historical cost less accumulated depreciation are not disclosed.
- (c) Net book value of property, plant and equipment held under hire purchase arrangements are as follows:

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
Motor vehicles	816,135	226,875	451,903	–
Plant and machinery	1,789,019	99,583	1,789,019	–

- (d) Interest capitalised during the financial year under buildings-in-progress amounted to RM82,126 (2001 : RMNil).
- (e) During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost (excluding interest capitalised) of RM13,913,613 (2001 : RM7,545,425) and RM3,921,201 (2001 : RM2,821,981) respectively of which RM2,326,226 (2001 : RM160,200) and RM2,092,656 (2001 : RMNil) respectively were acquired by means of hire purchase arrangements.

4 INVESTMENTS

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
(a) SUBSIDIARIES				
Unquoted shares				
– at cost	–	–	5,375,832	5,025,832
– at valuation**	–	–	3,497,390	3,497,390
	–	–	8,873,222	8,523,222
(b) ASSOCIATED COMPANY				
Unquoted shares, at cost	–	200,000	–	200,000
Provision for diminution in value	–	–	–	(150,000)
Goodwill on acquisition written off	–	(150,000)	–	–
Group's share of post acquisition losses	–	(49,999)	–	–
	–	1	–	50,000
Represented by:				
Share of net liabilities	–	(346)		
Goodwill on acquisition	–	150,347		
Goodwill on acquisition written off	–	(150,000)		
	–	1		

4 INVESTMENTS (cont'd)

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
(c) Other investments				
Shares quoted in Malaysia, at cost	695,078	695,078	691,778	691,778
Provision for diminution in value	–	(81,800)	–	(81,800)
	695,078	613,278	691,778	609,978
Other investments	318,000	118,000	318,000	118,000
Provision for diminution in value	(199,999)	–	(199,999)	–
	118,001	118,000	118,001	118,000
Total investments	813,079	731,279	9,683,001	9,301,200
Market value of shares quoted in Malaysia	1,071,340	613,460	1,068,970	611,380

(i) The subsidiaries, which are incorporated in Malaysia, are:

NAME OF COMPANY IN RM	PAID-UP CAPITAL	EFFECTIVE INTEREST		PRINCIPAL ACTIVITY
		2002 %	2001 %	
Hing Hong Sdn Berhad	2,000,000	100	100	Poultry farming
Innofarm (Klang) Sdn Bhd #	400,000	70	70	Poultry farming
Evergreen Organic Fertilisers Sdn Berhad	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 #	800,000	25.5	25.5	Poultry processing and marketing

Subsidiaries not audited by Arthur Andersen & Co.

+ 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.

4 INVESTMENTS (cont'd)

(ii) The associated company in the previous financial year, which is incorporated in Malaysia, is:

NAME OF COMPANY IN RM	PAID-UP CAPITAL	EFFECTIVE INTEREST		FINANCIAL YEAR END	PRINCIPAL ACTIVITY
		2002 %	2001 %		
Melilea (M) Sdn Bhd (formerly known as Leaderway Dotcom Sdn Bhd)*	700,000	28.57	28.57	31 March	Multi-level marketing of personal health-care and beauty products. It has ceased operations during the year.

* Associated company not audited by Arthur Andersen & Co.

During the financial year, the Company ceased to exercise significant influence over the financial and operating policies of Melilea (M) Sdn Bhd. As such, the investment has been reclassified from an associated company to other investment.

5 GOODWILL ARISING ON CONSOLIDATION, net

IN RM	GROUP	
	2002	2001
Goodwill arising on consolidation	2,661,777	2,661,777
Reserves arising on consolidation	(362,677)	(362,677)
Less:	2,299,100	2,299,100
Accumulated amortisation of goodwill	(319,414)	(212,943)
	<u>1,979,686</u>	<u>2,086,157</u>

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 reserves arising on consolidation are attributable to the acquisition of Hing Hong Sdn Berhad and Innofarm (Klang) Sdn Bhd.

6 INVENTORIES

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
At cost:				
Livestock	9,474,006	7,835,554	2,260,162	2,137,718
Eggs	446,424	420,171	187,753	132,678
Raw materials	3,515,500	3,565,070	3,176,373	3,203,895
Organic fertilisers	364,202	226,238	–	–
Packing materials	107,797	71,893	85,886	39,543
Consumables	159,877	278,482	–	–
	14,067,806	12,397,408	5,710,174	5,513,834

7 TRADE RECEIVABLES

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
Trade receivables	9,860,991	7,196,596	2,211,233	1,402,192
Provision for doubtful debts	(2,197,317)	(2,226,024)	(286,019)	(286,019)
	7,663,674	4,970,572	1,925,214	1,116,173

8 OTHER RECEIVABLES

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
Prepayments	130,241	136,668	107,570	85,822
Sundry receivables	619,396	58,022	247,170	31,476
Deposits	311,072	714,213	56,725	55,922
Others	504,326	503,110	302,595	75,734
	1,565,035	1,412,013	714,060	248,954

9 DUE TO CORPORATE SHAREHOLDERS

The amount due to Innofarm Sdn Bhd, a corporate shareholder of a subsidiary, is unsecured and interest-free except for an amount of RM2.38 million in the previous year which bears interest at the rate of 7.8% per annum. Included in the amount due to a corporate shareholder is an amount of RM2.8 million (2001: RM2.8 million) which has been subordinated for credit facilities granted to a subsidiary by a financial institution, and an amount of RM598,000 (2001: RMNil) which will be repayable after 12 months.

10 DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, have no fixed terms of repayment and are interest free (2001 : 3.2% to 3.45% per annum).

notes to the financial statements - 31st March 2002

11 OTHER PAYABLES

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
Due to director of a subsidiary	273,000	273,000	–	–
Accruals	890,332	770,661	599,229	542,101
Sundry payables	2,238,623	1,670,441	853,434	1,164,106
	3,401,955	2,714,102	1,452,663	1,706,207

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

12 SHORT TERM BORROWINGS

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
Bank overdrafts	2,470,531	877,076	698,309	554,479
Bankers' acceptances	7,451,000	2,984,000	2,060,000	38,000
Short term advances	300,000	–	–	–
Long term borrowings due within 12 months (Note 14)	1,148,112	1,036,146	433,564	600,000
Hire purchase payables (Note 15)	828,819	90,114	697,552	–
	12,198,462	4,987,336	3,889,425	1,192,479

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 and subordination of shareholders' loan of RM5.4 million (2001 : RM2.8 million) in certain subsidiaries.

The short term borrowings bear interest of between 3.25% to 10.06% (2001 : 3.20% to 9.30%) per annum.

13 SHARE CAPITAL

IN RM	NUMBER ORDINARY SHARES OF RM1.00 EACH		AMOUNT	
	2002	2001	2002	2001
(a) Authorised	20,000,000	20,000,000	20,000,000	20,000,000
(b) Issued and fully paid	17,500,000	17,500,000	17,500,000	17,500,000
(c) ESOS				

The options over unissued shares of the Company which had been granted pursuant to the ESOS approved by the shareholders at the Extraordinary General Meeting held on 27th September 1996 were as follows:

13 SHARE CAPITAL (cont'd)

DATE GRANTED IN RM	OPTION OVER ORDINARY SHARES OF RM1 EACH	OPTION PRICE
23rd December 1996	720,000	7.78
28th July 1997	981,000	6.66

There had been no movement in the options to take up unissued new ordinary shares of RM1 each during the year. These options have lapsed on 16th November 2001.

14 LONG TERM BORROWINGS

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
4% term loan	3,309,754	3,456,699	433,564	1,066,699
Floating rate term loan	6,500,990	2,804,514	-	-
	9,810,744	6,261,213	433,564	1,066,699
Less: Due within 12 months (Note 12)	(1,148,112)	(1,036,146)	(433,564)	(600,000)
Due after 12 months	8,662,632	5,225,067	-	466,699
Hire purchase payables due after 12 months (Note 15)	1,424,591	106,779	1,219,277	-
	10,087,223	5,331,846	1,219,277	466,699
Maturity of long term borrowings:				
Amount repayable within two years	1,652,729	1,070,959	697,552	466,699
Amount repayable after two years but within five years	5,234,504	2,022,845	521,725	-
Amount repayable after five years	3,199,990	2,238,042	-	-
	10,087,223	5,331,846	1,219,277	466,699

The term loan of the Company is secured by way of a negative pledge on the assets of the Company.

The term loans of the subsidiaries are secured by way of corporate guarantee from the Company and a corporate shareholder, fixed charge on certain landed properties and subordination of shareholders' loan of RM5.4 million (2001 : RM2.8 million) in the subsidiaries.

notes to the financial statements - 31st March 2002

15 HIRE PURCHASE PAYABLES

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
Future minimum payments:				
Payable within one year	949,296	103,066	798,048	–
Payable between one and five years	1,612,617	123,920	1,384,659	–
	2,561,913	226,986	2,182,707	–
Less: Interest-in-suspense	(308,503)	(30,093)	(265,878)	–
	2,253,410	196,893	1,916,829	–
Representing hire purchase payables:				
Due within 12 months (Note 12)	828,819	90,114	697,552	–
Due after 12 months (Note 14)	1,424,591	106,779	1,219,277	–
	2,253,410	196,893	1,916,829	–

16 DEFERRED TAXATION

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
At 1st April 2001/2000	4,055,000	3,967,000	3,406,000	3,029,000
Transfer from income statement (Note 23)	275,000	88,000	473,000	377,000
At 31st March	4,330,000	4,055,000	3,879,000	3,406,000

Deferred taxation amounting to approximately RM7,000 (2001: 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.

17 REVENUE

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

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
Sale of eggs	49,407,534	45,011,820	29,388,292	24,205,255
Sale of livestocks	21,752,769	24,017,170	1,016,072	1,044,264
Sale of feed	50,257	–	26,899,422	28,100,271
Processed chicken	9,034,742	6,588,248	–	–
Others	1,718,915	1,522,632	728,590	670,596
	81,964,217	77,139,870	58,032,376	54,020,386

18 OTHER OPERATING INCOME

Included in other operating income are the following:

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
Gain on disposal of property, plant and equipment	79,568	67,350	46,694	44,517
Rental income				
– subsidiary	–	–	3,600	3,600
– others	10,650	14,400	5,400	5,400
Gross dividends from quoted investments	13,500	14,750	13,500	14,750
Interest income				
– subsidiaries	–	–	–	270,432
– others	36,411	78,613	14,992	7,055
Management fees receivable from subsidiaries	–	–	288,000	288,000
Gain on foreign exchange				
– realised	252	–	–	–

19 STAFF COSTS

Included in staff costs of the Group and the Company are directors' remuneration (excluding directors' fees) amounting to RM954,210 (2001 : RM918,630) and RM719,010 (2001 : RM700,230) respectively.

20 DIRECTORS' REMUNERATION

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
DIRECTORS OF THE COMPANY				
Executive:				
Salaries and other emoluments	833,210	820,630	628,010	617,230
Fees	130,000	172,000	34,000	44,000
Bonus	115,000	55,000	85,000	40,000
Advisory fees	–	15,000	–	15,000
Gratuity paid to a former director of the Company	–	28,000	–	28,000
Benefits-in-kind	50,125	62,875	50,125	62,875
	1,128,335	1,153,505	797,135	807,105
Non-Executive:				
Fees	80,000	70,000	48,000	38,000
Bonus	6,000	–	6,000	–
	86,000	70,000	54,000	38,000
OTHER DIRECTORS				
Executive:				
Fees	44,000	36,000	–	–
Total	1,258,335	1,259,505	851,135	845,105
Total excluding directors fees and benefits-in-kind	954,210	918,630	719,010	700,230

notes to the financial statements - 31st March 2002

20 DIRECTORS' REMUNERATION (cont'd)

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

	NUMBER OF DIRECTORS	
	2002	2001
Executive Directors:		
RM150,001 – RM200,000	–	2
RM250,001 – RM300,000	2	1
RM500,001 – RM550,000	–	1
RM550,001 – RM600,000	1	–
Non-Executive Directors:		
Below RM50,000	4	3

21 OTHER OPERATING EXPENSES

Included in other operating expenses are:

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
Amortisation of goodwill	106,471	106,471	–	–
Audit fee – current year	71,500	63,000	19,000	16,000
– underprovision in prior year	6,000	–	3,000	–
Bad debts written off	9,290	2,079	–	–
Directors' fees	254,000	278,000	82,000	82,000
Hire of plant and machinery	7,220	10,943	–	–
Hiring charges payable to subsidiaries	–	–	33,858	30,000
Writeback of provision for doubtful debts	–	(686,955)	–	(371,850)
Rental	302,454	247,814	52,035	41,276
Property, plant and equipment written off	70,358	56,139	69,983	–
Loss on disposal of property, plant and equipment	15,468	6,131	–	–
Loss on foreign exchange				
– realised	475	1,443	475	1,443
– unrealised	20,613	51,667	2,079	14,704
(Writeback of)/provision for diminution in value of				
– quoted investments	(81,800)	81,800	(81,800)	81,800
– unquoted investments	–	–	49,999	–
Preliminary expenses written off	–	7,199	–	–
Writeback of provision for diminution in value of a subsidiary	–	–	–	(900,000)

22 FINANCE COSTS

Included in finance costs are:

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
Interest expense on borrowings	807,917	852,987	167,298	155,595
Less: Amount capitalised in buildings-in-progress	(82,126)	–	–	–
	725,791	852,987	167,298	155,595

23 TAXATION

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
Current year's charge	72,000	77,636	64,000	77,200
Transfer to deferred taxation (Note 16)	275,000	88,000	473,000	377,000
Under/(over) provision in prior years	60,669	(75,008)	–	(76,000)
	407,669	90,628	537,000	378,200

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

As at 31st March 2002, 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 RM9,720,000 (2001 : RM9,222,000), subject to agreement with the Inland Revenue Board.

In addition, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967, to frank the payment of dividends amounting to RM12,120,000 (2001 : RM11,912,000) out of its retained profits as at 31st March 2002. If the balance of the retained profits were to be distributed as dividends, the Company would have a Section 108 shortfall of approximately RM234,000 (2001 : RM117,000).

24 EARNINGS PER SHARE

(a) The basic earnings per share of the Group is calculated by dividing the net profit for the year of RM1,159,235 (2001 : RM137,593) by the number of ordinary shares in issue during the year of 17,500,000 (2001 : 17,500,000).

(b) There is no diluted loss per share as the Company does not have any potential ordinary shares as at the year end. The diluted earnings per share in the previous year was not presented in the financial statements as the effect of the assumed conversion of the ESOS was anti-dilutive.

notes to the financial statements - 31st March 2002

25 DIVIDENDS

GROUP AND COMPANY	2002		NET DIVIDEND PER SHARE	
	RM	RM	2002 SEN	2001 SEN
Ordinary final dividend of Nil% (2001: 1% less 28% taxation)	–	126,000	–	0.72

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year of 1% on 17,500,000 ordinary shares less 28% taxation amounting to RM126,000 (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 next financial year.

26 SIGNIFICANT RELATED PARTY TRANSACTIONS

IN RM	COMPANY	
	2002	2001
Purchase from subsidiaries		
– Innofarm (Klang) Sdn Bhd	1,571,065	476,870
– Hing Hong Sdn Berhad	1,415,730	1,268,709
– Innobrid Sdn Bhd	7,322	–
Sales to subsidiaries		
– Innofarm (Klang) Sdn Bhd	7,378,033	6,608,642
– Hing Hong Sdn Berhad	8,407,804	9,629,289
– Innobrid Sdn Bhd	13,097,007	12,783,148
– Sri Tawau Farming Sdn Bhd	–	98,224
– Evergreen Organic Fertilisers Sdn Berhad	120,000	120,000
Hiring charges payable to subsidiaries		
– Hing Hong Sdn Berhad	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 under terms and conditions not materially different from those obtainable in transactions with unrelated parties.

27 CAPITAL COMMITMENTS

IN RM	GROUP		COMPANY	
	2002	2001	2002	2001
Approved and contracted for				
– Property, plant and equipment	2,524,000	4,319,000	1,978,000	305,000
Approved but not contracted for				
– Property, plant and equipment	7,579,000	12,427,000	3,652,000	6,179,000

28 CONTINGENT LIABILITIES – UNSECURED

IN RM	COMPANY	
	2002	2001
Corporate guarantee issued to financial institutions and corporate shareholder for credit facilities granted to subsidiaries	13,186,000	6,900,000

29 SIGNIFICANT EVENTS

(a) Corporate proposals

On 29th March 2000, the Company announced the following:

- (i) Proposed bonus issue of up to 19,201,000 new ordinary shares of RM1 each in the Company (“Bonus Issue”) on the basis of one Bonus Share for every one existing ordinary share held;
- (ii) Proposed rights issue of up to 19,201,000 new ordinary shares of RM1 each in the Company (“Rights Issue”) on the basis of one Rights Share at RM1 each, for every one existing ordinary share held before the proposed Bonus Issue; and
- (iii) Proposed increase in authorised share capital from RM20 million comprising 20 million ordinary shares of RM1 each to RM100 million comprising 100 million ordinary shares of RM1 each.

The proposed Bonus Issue is to be effected by the capitalisation of RM17.5 million from the retained profits of the Company and the balance of up to RM1.701 million to be capitalised from the share premium account of the Company.

The proposed Rights Issue was approved by the Securities Commission (“SC”) on 19th January 2001. However, the application to capitalise the RM1.701 million from the share premium account for the issuance of bonus shares was not approved by the SC as the relevant SC Guidelines thereon were not met.

In view of the weak market sentiment, on 19th February 2001, the Company revised the above proposals to the following:

- (i) Proposed bonus issue (“Revised Bonus Issue”) of up to 9,600,500 new ordinary shares of RM1 each in the Company on the basis of one Bonus Share for every two existing ordinary shares held; and
- (ii) Proposed rights issue (“Revised Rights Issue”) of up to 9,600,500 new ordinary shares of RM1 each in the Company on the basis of one Rights Share at RM1 each for every two existing shares held before the proposed Revised Bonus Issue.

On 13th July 2001, the SC approved the proposed Revised Rights Issue. An extension of time was also granted by the SC on 29th January 2002 for the Company to implement the proposed Revised Rights Issue before 30th June 2002. The proposed Revised Bonus Issue does not require the approval of the SC.

As the Company’s ESOS had expired on 16th November 2001, the maximum number of ordinary shares in the Company to be issued pursuant to the proposed Revised Bonus Issue and Revised Rights Issue was reduced to 8,750,000 Bonus Shares and 8,750,000 Rights Shares respectively.

The above proposals had been approved by the shareholders of the Company at the Extraordinary General Meeting of the Company held on 3rd April 2002.

Approval-in-principle from the Kuala Lumpur Stock Exchange was obtained on 7th May 2002 for the listing of and quotation of the Rights Shares and Bonus Shares on the Second Board of the KLSE. The SC had approved an extension of time until 31st July 2002 for the Company to complete the implementation of the Proposed Rights Issue.

notes to the financial statements - 31st March 2002

29 SIGNIFICANT EVENTS (cont'd)

(b) A subsidiary, Sri Tawau Farming Sdn Bhd, had on 24th April 2001, increased:

- (i) its authorised share capital from RM500,000 comprising 499,999 ordinary shares of RM1 each and 1 special rights share of RM1 to RM5,000,000 comprising 4,999,999 ordinary shares of RM1 each and 1 special rights share of RM1; and
- (ii) its issued and paid-up share capital from RM300,002 comprising 300,001 ordinary shares of RM1 each and 1 special rights share of RM1 to RM1,000,002 comprising 1,000,001 ordinary shares of RM1 each and 1 special rights share of RM1 for cash for capital expenditure and working capital purposes.

30 SUBSEQUENT EVENTS

Subsequent to the year end,

(a) A subsidiary, Innobrid Marketing Sdn Bhd, had on 1st April 2002 increased:

- (i) its authorised share capital from RM1,000,000 comprising 1,000,000 shares of RM1 each to RM5,000,000 comprising 5,000,000 ordinary shares of RM1 each; and
- (ii) its issued and paid-up share capital from RM800,000 comprising 800,000 ordinary shares of RM1 to RM1,600,000 comprising 1,600,000 ordinary shares of RM1 each for cash for capital expenditure and working capital purposes.

(b) In connection with the above, a subsidiary, Innobrid Sdn Bhd had on 16th April 2002 subscribed for 800,000 new ordinary shares of RM1 each in Innobrid Marketing Sdn Bhd at par for cash, thereby increasing the Group's effective interest from 25.5% to 37.75%.

31 FINANCIAL INFORMATION BY SEGMENT

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

32 COMPARATIVE FIGURES

The following balance sheet comparative figures have been reclassified to conform with the current year's presentation:

GROUP IN RM	AS	
	AS RESTATED	PREVIOUSLY STATED
Reserves	25,785,526	26,148,203
Goodwill arising on consolidation, net	(2,086,157)	(2,448,834)
Hire purchase payables	–	106,779
Term loans	–	5,225,067
Long term borrowings	5,331,846	–
Other payables	2,714,102	2,804,216
Short term borrowings	4,987,336	4,897,222
Due to a corporate shareholder – current	1,650,891	4,548,891
Due to a corporate shareholder – non-current	2,898,000	–

analysis of shareholdings as at 31st July 2002

Authorised Share Capital	– RM100,000,000
Issued & Fully Paid-Up Capital	– RM35,000,000
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 – 999	74	3.42	8,863	0.03
1,000 – 10,000	1,868	86.24	6,018,129	17.19
10,001 – 100,000	201	9.28	4,887,008	13.96
100,001 – 1,749,999 (*)	21	0.97	8,336,000	23.82
1,750,000 and above (**)	2	0.09	15,750,000	45.00
	2,166	100.00	35,000,000	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	11,820,000	33.77
2 Innofarm Sdn Bhd	3,930,000	11.23

analysis of shareholdings as at 31st July 2002

THIRTY LARGEST REGISTERED SHAREHOLDERS

NAME OF SHAREHOLDER	NO. OF SHARES	%
1 Bumiputra - Commerce Nominees (Tempatan) Sdn Bhd for Innofarm Sdn Bhd	11,820,000	33.77
2 Innofarm Sdn Bhd	3,930,000	11.23
3 Lembaga Tabung Haji	1,014,000	2.90
4 Lai Kum Sim	922,500	2.64
5 Tan Sok Huang	852,000	2.43
6 Tan Han Chuan	678,000	1.94
7 Ong Har Hong	648,000	1.85
8 Wong Chee Choon	640,000	1.83
9 Tan Ching Ching	638,000	1.82
10 Universal Trustee (Malaysia) Berhad for BHLB Pacific Emerging Companies Growth Fund	402,500	1.15
11 Universal Trustee (Malaysia) Berhad for BHLB Pacific High Growth Fund	400,000	1.14
12 Amanah Raya Berhad for BHLB Pacific Double Growth Fund	400,000	1.14
13 AMMB Nominees (Tempatan) Sdn Bhd for Amtrustee Berhad for BHLB Pacific Dana Al-Ehsan	400,000	1.14
14 Mayban Nominees (Tempatan) Sdn Bhd for Cheng Ying Ying	300,000	0.86
15 Poo Choo @ Ong Poo Choi	210,000	0.60
16 Azmi bin Abdullah	200,000	0.57
17 Mayban Securities Nominees (Tempatan) Sdn Bhd for Ong Huey Peng	196,000	0.56
18 Ban Seng Guan Sdn Bhd	158,000	0.45
19 Pos Malaysia Berhad	144,000	0.41
20 Lindawaty Julia	133,000	0.38
21 Tawakar Enterprise Sdn Bhd	110,000	0.31
22 Yoong Sow Har	94,000	0.27
23 Ong Wah Seng	92,000	0.26
24 Goh Siew Hong	88,000	0.25
25 Alliancegroup Nominees (Tempatan) Sdn Bhd for Lim Yoke Sim	87,000	0.25
26 Low Saw Tin	85,000	0.24
27 Public Nominees (Tempatan) Sdn Bhd for Chieng You Ping	84,000	0.24
28 Si Hong Kuan	84,000	0.24
29 Tan Choo Mit	76,000	0.22
30 Ang Guan Seng	76,000	0.22
Total	24,962,000	71.31

properties owned by Lay Hong Berhad group of companies as at 31st March 2002

LOCATION	DESCRIPTION AND EXISTING USE	APPROXIMATE AREA (ACRES)	TENURE AND 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 Buildings	9111 sq. ft.	Freehold	17	541	3/4/90 (no. 39) 26/6/84 (no. 41)
Lot No. 4858 Mukim of Jeram District of Kuala Selangor	Poultry Farm	12	Land under Tenant's Lease May 2006	18	1,014	1/6/91
Lot No. 4857 Mukim of Jeram District of Kuala Selangor	Poultry Farm & Feedmill	12.8	Freehold	3 – 18	1,503	6/1/76
Lot No. 559 Mukim of Ijok Kuala Selangor	Poultry Farm	34	Freehold	3 – 10	9,788	23/3/90
Lot No. 1640 Mukim of Ijok Kuala Selangor	Poultry Farm	5	Freehold	7 – 11	416	29/4/91
Lot No. 1954 Mukim of Jeram District of Kuala Selangor	Poultry Farm (under construction)	5	Freehold	–	1,028	15/2/00
Lot No. 1868 Mukim of Jeram District of Kuala Selangor	Vacant Land	4.8	Freehold	–	403	5/4/00
Lot No. 3095 Mukim of Jeram District of Kuala Selangor	Vacant Land	4.8	Freehold	–	550	2/3/00
Lot No. 1820 Mukim of Jeram District of Kuala Selangor	Vacant Land	4.9	Freehold	–	444	13/7/01
Lot Nos. 4847/8 Mukim of Jeram District of Kuala Selangor	Poultry Farms	26	Land Under Tenant's Lease Aug 2006	3 – 15	586	1/9/86
Lot No. 4859 Mukim of Jeram District of Kuala Selangor	Fertilizer Plant & Building	4.3	Land Under Tenant's Lease Nov 2004	6 – 8	284	1/12/94

properties owned by Lay Hong Berhad group of companies as at 31st March 2002

LOCATION	DESCRIPTION AND EXISTING USE	APPROXIMATE AREA (ACRES)	TENURE AND EXPIRY DATE	AGE OF BUILDING (YEARS)	NBV (RM'000)	DATE OF ACQUISITION
Lot Nos. 1632/3 Mukim of Ijok Kuala Selangor	Poultry Farms & Hatchery	10	Freehold	1 – 10	1,407	29/9/90
Lot No. 807 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	3 – 7	730	16/6/95
Lot No. 681 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	3 – 7	978	20/9/95
Lot Nos. 708/9 Mukim Ujong Permatang Kuala Selangor	Broiler Farms	10	Freehold	3 – 6	1,402	6/5/95
Lot No. 969 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	3 – 5	750	9/6/95
Lot Nos. 683/4 & 685 Mukim Ujong Permatang Kuala Selangor	Broiler Farms	15	Land Under Tenant's Lease May 2012	2 – 5	2,493	19/5/97
Lot Nos. 1475/6 Lot Nos. 253 & 244 Mukim Pasangan Kuala Selangor	Breeder Farms	18	Freehold	1 – 4	3,170	8/5/95
Lot No. 1011 Mukim Pasangan Kuala Selangor	Vacant Land	3	Freehold	–	151	14/7/95
Lot No. 16456 Mukim Tanjong Karang District of Kuala Selangor	Vacant Land	1	Freehold	–	110	14/6/00
Lot No. 16457 Mukim Tanjong Karang District of Kuala Selangor	Vacant Land	1	Freehold	–	110	14/6/00
MELAKA Lot Nos. 1717/8/9 and 1720 Mukim of Ayer Panas Jasin, Melaka	Poultry Farms	40.4	Freehold	8 – 17	2,659	13/4/82

LOCATION	DESCRIPTION AND EXISTING USE	APPROXIMATE AREA (ACRES)	TENURE AND EXPIRY DATE	AGE OF BUILDING (YEARS)	NBV (RM'000)	DATE OF ACQUISITION
SABAH CL 045169248 Kampung Indai Tuaran, Sabah	Broiler Farm	10.7	Leasehold Jan 2060	6	826	31/10/95
NT No. 043176030 Lubok Bagiang Tuaran, Sabah	Broiler Farm	6.4	Leasehold June 2094	7	973	21/6/95
NT No. 043171651 Kampung Serusup Tuaran, Sabah	Vacant Land	9.4	Leasehold June 2094	–	147	21/6/95
CL 105245010 Mile 12, Ranggu Road Tawau, Sabah	Vacant Land	16.5	Leasehold Jan 2064	–	134	28/7/95
CL 105244648 Tawau, Sabah	Vacant Land	8.8	Leasehold May 2064	–	68	2/3/95
CL 045115928 Tuaran, Sabah	Poultry Farm & Feedmill	89	Leasehold Jan 2938	12	832	12/3/90
CL 025308043 Papar, Sabah	Broiler Breeder Farm	19.2	Leasehold Jan 2063	1 – 5	1,980	17/3/98
CL 025166714 Papar, Sabah	Vacant Land	18.8	Leasehold Jan 2056	–	105	17/3/98
CL 025166705 Papar, Sabah	Vacant Land	19.7	Leasehold Jan 2056	–	105	17/3/98
NT No. 043140905 Kampung Serusop Tuaran, Sabah	Broiler Farm (under construction)	5	Leasehold Feb 2099	–	761	13/4/00
NT No. 043140914 Kampung Lok Bagiang Tuaran, Sabah	Broiler Farm (under construction)	2.7	Leasehold Aug 2098	–	412	1/8/99
CL 015580104 Kota Kinabalu, Sabah (KKIP)	Feedmill (under construction)	2.7	Leasehold Dec 2096	–	1,747	8/12/00
NT. No. 044018224 Tuaran, Sabah	Broiler Farm (under construction)	4	Leasehold July 2031	–	615	2/7/01
NT. No. 013050569 Kampung Telipok Kota Kinabalu Sabah	Broiler Farm	5.9	Leasehold Apr 2032	1	1,051	18/1/02

notes

form of proxy

I / We

of

NRIC No. /Co. No.

being a member/members of Lay Hong Berhad hereby appoint

of

NRIC No.

or failing him/her

of

NRIC No.

as my/our proxy to vote for me / us on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held on Thursday, 19th September 2002 at 10.30am at Goldcourse Hotel, 9 Jalan Pasar, 41400 Klang, Selangor Darul Ehsan and at any adjournment thereof. My/our proxy is to vote as indicated below:

Signature of Shareholder
or Common Seal

No. of shares held

RESOLUTION	ORDINARY RESOLUTIONS	FOR	AGAINST
1	To receive the Audited Accounts for the year 31st March 2002	[]	[]
2	To declare a First and Final Dividend of 1% less tax at 28% for the year ended 31st March 2002	[]	[]
3	To approve an increase in Directors' Fees	[]	[]
4	To re-elect Dato' Mohd Desa Bin Pachi as a Director	[]	[]
5	To re-elect Mr Yeap Weng Hong as a Director	[]	[]
6	To re-elect Encik Abdul Hamid bin Mohamed Ghows as a Director	[]	[]
7	To appoint Auditors for the ensuing year	[]	[]
8	To authorise the issue of shares up to 10% of Issued Capital	[]	[]
9	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions	[]	[]

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 of appointment 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.

(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 2002.

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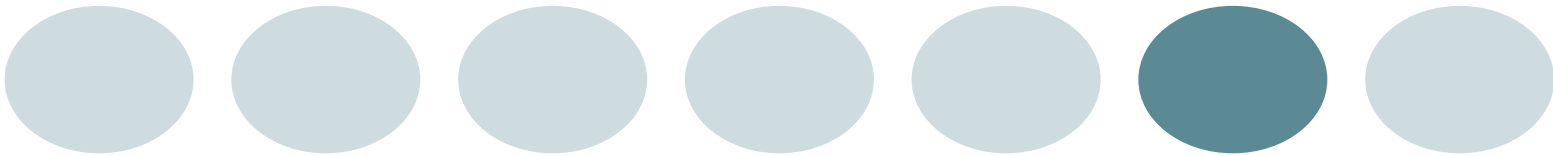
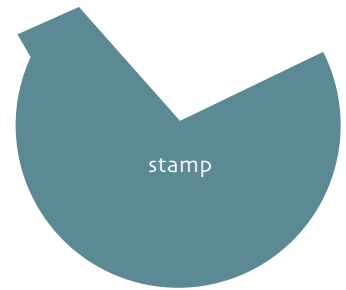
LAY HONG BERHAD

26, Jalan Istana

41000 Klang

Selangor Darul Eshan

Malaysia



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