

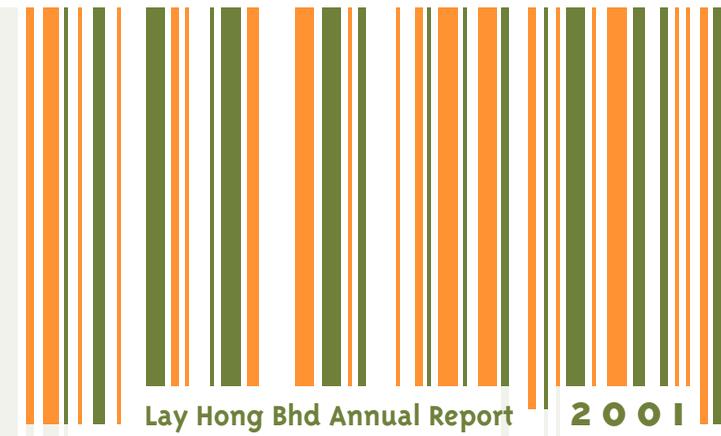
**Lay Hong Berhad** 107129-H  
Incorporated in Malaysia

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

T 03 3343 4888

F 03 3341 0251

Lay Hong Bhd 107129-H Incorporated in Malaysia | annual report 2001



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

designed by Octagon Design House

# forging ahead

As this year's cover suggests, Lay Hong is expanding into the retail sector, we have now made available our eggs in grocery outlets and supermarkets throughout the country, incorporating our own premiere NutriPlus brand.

Likewise, our Lay Hong broilers have had an impressive debut selling directly to customers.

Thanks to our own research and development efforts, NutriPlus speciality eggs now boast an even higher nutritional level. As the name implies, they are enriched with Omega-3, Organic Selenium and Vitamin E, and lower cholesterol, thereby providing consumers with a healthier yet tastier egg.

Symbolising these impressive strides, Lay Hong Berhad also proudly unveils its new corporate logo. The clean, friendly and dynamic logo further signifies our ongoing commitment to innovation, quality and customer satisfaction.

**mission statement**

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.



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**board of directors**

Chairman & Group Managing Director  
Yap Hoong Chai

Directors

Dato' Mohd Desa bin Pachi  
Yip Kim Hoong  
Yeap Weng Hong  
Yeap Fock Hoong  
Gan Soo Jin

**audit committee**

Chairman & Independent Non Executive Director  
Dato' Mohd Desa bin Pachi

Independent Non-Executive Director  
Gan Soo Jin

Executive Director  
Yap Hoong Chai

**company secretaries**

Lim King Hua, ACIS  
(MAICSA 0798613)  
Nancy Teoh, LS03084

**registered office**

26, Jalan Istana  
41000 Klang, Selangor  
T 03 3371 0611 F 03 3371 2886

**corporate office**

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

**share registrar**

Securities Services (Holdings) Sdn Bhd  
Level 22, Menara Milenium  
Jalan Damanlela, Pusat Bandar Damansara  
Damansara Heights, 50490 Kuala Lumpur  
T 03 2557 077 F 03 2549 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



from left to right

Yap Hoong Chai

Gan Soo Jin

Dato' Mohd Desa bin Pachi

Yeap Fock Hoong

Yip Kim Hoong

Yeap Weng Hong

**Yap Hoong Chai**, aged 51, 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 27 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.

**Dato Mohd Desa bin Pachi**, aged 67, 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 also the Chairman of the Audit Committee of Lay Hong Berhad. 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 Petaling Garden Bhd, Landmarks Bhd, 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 served in various capacities with the Fleet Group Sdn Bhd, the Shell Group of Companies, Permodalan Nasional Berhad and The New Straits Times Press (Malaysia) Berhad.

**Yip Kim Hoong**, aged 53, 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.

**Yeap Weng Hong**, aged 43, 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.

**Yeap Fock Hoong**, aged 47, 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. He, together with Yap Hoong Chai, Yip Kim Hoong and Yeap Weng Hong are all siblings.

**Gan Soo Jin**, 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 10th August 1994. 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 Malaysia 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.



### composition

The committee shall consist of not less than 3 members of the Board, a majority of whom shall be non-executive directors. The members of the Committee shall elect a Chairman who is a non-executive director from among their number. If the number of members is less than 3, the Board shall within 3 months, appoint new members to make up the minimum number of 3 members.

The composition of the Audit Committee comprises the following:

**Dato Mohd Desa bin Pachi**

Chairman and Independent Non-Executive Director

**Gan Soo Jin**

Independent Non-Executive Director

**Yap Hoong Chai**

Executive Director

**Lim King Hua**

Secretary

### terms of reference

The Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to any information it requires from an employee and all employees are directed to co operate with any request made by the Committee.

The Committee is empowered to retain persons having special competence as necessary to assist the Committee in fulfilling its responsibilities. The Committee is authorised by the Board to obtain external legal or other independent professional advice as necessary.

### duties

The duties of the Committee shall be:

- i to consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- ii to review with the auditors;
  - the audit plans;
  - the audit reports;
  - the maintenance of an effective internal accounting system and control;

iii to review also:

- the assistance given by the Company's and Group's officers to the auditors;
- the scope of internal audit procedures;
- the financial statements and annual reports of the Company and the Group prior to submission to the Board of Directors and the KLSE;
- any related party transaction within the Company or the Group;

iv any such other functions as may be agreed to by the Committee and the Board of Directors.

### meetings

The Audit Committee met on five (5) occasions during the financial year with the full attendance of all members.

### activities

The activities carried out during the year were as follows:

- i Reviewed the annual audit plan presented by the external auditors before the commencement of audit.
- ii Reviewed the areas of concern and resolved critical issues arising with external auditors.
- iii Reviewed Group's quarterly financial performances and recommend to the Board for approval before release to KLSE.
- iv Reviewed the financial year-end Consolidated Group audited accounts and recommend to the Board for approval before release to KLSE and its shareholders.

At present, the Group does not have an internal audit department but has a plan to set up one. The Audit Committee reviews any critical area with management and is considering outsourcing the internal audit function to a professional services firm as an interim measure until the internal audit department is fully functional.

notice is hereby given that the Seventeenth Annual General Meeting of the Company will be held at Crystal Crown Hotel Harbour View Port Klang, Crystal I, No. 217 Persiaran Raja Muda Musa, 42000 Pelabuhan Klang, Selangor on Wednesday, 26th September 2001 at 10.30 am for the following purposes:

#### ordinary business

- 1 To receive the Audited Accounts for the year ended 31st March 2001 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 2001. Resolution 2
- 3 To approve Directors' Fees for the year ended 31st March 2001. Resolution 3
- 4 To re-elect the following Directors who retire in accordance with the Company's Articles of Association, viz:
  - i. Mr. Yap Hong Chai Resolution 4
  - ii. Mr. Gan Soo Jin Resolution 5
- 5 To re-appoint Arthur Andersen & Co as Auditors to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Directors. Resolution 6

#### special business

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

"That subject always to the Companies Act, 1965 and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." Resolution 7

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

#### notice of books closure

NOTICE IS ALSO HEREBY GIVEN that the first and final Dividend of 1% less tax at 28% will be payable on 22nd October 2001 to depositors who are registered in the Record of Depositors at the close of business on 2nd October 2001 if approved by members at the Seventeenth Annual General Meeting on 26th September 2001.

A Depositor shall qualify for entitlement only in respect of:

- a Shares transferred into the Depositors Securities Account before 12.30 pm on 2nd October 2001 in respect of ordinary transfers; and
- b Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

By Order Of The Board

Secretary

Lim King Hua (F)  
MAICSA 0798613

3rd September 2001  
Klang

#### notes

- 1 Every member entitled to attend and vote at the Meeting is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative) to attend and vote on his/her stead. A proxy need not be a member of 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 authorised.
- 3 If the Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he/she thinks fit.
- 4 If no name is inserted in the space for the name of your proxy, the Chairman of the Meeting will act as your proxy.
- 5 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.

#### explanatory notes on item 6 of the agenda

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.



- 1 The Directors who are standing for re-election are Mr Yap Hoong Chai and Mr Gan Soo Jin.
- 2 The details of attendance of Directors at Board meetings, are as follows:

7 Board meetings were held during the year 2000.

The attendance record of each Director is as follows:

Executive Director	Attendance	Percentage (%)
Yap Hoong Chai	6	86%
Yeap Weng Hong	6	86%
Yip Kim Hoong	7	100%

**Non-Executive Director**

Dato' Mohd Desa bin Pachi	7	100%
Yeap Fock Hoong	6	86%
Gan Soo Jin	7	100%

- 3 The Seventeenth Annual General Meeting will be held at Crystal Crown Hotel Harbour View Port Klang, Crystal 1, No. 217 Persiaran Raja Muda Musa, 42000 Pelabuhan Klang, Selangor on 26th September 2001 at 10.30 am.
- 4 Further details of the individuals who are standing for election as Directors, are as follows:
  - i. a Mr Yap Hoong Chai is a Malaysian, aged 51, a non-independent Executive Director.
  - b He is a founder member of the Company and has 27 years experience in the local poultry farming industry and is the Chairman and Group Managing Director of the Company.

- c He does not hold any other directorship of public companies.
  - d He holds no direct shareholdings but has indirect interest in the Company and its subsidiaries.
  - e He is the brother of Mr Yip Kim Hoong, Mr Yeap Fock Hoong and Mr Yeap Weng Hong, the other Directors of the Company.
  - f He has no conflict of interest with the Company.
  - g He has no convictions for offences within the past 10 years.
- ii. a Mr Gan Soo Jin is a Malaysian, aged 51, an independent Non-Executive Director and a Chartered Accountant.
    - b He has 27 years professional experience as an Auditor, Accountant and Stock Broker, and currently is the Senior Vice President of CIMB Securities Sdn Bhd.
    - c He does not hold any other directorship of public companies.
    - d He holds 20,000 shares in the Company and has no shareholding in its 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 offences within the past 10 years.

Dear Shareholders,

On behalf of the Board of Directors,  
I am pleased to present you the Annual  
Report and Audited Accounts of Lay Hong  
Berhad Group for the financial year ended  
31st March 2001.



#### performance review

During the financial year under review, the Group recorded a turnover of RM77.140 million that is almost the same level of that registered in the last financial year of RM77.553 million even though the overall quantity of eggs and broilers produced and sold have increased. The profit before tax recorded for the year was significantly lower from RM8.115 million recorded in the previous year to RM1.118 million.

The Group operated in a difficult and competitive trading environment in the year under review for the layer operation. Prices of eggs recorded was its lowest which had never been seen before in the last couple of years. This was due to an oversupply situation by existing producers who have increased their production capacities substantially and the entry of a number of new players. Cost of feed which is a major cost component has also seen an increase.

However, for the broiler operation through our 50% plus one share subsidiary Innobrid Sdn Bhd, two more new farm houses have been completed and operational during the financial year and this has resulted in an increase in production by 35% compared to that of the previous year. With this increased capacity, contribution to group turnover is now approximately 30%. Broiler prices recorded was quite firm especially towards the 4th quarter of the financial year. With this backdrop, this operation achieved a credible performance of profit before tax of RM1.501 million.

The Sabah operation through our 50% plus one share subsidiary, Sri Tawau Farming Sdn Bhd continue to operate profitably though the contribution to group profit was reduced from RM1.734 million achieved in the last financial year to RM0.985 million.

Evergreen Organic Fertilisers Sdn Bhd, the 51% subsidiary company performed slightly better during the year under review. It achieved an increased pre-tax profit of RM0.152 million. Last year was RM52,000.00.



Shoppers can now buy Lay Hong brand NutriPlus speciality eggs at their favourite grocery outlets and supermarkets.



**corporate development**

On 30th March 2000 the Board of Directors announced a proposed rights and bonus issue of one for one which was conditionally approved by the Securities Commission on 19th January 2001. After careful deliberation and taking cognizance of the continuing weak market sentiments in the Kuala Lumpur Stock Exchange, it was subsequently revised downward to one for two on 19th February 2001.

The Securities Commission has on 13th July 2001 approved the above revised proposed exercise and is now awaiting implementation.

**dividend**

The Board is pleased to recommend a first and final dividend of one (1) sen per share less Malaysian tax at 28% for the financial year ended 31st March 2001. Subject to approval by shareholders at the forth coming Annual General Meeting, this dividend will be paid on 22nd October 2001

**prospects**

The outlook for the next financial year remain challenging for the Group as stiff competition and oversupply situation of eggs and broilers by poultry farm producers will continue to put selling prices under pressure. The Board will look into improving farm efficiency and productivity and will also put in place cost containment measures so as to remain competitive and continue to yield reasonable returns to shareholders.

**directorate**

Madam Lai Kum Sim resigned as Director on 16th December 2000. On behalf of the Board, I wish to extend our sincere thanks for her invaluable contributions during her tenure on the Board of Lay Hong Berhad.



NutriPlus  
nutrient-enriched  
eggs help  
consumers to  
remain healthy  
and prevent them  
from attack of  
free radicals.

#### appreciation

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

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

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

#### Yap Hoong Chai

Chairman and Group Managing Director



**The Lay Hong Berhad (LHB) Group is totally subscribed to the concept and the underlying principles of corporate governance and is committed towards ensuring a high standard of corporate transparency, accountability and integrity in the conduct of its business activities.**

#### board of directors

##### composition

The Board of Lay Hong Berhad is made up of six members, comprising three Executive Directors, one non-independent Non-Executive Director and two independent Non-Executive Directors. All of them come from different backgrounds. The three Executive Directors are all hands on and have over two decades of working experience in the poultry farming business. Two of the independent Directors are Chartered Accountants who have extensive experience in both corporate and financial services environments and the non-independent Non-Executive Director is a professional Pilot. Their profiles are listed on Page 6.

At the Annual General Meeting, one third of the Directors for the time being retire from the office. The Directors who retire every year are those who have been longest in the office since their last appointment or election.

##### responsibilities

The Board of Lay Hong Berhad meet at least once in 3 months, and on such occasions as may be deemed necessary. A total of seven board meetings were held for the financial year ended 31st March 2001. The notice convening the Board of Directors' meeting is given to members at least 14 days in advance.

Among others, the following matters are addressed at the board meetings:

- 1 Review and approve the Group and subsidiaries' annual budgets and business plans.
- 2 Review the Group and its subsidiaries' performances on a continuous basis versus budget.
- 3 Review and consider the Group consolidated financial results on the quarterly basis before release to KLSE.
- 4 Consider and approve new business opportunities and expansion of existing core business.
- 5 Consider and approve any capital/fund raising exercise for the Group.
- 6 Reviewed the entire application to the Securities Commission on the Company's proposed bonus and rights issue and the due diligence exercise.
- 7 Discuss and review new corporate developments and policy matters.

In the course of decision-making, the Board has the absolute discretion to seek independent professional advice on matters be it operational or on policy matters, as may be deemed necessary. Individual members of the Board are also accessible to the Company Secretary and other top management personnel of the Group.

#### **directors remuneration**

The fees payable to Directors are tabled before the Company's shareholders for approval at the Company Annual General Meetings.

Executive Directors' salaries and bonuses are deliberated and approved by the full Board. It is the duty of the Board to ensure that the levels of remuneration are sufficient to attract and retain the Executive Directors needed to run the Company successfully with total commitment and dedication.

#### **directors training**

The Company acknowledges that Directors need to be trained on a continuous basis so as to update themselves on the latest practices in poultry farm management as well as on the development in regulatory requirements in listed companies by the relevant authorities. Hence, they have been sent for various training courses both locally and abroad so as to equip themselves with the necessary skills to discharge their duties. Some of the seminars/conferences attended are:

- 1 Dialogue between Jabatan Haiwan Malaysia and poultry farmers on the future of the poultry industry in Malaysia.
- 2 Forum on best practices in Corporate Governance.
- 3 VIV Asia in Thailand. (Livestock Conference)
- 4 Poultry Industry in preparation for AFTA 2003.
- 5 Directors' Mandatory Accreditation Programme.



NutriPlus eggs' higher vitamin and mineral levels also help boost mental alertness and agility.



### **nomination committee**

The Nomination Committee was set-up on 26th July 2001. Its objectives are to recommend to the Board new nominees and also to assess Directors on their core competencies and contribution on an on going basis. This Committee is made up of the Chairman/Group Managing Director and one Non-Executive Director.

### **remuneration committee**

This Remuneration Committee was established on 26th July 2001. Its objective is to recommend to the Board suitable remuneration packages for both Executive Directors and Non-Executive Directors. This Committee is made up of the Chairman/Group Managing Director and one Non-Executive Director.

### **executive committee (EXCO)**

The Company has an Executive Committee in place that comprises all Executive Directors, senior management and heads of strategic business units. This EXCO is chaired by the Group Managing Director and it is held on a monthly basis. The main objectives of this Committee are as follows:

- To review performances of various operating units.
- To highlight issues that need urgent attention.
- An avenue to promote team spirit and foster closer ties between the various operating units and top management.

## **accountability and audit**

### **financial reporting**

The Group and Company's financial statements have been prepared in accordance to the applicable accounting standards issued by the Malaysian Accounting Standard Board (MASB) and also to conform to the provisions of the Companies Act, 1965. The Board is responsible to ensure that such financial statements give a true and fair view of the state of affairs of the Group and the Company. During the year, the Board has taken the following steps towards ensuring that the above and all quarterly announcements to KLSE and shareholders present a balanced and comprehensive assessment of the Company and Group's financial affairs.

- Adoption of all appropriate accounting policies and procedures applicable to the poultry industry.
- Consistency in all its approach on accounting treatments.
- Account for all revenues, assets and liabilities (including contingent) for the financial year on a prudent basis.

### **relationship with auditors**

The Group has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring the financial statements prepared for the year are in compliance with the relevant accounting standards and practices applicable to the poultry industry.

#### **shareholders and investors relationship**

Shareholders and investors are kept informed of all major developments within the Lay Hong Berhad Group by way of announcement via the KLSE LINK and the Company's Annual Reports. The release of the financial results on a quarterly basis via the above also provides an overview of the group's performance. The Annual General Meeting is used as an avenue where the Board of Directors and shareholders communicate on the group's performances and other matters, which may be a concern, or of interest to the shareholders. The Board always encourages participation from shareholders by having a question and answer session during the Annual General Meetings.

#### **continuing implementation of practices on good corporate governance**

The Lay Hong Berhad Group will ensure that other principles and practices on good corporate governance will be addressed and put in place gradually as per requirements under the code of good corporate governance. Those principles and practices that have been in place for the time being will be refined from time to time as and when they are deemed fit and also to meet the requirements of the code.



The whole family loves NutriPlus eggs – not just because they're healthy, but they taste great too – as a favourite ingredient for cakes, pies and confectionery.





## LAY HONG BHD

Feedmill, Layer Farms,  
Chick Farm, Management  
Investment Holding

Hing Hong  
Sdn Bhd

**100.00%**  
Breeder farm, Hatchery,  
Layer farm

Innofarm (Klang)  
Sdn Bhd

**70.00%**  
Layer farm

Sri Tawau  
Farming  
Sdn Bhd

**50.00% plus one share**  
Feedmill, Layer farm  
Broiler farm, Breeder farm

Evergreen Organic  
Fertilisers  
Sdn Bhd

**51.00%**  
Organic fertiliser  
production

Innobrid  
Sdn Bhd

**50.00% plus one share**  
Breeder farm, Hatchery  
Broiler farm

Innobrid  
Marketing  
Sdn Bhd

**51.00% by Innobrid**  
Sdn Bhd  
Processing & marketing  
of broilers

RM' million	1997	1998	1999	2000	2001
Turnover	58.057	47.143	69.981	77.553	<b>77.140</b>
Profit before tax	8.058	5.054	8.310	8.115	<b>1.118</b>
<b>Total assets</b>	<b>49.590</b>	<b>51.578</b>	<b>60.877</b>	<b>78.937</b>	<b>74.092</b>
Net Tangible Assets (NTA)	30.542	33.134	37.034	41.082	<b>41.199</b>
NTA per share	1.745	1.893	2.116	2.348	<b>2.354</b>
Earnings per share - sen	28.23	22.01	42.67	33.54	<b>0.78</b>
Dividend per share - sen	10.00	10.00	12.50	10.00	<b>1.00</b>



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The directors hereby submit their report together with the audited financial statements of the Company and of the Group for the financial year ended 31st March 2001.

### 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 9 to the financial statements.

There have been no significant changes in these activities during the financial year.

### results

In RM	Group	Company
Net profit for the year	137,593	1,385,988

### dividends

The amount of 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 2000

Final ordinary dividend of 10% on 17,500,000 ordinary shares

less taxation of 28% paid on 4th October 2000

1,260,000

The directors recommend a final ordinary dividend of 1% on 17,500,000 ordinary shares less taxation of 28% amounting to RM126,000 in respect of the current financial year.

### reserves and provisions

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

### 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 Company and of the Group 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 Company and of the Group, 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 Company and of the Group 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 Company and of the Group 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 Company or of the Group 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 Company or of the Group 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 Company or of the Group 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 Company or of the Group which would render any amount stated in the financial statements misleading.

### items of an unusual nature

The results of the operations of the Company and of the Group 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 Company or of the Group for the financial year in which this report is made.

### significant events

Significant events during the year are disclosed in Note 26 to the financial statements.

### subsequent event

The subsequent event is disclosed in Note 27 to the financial statements.

### 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

There is no movement in the options to take up unissued new ordinary shares of RM1 each.

#### 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  
 Lai Kum Sim (resigned on 16th December 2000)

In accordance with the Company's Articles of Association, Yap Hoong Chai and Gan Soo Jin retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

#### 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 the ESOS options granted and 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 2000	Bought	Sold	31st March 2001	21st April 2001
Yap Hoong Chai - indirect	7,875,000	-	-	7,875,000	7,875,000
Yip Kim Hoong - indirect	7,875,000	-	-	7,875,000	7,875,000
Yeap Fock Hoong - direct	5,000	-	-	5,000	5,000
- indirect	7,875,000	-	-	7,875,000	7,875,000
Yeap Weng Hong - direct	3,000	-	-	3,000	3,000
- indirect	7,875,000	-	-	7,875,000	7,875,000
Gan Soo Jin	20,000	-	-	20,000	20,000
Dato' Mohd Desa bin Pachi	1,000	-	-	1,000	1,000

	Options over Ordinary Shares of RM1 Each				
	1st April 2000	Granted	Exercised	31st March 2001	21st April 2001
Yap Hoong Chai	330,000	-	-	330,000	330,000
Yip Kim Hoong	200,000	-	-	200,000	200,000
Yeap Weng Hong	200,000	-	-	200,000	200,000

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.

Subsidiaries:	Number of Ordinary Shares of RM1 Each				
	1st April 2000	Bought	Sold	31st March 2001	21st April 2001
Evergreen Organic Fertilisers Sdn Bhd					
Yap Hoong Chai - indirect	147,000	-	-	147,000	147,000
Yip Kim Hoong - indirect	147,000	-	-	147,000	147,000
Yeap Fock Hoong - indirect	147,000	-	-	147,000	147,000
Yeap Weng Hong - indirect	147,000	-	-	147,000	147,000
Innobrid Sdn Bhd					
Yap Hoong Chai - indirect	880,000	-	-	880,000	880,000
Yip Kim Hoong - indirect	880,000	-	-	880,000	880,000
Yeap Fock Hoong - indirect	880,000	-	-	880,000	880,000
Yeap Weng Hong - indirect	880,000	-	-	880,000	880,000
Sri Tawau Farming Sdn Bhd					
Yap Hoong Chai - indirect	150,001	-	-	150,001	150,001
Yip Kim Hoong - indirect	150,001	-	-	150,001	150,001
Yeap Fock Hoong - indirect	150,001	-	-	150,001	150,001
Yeap Weng Hong - indirect	150,001	-	-	150,001	150,001

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.

Other than as stated above, none of the directors in office at the end of the financial year had any interest in the shares of the Company or its related corporations during the financial year and as at 21st April 2001.

#### **number of employees and principal place of business**

The number of employees in the Company and the Group at the year end were 129 (2000 : 134) and 330 (2000 : 318) respectively. 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.

#### **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**

Klang

Dated: 26th July 2001

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 28 to 51 give a true and fair view of the state of affairs of the Group and of the Company as at 31st March 2001 and of the results and cash flows of the Group and of the Company for the year then ended, and have been properly drawn up in accordance with 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**

Klang

Dated: 26th July 2001

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 28 to 51 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  
in Selangor Darul Ehsan on 26th July 2001

}

NG KIM TIAN

Before me:

YAM CHEOK WAN  
Commissioner for Oaths B.022

To the Shareholders of  
**LAY HONG BERHAD**

We have audited the financial statements set out on pages 28 to 51. 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 statements 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 2001 and of the results and cash flows of the Group and the Company for the year then ended; and
  - ii the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements;
- 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 subsidiaries of which we have not acted as auditors, as indicated in Note 9 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 Company's financial statements 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 audit reports on the financial statements of the subsidiaries were not subject to any qualification or any adverse comment made under subsection (3) of Section 174 of the Act.

**Arthur Andersen & Co.**  
No. AF 0103  
Public Accountants

**Pushpanathan a/l S.A. Kanagarayar**  
No. 1056/03/03(J/PH)  
Partner of the Firm

Dated: 26th July 2001

In RM	Note	2001	2000
<b>current assets</b>			
Cash and bank balances		530,918	572,257
Placements with financial institutions	3	1,840,000	5,417,000
Trade debtors	4	4,970,572	5,216,243
Other debtors		1,412,013	985,441
Stocks	5	12,397,408	17,064,861
		<b>21,150,911</b>	<b>29,255,802</b>
<b>current liabilities</b>			
Short term borrowings	6	4,897,222	10,704,286
Trade creditors		5,932,713	5,397,544
Other creditors		2,804,216	4,771,942
Taxation		624,255	1,237,637
Proposed dividend		126,000	1,260,000
Due to a corporate shareholder	7	4,548,891	3,535,153
		<b>18,933,297</b>	<b>26,906,562</b>
<b>net current assets</b>		<b>2,217,614</b>	<b>2,349,240</b>
<b>investments</b>	9	<b>731,279</b>	<b>823,988</b>
<b>fixed assets</b>	10	<b>52,209,450</b>	<b>48,857,114</b>
<b>goodwill arising on consolidation</b>	11	<b>2,448,834</b>	<b>2,555,306</b>
<b>hire purchase creditors</b>	12	<b>(106,779)</b>	<b>(36,789)</b>
<b>term loans</b>	13	<b>(5,225,067)</b>	<b>(3,262,931)</b>
<b>deferred taxation</b>	14	<b>(4,055,000)</b>	<b>(3,967,000)</b>
<b>minority interest</b>		<b>(4,572,128)</b>	<b>(3,682,318)</b>
		<b>43,648,203</b>	<b>43,636,610</b>
<b>shareholders' funds</b>			
Share capital	15	17,500,000	17,500,000
Reserves		26,148,203	26,136,610
		<b>43,648,203</b>	<b>43,636,610</b>

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

In RM	Note	2001	2000
Revenue	16	77,139,870	77,553,371
Other operating income	17	601,650	789,701
Changes in stocks		621,633	97,329
Raw materials, livestock and consumables used		(53,051,034)	(46,631,902)
Finished goods purchased		(1,261,595)	(1,726,438)
Staff costs	18	(6,190,823)	(6,904,304)
Depreciation		(4,061,478)	(3,134,090)
Other operating expenses	19	(11,809,698)	(11,479,123)
Profit from operations		1,988,525	8,564,544
Finance costs		(852,987)	(417,442)
Share of loss of associated company		(17,509)	(32,490)
Profit before taxation		1,118,029	8,114,612
Taxation	20	(90,628)	(1,173,429)
Net profit from ordinary activities		1,027,401	6,941,183
Minority interests		(889,808)	(1,071,706)
Net profit for the year		137,593	5,869,477
Basic earnings per share	21	0.8 sen	33.5 sen

The accompanying notes are an integral part of this statement.

In RM	← Non-distributable →			← Distributable →		Total
	Share capital	Reserve on consolidation	Revaluation reserve	Capital reserve	Retained profits	
At 1st April 1999	17,500,000	362,677	142,536	539,441	20,482,479	39,027,133
Net profit for the year	-	-	-	-	5,869,477	5,869,477
Dividends (Note 22)	-	-	-	-	(1,260,000)	(1,260,000)
At 31st March 2000	<u>17,500,000</u>	<u>362,677</u>	<u>142,536</u>	<u>539,441</u>	<u>25,091,956</u>	<u>43,636,610</u>
At 1st April 2000	17,500,000	362,677	142,536	539,441	25,091,956	43,636,610
Net profit for the year	-	-	-	-	137,593	137,593
Dividends (Note 22)	-	-	-	-	(126,000)	(126,000)
At 31st March 2001	<u>17,500,000</u>	<u>362,677</u>	<u>142,536</u>	<u>539,441</u>	<u>25,103,549</u>	<u>43,648,203</u>

The accompanying notes are an integral part of this statement.

In RM	2001	2000
<b>cash flows from operating activities</b>		
Profit before taxation	1,118,029	8,114,612
Adjustments for:		
Amortisation of goodwill	106,471	106,471
Bad debt written off	2,079	11,243
Depreciation	4,061,478	3,134,090
Dividend income	(14,750)	(12,050)
Fixed assets written off	56,139	-
Gain on disposal of investments	-	(325,087)
Interest expense	852,987	417,442
Interest income	(78,613)	(213,810)
Loss/(gain) on exchange - unrealised	51,667	(10,817)
Net gain on disposal of fixed assets	(61,219)	(162,407)
Preliminary expenses written off	7,199	-
Provision for diminution in value of associated company	-	150,000
Provision for doubtful debts	-	686,878
Share of loss in associated company	17,509	32,490
Provision/(write back) for diminution in value of quoted investments	81,800	(336,020)
Write back of provision for doubtful debts	(686,955)	-
Operating profit before working capital changes	5,513,821	11,593,035
Decrease in debtors	633,566	4,860,797
Decrease/(increase) in stocks	4,667,453	(2,382,790)
Decrease in creditors	(1,437,315)	(5,437,009)
Increase in amounts due to related companies	899,018	-
Cash generated from operations	10,276,543	8,634,033
Interest paid	(738,267)	(364,770)
Taxes paid	(804,463)	(1,161,280)
Net cash generated from operating activities	8,733,813	7,107,983

**cash flows from investing activities**

Purchase of investments	(6,600)	(70,000)
Proceeds from disposal of investments	-	582,667
Acquisition of subsidiaries net of cash acquired *	-	(1,184,558)
Acquisition of interest in associated company	-	(200,000)
Purchase of fixed assets	(7,385,225)	(3,810,897)
Proceeds from disposal of fixed assets	136,690	222,800
Interest received	78,613	213,810
Dividend received	14,750	12,050
Net cash used in investing activities	(7,161,772)	(4,234,128)

In RM	2001	2000
<b>cash flows form financing activities</b>		
Repayment of hire purchase financing	(85,452)	(69,735)
(Repayment)/drawdown of short term borrowings - net	(4,785,000)	3,171,000
Drawdown/(repayment) of term loans - net	1,023,422	(787,663)
Dividend paid	(1,260,000)	(1,575,000)
Dividend paid to minority interest	-	(64,800)
Net cash (used in)/generated from financing activities	<u>(5,107,030)</u>	<u>673,802</u>
Net (decrease)/increase in cash and cash equivalents	<b>(3,534,989)</b>	3,547,657
Cash and cash equivalents at 1st April 2000/1999	<b>5,028,831</b>	1,481,174
Cash and cash equivalents at 31st March	<u><b>1,493,842</b></u>	<u>5,028,831</u>
Cash and cash equivalents comprise:		
Cash and bank balances	<b>530,918</b>	572,257
Placements with financial institutions	<b>1,840,000</b>	5,417,000
Bank overdrafts	<b>(877,076)</b>	(960,426)
	<u><b>1,493,842</b></u>	<u>5,028,831</u>

\* Summary of acquisition of subsidiaries:

In RM	2000
Bank overdraft	(184,557)
Fixed assets	11,798,942
Stocks	2,097,897
Trade and other debtors	2,700,387
Trade and other creditors	(5,994,194)
Amount due to related company	(3,514,497)
Term loan	(3,768,184)
Short term borrowings	<u>(2,230,000)</u>
Minority interest	<u>905,794</u>
	(574,589)
Goodwill	331,205
Purchase consideration	<u>1,000,001</u>
Add: Bank overdraft	184,557
Net cash flow on acquisition of subsidiaries	<u><u>1,184,558</u></u>

The accompanying notes are an integral part of this statement.

In RM	Note	2001	2000
<b>current assets</b>			
Cash and bank balances		97,436	237,050
Placements with financial institutions	3	870,000	-
Trade debtors	4	1,116,173	1,269,156
Other debtors		248,954	396,373
Stocks	5	5,513,834	10,973,532
Due from subsidiaries		9,430,553	9,523,984
		<b>17,276,950</b>	<b>22,400,095</b>
<b>current liabilities</b>			
Short term borrowings	6	1,192,479	4,790,015
Trade creditors		3,254,389	2,625,125
Other creditors		1,706,207	2,026,389
Taxation		606,876	790,026
Proposed dividend		126,000	1,260,000
Due to subsidiaries	8	53,276	-
		<b>6,939,227</b>	<b>11,491,555</b>
<b>net current assets</b>		<b>10,337,723</b>	<b>10,908,540</b>
<b>investments</b>	9	<b>9,301,200</b>	<b>8,479,700</b>
<b>fixed assets</b>	10	<b>23,428,407</b>	<b>22,649,055</b>
<b>term loans</b>	13	<b>(466,699)</b>	<b>(1,073,652)</b>
<b>deferred taxation</b>	14	<b>(3,406,000)</b>	<b>(3,029,000)</b>
		<b>39,194,631</b>	<b>37,934,643</b>
<b>shareholders' funds</b>			
Share capital	15	17,500,000	17,500,000
Reserves		21,694,631	20,434,643
		<b>39,194,631</b>	<b>37,934,643</b>

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

In RM	Note	2001	2000
Revenue	16	<b>54,020,386</b>	55,879,533
Other operating income	17	<b>834,556</b>	3,862,802
Changes in stocks		<b>(9,580)</b>	17,534
Raw materials, livestock and consumables used		<b>(42,653,852)</b>	(39,777,845)
Finished goods purchased		<b>(708,964)</b>	(816,389)
Staff costs	18	<b>(3,130,719)</b>	(3,821,321)
Depreciation		<b>(2,031,646)</b>	(1,858,494)
Other operating expenses	19	<b>(4,400,398)</b>	(5,918,406)
Profit from operations		<b>1,919,783</b>	7,567,414
Finance cost		<b>(155,595)</b>	(198,524)
Profit before taxation		<b>1,764,188</b>	7,368,890
Taxation	20	<b>(378,200)</b>	(1,576,691)
Profit for the year		<b>1,385,988</b>	5,792,199

The accompanying notes are an integral part of this statement.

In RM	<u>Non-distributable</u>		<u>Distributable</u>	Total
	Share capital	Revaluation reserve	Retained profits	
At 1st April 1999	17,500,000	142,536	15,759,908	33,402,444
Net profit for the year	-	-	5,792,199	5,792,199
Dividends (Note 22)	-	-	(1,260,000)	(1,260,000)
At 31st March 2000	17,500,000	142,536	20,292,107	37,934,643
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 22)	-	-	(126,000)	(126,000)
At 31st March 2001	17,500,000	142,536	21,552,095	39,194,631

The accompanying notes are an integral part of this statement.

In RM	2001	2000
<b>cash flows from operating activities</b>		
Profit before taxation	1,764,188	7,368,890
Adjustments for:		
Depreciation	2,031,646	1,858,494
Dividend income	(14,750)	(2,722,050)
Gain on disposal of fixed assets	(44,517)	(123,563)
Gain on disposal of investments	-	(325,087)
Interest expense	155,595	198,524
Interest income	(277,487)	(338,245)
Loss/(gain) on exchange - unrealised	14,704	(4,985)
Provision for diminution in value of associated company (Write back of)/provision for doubtful debts	(371,850)	150,000
Provision/(write back) for diminution in value of quoted investments	81,800	(336,020)
Write back of provision for diminution in value of a subsidiary	(900,000)	-
Operating profit before working capital changes	2,439,329	5,875,958
Decrease in debtors	657,548	2,711,694
Decrease/(increase) in stocks	5,459,698	(2,363,919)
Increase/(decrease) in creditors	309,082	(710,833)
Decrease/(increase) in due to related company	417,139	(4,723,710)
Cash generated from operations	9,282,796	789,190
Interest paid	(155,595)	(198,524)
Taxes paid	(184,350)	(685,353)
Net cash generated from/(used in) operating activities	8,942,851	(94,687)
<b>cash flows from investing activities</b>		
Purchase of fixed assets	(2,821,981)	(1,867,000)
Proceeds from disposal of fixed assets	55,500	190,800
Purchase of investments	(3,300)	(1,270,001)
Proceeds from disposal of investments	-	582,667
Interest received	7,055	24,371
Dividends received	14,750	1,622,050
Net cash used in investing activities	(2,747,976)	(717,113)
<b>cash flows from financing activities</b>		
Dividend paid	(1,260,000)	(1,575,000)
(Repayment)/ drawdown of short term borrowings - net	(3,935,000)	3,294,000
Repayment of term loans	(606,953)	(583,618)
Net cash (used in)/generated from financing activities	(5,801,953)	1,135,382
Net increase in cash and cash equivalents	392,922	323,582
Cash and cash equivalents at 1st April 2000/1999	20,035	(303,547)
Cash and cash equivalents at 31st March	412,957	20,035
Cash and cash equivalents comprise:		
Cash and bank balances	97,436	237,050
Placements with financial institutions	870,000	-
Bank overdrafts	(554,479)	(217,015)
	412,957	20,035

The accompanying notes are an integral part of this statement.

## 1 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 9 to the financial statements.

There have been no significant changes in these activities during the financial year.

## 2 significant accounting policies

### a Basis of Accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain freehold land and buildings and comply with applicable approved accounting standards in Malaysia.

### b Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

The excess/shortfall of the fair value of the net assets of a subsidiary over the purchase price at the date of acquisition is included in the consolidated balance sheet as reserve/goodwill arising on consolidation. Goodwill arising on consolidation is amortised over a period of twenty five years except where it is not supported by any intrinsic value, it is written off to the income statement.

### c Associated Companies

The Group treats as associated companies those in which a long term equity interest of between 20 and 50 percent is held and where it exercises significant influence through management participation.

The Group's share of 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 adjustments to reflect changes in the Group's share of the net assets of the associated companies.

### d Fixed Assets and Depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and accumulated impairment loss.

Freehold land is not depreciated. Leasehold land is depreciated over the period of the lease. Depreciation of other fixed assets is provided on a straight line basis calculated to write off the cost or valuation of each asset over its estimated useful life.

The principal annual rates of depreciation are:

Leasehold land	56 - 99 years
Buildings	2% - 10%
Plant and machinery	3% - 20%
Motor vehicles	20%
Office equipment	10% - 20%
Furniture and fittings	5%

## e Stocks

Stocks 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 during the year are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Foreign currency monetary assets and liabilities 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 exchange rates ruling at balance sheet date use are as follows (denominated in units of Ringgit Malaysia per unit of foreign currency):

	2001	2000
Singapore Dollar	2.073	2.182

## 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 in the foreseeable future.

## h Leased Assets

The cost of assets acquired under finance lease agreements are capitalised. The depreciation policy on these assets is similar to that of the Group's other assets as set out in (d) above. Outstanding obligations due under the lease agreements after deducting finance expenses are included as liabilities in the financial statements. The finance expenses of the lease rentals are charged to the income statement over the period of the respective agreements.

Lease rental payments on operating leases are charged to the income statement in the year they become payable.

## i Investments

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

The Company account for its investments in subsidiaries, associated company and other investments at cost less provision for any permanent diminution in value.

## j Revenue Recognition

- i Sales are recognised net of discounts when transfers of risks and rewards have been completed.
- ii Dividend income from investment in subsidiaries is accounted for in the company's income statement when proposed. All other dividend income is accounted for on receipt basis.
- iii Rental and interest income are recognised on the accrual basis.

## k Debtors

Known bad debts are written off and specific provisions are made for all debts which are considered doubtful.

## l Cash and Cash Equivalents

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

## 3 placements with financial institutions

	Group		Company	
	2001	2000	2001	2000
<b>In RM</b>				
Placements with licensed banks	<b>1,840,000</b>	5,417,000	<b>870,000</b>	-

## 4 trade debtors

	Group		Company	
	2001	2000	2001	2000
<b>In RM</b>				
Trade debtors	<b>7,196,596</b>	8,129,222	<b>1,402,192</b>	1,927,025
Provision for doubtful debts	<b>(2,226,024)</b>	(2,912,979)	<b>(286,019)</b>	(657,869)
	<b>4,970,572</b>	5,216,243	<b>1,116,173</b>	1,269,156

## 5 stocks

	Group		Company	
	2001	2000	2001	2000
<b>In RM</b>				
Livestock	<b>7,835,554</b>	7,321,413	<b>2,137,718</b>	2,177,146
Eggs	<b>420,171</b>	352,422	<b>132,678</b>	102,830
Raw materials	<b>3,565,070</b>	9,041,131	<b>3,203,895</b>	8,690,928
Organic fertilisers	<b>226,238</b>	223,074	-	-
Packing materials	<b>71,893</b>	11,097	<b>39,543</b>	2,628
Consumables	<b>278,482</b>	115,724	-	-
	<b>12,397,408</b>	17,064,861	<b>5,513,834</b>	10,973,532

## 6 short term borrowings

	Group		Company	
	2001	2000	2001	2000
<b>In RM</b>				
Bank overdrafts	<b>877,076</b>	960,426	<b>554,479</b>	217,015
Bankers' acceptances	<b>2,984,000</b>	7,769,000	<b>38,000</b>	3,973,000
Term loan (Note 13)	<b>1,036,146</b>	1,974,860	<b>600,000</b>	600,000
	<b>4,897,222</b>	10,704,286	<b>1,192,479</b>	4,790,015

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 RM2.8 million (2000: RMNil) in a subsidiary.

The short term borrowings bear interest of between 3.20% to 9.30% (2000 : 3.35% to 14.70%) per annum.

## 7 due to a corporate shareholder

The amount due to a corporate shareholder is unsecured, interest-free and has no fixed terms of repayment except for an amount of RM2.38 million (2000 : RM2.01 million) which bears interest at the rate of 7.8% (2000 : 7.8%) per annum. Included in the amount due to a corporate shareholder is an amount of RM2.8 million (2000 : RMNil) which has been subordinated for credit facilities granted to a subsidiary by a financial institution.

## 8 due to subsidiaries

The amounts due to subsidiaries are unsecured, with no fixed terms of repayment and bear interest ranging from 3.2% to 3.45% (2000 : Nil) per annum.

## 9 investments

In RM	Group		Company	
	2001	2000	2001	2000
<b>a Subsidiaries</b>				
Unquoted shares				
- at cost	-	-	<b>5,025,832</b>	5,025,832
Provision for diminution in value	-	-	-	(900,000)
	-	-	<b>5,025,832</b>	4,125,832
- at valuation	-	-	<b>3,497,390</b>	3,497,390
	-	-	<b>8,523,222</b>	7,623,222
<b>b Associated company</b>				
Unquoted shares, at cost	<b>200,000</b>	200,000	<b>200,000</b>	200,000
Provision for diminution in value	-	-	<b>(150,000)</b>	(150,000)
Premium on acquisition written off	<b>(150,000)</b>	(150,000)	-	-
Group's share of post acquisition losses	<b>(49,999)</b>	(32,490)	-	-
	<b>1</b>	17,510	<b>50,000</b>	50,000
Represented by:				
Share of net (liabilities)/ assets	<b>(346)</b>	17,163		
Premium on acquisition	<b>150,347</b>	150,347		
Premium on acquisition written off	<b>(150,000)</b>	(150,000)		
	<b>1</b>	17,510		



In RM	Group		Company	
	2001	2000	2001	2000
c Other investments				
Shares quoted in Malaysia	695,078	688,478	691,778	688,478
Provision for diminution in value	(81,800)	-	(81,800)	-
	<b>613,278</b>	688,478	<b>609,978</b>	688,478
Other investments	118,000	118,000	118,000	118,000
	<b>731,278</b>	806,478	<b>727,978</b>	806,478
Total investments	<b>731,279</b>	823,988	<b>9,301,200</b>	8,479,700
Market value of shares quoted in Malaysia	<b>613,460</b>	1,297,900	<b>611,380</b>	1,297,900

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.

The subsidiaries, which are incorporated in Malaysia, are:

Name of Company	Paid-up Capital RM	Effective Interest		Principal Activity
		2001 %	2000 %	
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 Bhd	300,000	51	51	Organic fertiliser processing
Sri Tawau Farming Sdn Bhd* +	300,002	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 associated company incorporated in Malaysia is:

Name of Company	Paid-up Capital RM	Effective Interest		Principal Activities
		2001 %	2000 %	
Leaderway Dotcom Sdn Bhd * (formerly known as Leaderway Network Sdn Bhd)	700,000	28.57	28.57	Multi-level marketing of personal health-care and beauty products

\* Associated company not audited by Arthur Andersen & Co.

10 fixed assets

Group In RM	Land and buildings	Plant and machinery	Motor vehicles	Office equipment and furniture and fittings	Total
Cost/Valuation					
At 1st April 2000	43,684,414	17,907,970	4,000,667	1,927,101	67,520,152
Additions	5,872,848	788,420	690,481	193,676	7,545,425
Disposals	-	(32,860)	(380,670)	(3,110)	(416,640)
Write-offs	-	(64,000)	-	(26,400)	(90,400)
At 31st March 2001	<u>49,557,262</u>	<u>18,599,530</u>	<u>4,310,478</u>	<u>2,091,267</u>	<u>74,558,537</u>
Accumulated Depreciation					
At 1st April 2000	9,205,972	6,628,980	2,174,472	653,614	18,663,038
Charge for the year	1,824,545	1,417,129	682,749	137,055	4,061,478
Disposals	-	(8,491)	(331,956)	(721)	(341,168)
Write-offs	-	(20,480)	-	(13,781)	(34,261)
At 31st March 2001	<u>11,030,517</u>	<u>8,017,138</u>	<u>2,525,265</u>	<u>776,167</u>	<u>22,349,087</u>
Net Book Value					
At 31st March 2001	<u>38,526,745</u>	<u>10,582,392</u>	<u>1,785,213</u>	<u>1,315,100</u>	<u>52,209,450</u>
At 31st March 2000	<u>34,478,442</u>	<u>11,278,990</u>	<u>1,826,195</u>	<u>1,273,487</u>	<u>48,857,114</u>
Depreciation charge for 2000	<u>1,263,317</u>	<u>1,228,954</u>	<u>523,006</u>	<u>118,813</u>	<u>3,134,090</u>

- a Certain freehold land of a subsidiary at cost amounting to RM968,000 (2000 : RM968,000) has been pledged to a financial institution as security for bank borrowings.
- b Included in the fixed assets of the Group are motor vehicles and plant and machinery with net book values of RM226,875 (2000 : RM55,667) and RM99,583 (2000 : RM195,747), respectively held under hire purchase.

Company In RM	Land and buildings	Plant and machinery	Motor vehicles	Office equipment and furniture and fittings	Total
Cost/Valuation					
At 1st April 2000	17,138,780	9,313,534	2,357,503	1,596,327	30,406,144
Additions	1,940,009	476,343	270,298	135,331	2,821,981
Disposals	-	(13,500)	(174,340)	-	(187,840)
At 31st March 2001	19,078,789	9,776,377	2,453,461	1,731,658	33,040,285
Accumulated Depreciation					
At 1st April 2000	3,399,645	2,723,820	1,124,749	508,875	7,757,089
Charge for the year	711,982	768,203	440,754	110,707	2,031,646
Disposals	-	(2,520)	(174,337)	-	(176,857)
At 31st March 2001	4,111,627	3,489,503	1,391,166	619,582	9,611,878
Net Book Value					
At 31st March 2001	14,967,162	6,286,874	1,062,295	1,112,076	23,428,407
At 31st March 2000	13,739,135	6,589,714	1,232,754	1,087,452	22,649,055
Depreciation charge for 2000	662,223	713,759	380,883	101,629	1,858,494

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 depreciation.

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	3,247,404	6,484,404
- Long leasehold	-	1,469,907	1,469,907
Buildings	11,145,678	30,457,273	41,602,951
	<u>14,382,678</u>	<u>35,174,584</u>	<u>49,557,262</u>
Accumulated Depreciation			
Land - Freehold	-	-	-
- Long leasehold	-	24,096	24,096
Buildings	4,010,356	6,996,065	11,006,421
	<u>4,010,356</u>	<u>7,020,161</u>	<u>11,030,517</u>
Net Book Value			
At 31st March 2001	<u>10,372,322</u>	<u>28,154,423</u>	<u>38,526,745</u>
At 31st March 2000	<u>10,957,900</u>	<u>23,520,542</u>	<u>34,478,442</u>
Company			
Land - Freehold	2,047,000	1,570,659	3,617,659
Buildings	8,302,543	7,158,587	15,461,130
	<u>10,349,543</u>	<u>8,729,246</u>	<u>19,078,789</u>
Accumulated Depreciation			
Land - Freehold	-	-	-
Buildings	2,691,384	1,420,243	4,111,627
	<u>2,691,384</u>	<u>1,420,243</u>	<u>4,111,627</u>
Net Book Value			
At 31st March 2001	<u>7,658,159</u>	<u>7,309,003</u>	<u>14,967,162</u>
At 31st March 2000	<u>8,049,289</u>	<u>5,689,846</u>	<u>13,739,135</u>

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.

## 11 goodwill arising on consolidation

In RM	Group	
	2001	2000
At 1st April 2000/1999	2,661,777	1,992,981
Arising from acquisition of subsidiaries	-	668,796
Less: Accumulated amortisation	(212,943)	(106,471)
At 31st March	<u>2,448,834</u>	<u>2,555,306</u>

## 12 hire purchase creditors

In RM	Group	
	2001	2000
Future minimum payments:		
Payable within one year	103,066	96,785
Payable between one and five years	123,920	41,074
	<u>226,986</u>	<u>137,859</u>
Interest-in-suspense	(30,093)	(15,714)
	<u>196,893</u>	<u>122,145</u>
Representing:		
Repayment within twelve months (included in other creditors)	90,114	85,356
Repayable after 12 months	106,779	36,789
	<u>196,893</u>	<u>122,145</u>

## 13 term loans

In RM	Group		Company	
	2001	2000	2001	2000
4% term loan	3,456,699	1,673,652	1,066,699	1,673,652
Floating rate term loan	2,804,514	3,564,139	-	-
	<u>6,261,213</u>	<u>5,237,791</u>	<u>1,066,699</u>	<u>1,673,652</u>
Less: Repayments due within 12 months (Note 6)	(1,036,146)	(1,974,860)	(600,000)	(600,000)
	<u>5,225,067</u>	<u>3,262,931</u>	<u>466,699</u>	<u>1,073,652</u>
Aging analysis:				
Amount repayable within two years	1,023,097	1,746,047	466,699	600,000
Amount repayable after two years but within five years	1,963,928	1,516,884	-	473,652
Amount repayable after five years	2,238,042	-	-	-
	<u>5,225,067</u>	<u>3,262,931</u>	<u>466,699</u>	<u>1,073,652</u>

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

The term loans of a subsidiary are secured by way of corporate guarantee from a corporate shareholder, fixed charge on certain landed properties and subordination of shareholders' loan of RM2.8 million (2000 : RMNil).

14 deferred taxation

In RM	Group		Company	
	2001	2000	2001	2000
a At 1st April 2000/1999	3,967,000	4,227,000	3,029,000	3,029,000
Transfer from/(to) income statement (Note 20)	88,000	(260,000)	377,000	-
At 31st March	<u>4,055,000</u>	<u>3,967,000</u>	<u>3,406,000</u>	<u>3,029,000</u>

b The deferred taxation provided in the financial statements is in respect of:

In RM	Group		Company	
	2001	2000	2001	2000
Timing differences between depreciation and corresponding capital allowances	18,375,000	16,396,000	13,760,000	11,877,000
Timing differences on unabsorbed reinvestment allowances	(923,000)	(324,000)	(584,000)	-
Timing differences on provisions	(774,000)	(1,905,000)	(247,000)	(1,061,000)
Unutilised tax losses	(1,192,000)	-	-	-
Unutilised capital allowances	(1,002,000)	-	(765,000)	-
	<u>14,484,000</u>	<u>14,167,000</u>	<u>12,164,000</u>	<u>10,816,000</u>

Deferred taxation 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.

15 share capital

In RM	2001	2000
Ordinary shares of RMI each:		
a Authorised:	<u>20,000,000</u>	20,000,000
b Issued and fully paid:	<u>17,500,000</u>	17,500,000
c ESOS		

As at 31st March 2001, 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, are as follows:

Date granted In RM	Options over ordinary shares of RMI each	Option Price
23rd December 1996	720,000	7.78
28th July 1997	981,000	6.66

There has been no movement in the options to take up unissued new ordinary shares of RMI each during the year.

## 16 revenue

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

	Group		Company	
	2001	2000	2001	2000
<b>In RM</b>				
Sale of eggs	<b>45,011,820</b>	54,020,376	<b>24,205,255</b>	28,660,189
Sale of live stocks	<b>24,017,170</b>	12,525,975	<b>1,044,264</b>	1,138,593
Sale of feed	-	7,779,357	<b>28,100,271</b>	25,171,807
Processed chicken	<b>6,588,248</b>	1,020,930	-	-
Others	<b>1,522,632</b>	2,206,733	<b>670,596</b>	908,944
	<b>77,139,870</b>	77,553,371	<b>54,020,386</b>	55,879,533

## 17 other operating income

Included in other operating income are the following:

	Group		Company	
	2001	2000	2001	2000
<b>In RM</b>				
Bad debts recovered	-	6,000	-	6,000
Gain on disposal of fixed assets	<b>67,350</b>	162,407	<b>44,517</b>	123,563
Gain on disposal of investments	-	325,087	-	325,087
Rental income				
- subsidiary	-	-	<b>3,600</b>	3,600
- others	<b>14,400</b>	14,400	<b>5,400</b>	5,400
Gross dividends from				
- subsidiaries	-	-	-	2,710,000
- others	<b>14,750</b>	12,050	<b>14,750</b>	12,050
Interest income				
- subsidiaries	-	-	<b>270,432</b>	313,874
- others	<b>78,613</b>	213,810	<b>7,055</b>	24,371
Management fees receivable from subsidiaries	-	-	<b>288,000</b>	288,000
Gain on foreign exchange				
- realised	-	48,909	-	22,458
- unrealised	-	10,817	-	4,985

**18 staff costs**

Included in staff costs of the Group and of the Company are salaries paid to directors amounting to RM870,830 (2000 : RM1,558,409) and RM660,230 (2000 : RM1,220,492) respectively.

**19 other operating expenses**

Included in other operating expenses are:

In RM	Group		Company	
	2001	2000	2001	2000
Audit fee	63,000	47,580	16,000	16,000
Bad debts written off	2,079	11,243	-	-
Directors' fees*	263,000	250,000	82,000	82,000
Hire of plant and machinery	10,943	30,399	-	-
Hiring charges payable to a subsidiary (Write back of)/provision for doubtful debts	(686,955)	686,878	(371,850)	150,000
Rental	247,814	176,824	41,276	40,276
Amortisation of goodwill	106,471	106,471	-	-
Fixed assets written off	56,139	-	-	-
Loss on disposal of fixed assets	6,131	-	-	-
Loss on foreign exchange				
- realised	1,443	-	1,443	-
- unrealised	51,667	-	14,704	-
Provision for diminution in value of quoted investments	81,800	-	81,800	-
Provision for diminution in value of associated company	-	150,000	-	150,000
Preliminary expenses written off	7,199	-	-	-
Write back of provision for diminution in value of quoted investment	-	(336,020)	-	(336,020)
Write back of provision for diminution in value of a subsidiary	-	-	(900,000)	-

\* The estimated monetary value of other benefits not included in the above received by the directors of the Company is RM62,875 (2000 : RM64,225).

**20 taxation**

In RM	Group		Company	
	2001	2000	2001	2000
Current year's charge	77,636	1,435,500	77,200	1,580,800
Transfer from/(to) deferred taxation	88,000	(260,000)	377,000	-
Overprovision in prior years	(75,008)	(2,071)	(76,000)	(4,109)
	90,628	1,173,429	378,200	1,576,691

The disproportionate taxation charge for the Group in the current year is due principally to the availability of unabsorbed capital allowances and business losses as well as reinvestment allowances granted under Schedule 7A of the Income Tax Act, 1967 being allowed as deductions for taxation purposes, subject to agreement with the Inland Revenue Board.

The disproportionate taxation charge for the Company in the current and previous years as well as for the Group in the previous year were due principally to reinvestment allowances granted under Schedule 7A of the Income Tax Act, 1967.

As at 31st March 2001, the Company has available tax exempt income under Schedule 7A of the Income Tax Act, 1967 and the Income Tax (Amendment) Act, 2000 which can be used to declare tax exempt dividends amounting to approximately RM9,222,000 (2000 : 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 RM11,795,000 (2000 : RM11,722,000) out of its retained profits as at 31st March 2001. If the balance of the retained profits were to be distributed as dividends, the Company would have a Section 108 shortfall of approximately RM173,000 (2000 : Nil).

## 21 earnings per share – group

The earnings per share have been calculated based on the Group's net profit for the year of RM137,593 (2000 : RM5,869,477) and the weighted average number of 17,500,000 (2000 : 17,500,000) ordinary shares in issue during the year.

The diluted earnings per share is not presented in the financial statements as the effect of the assumed conversion of the ESOS during the financial year is anti-dilutive.

## 22 dividends

### Group and Company

	2001		2000	
	RM	RM	Sen	Sen
Ordinary final dividend of 10% less 28% taxation	-	1,260,000	-	7.2
Ordinary final dividend of 1% less 28% taxation	<b>126,000</b>	-	<b>0.72</b>	-
	<b>126,000</b>	<b>1,260,000</b>		

## 23 significant related party transactions

In RM	Company	
	2001	2000
Purchase from subsidiaries	<b>1,745,579</b>	1,714,329
Sales to subsidiaries	<b>29,239,303</b>	18,571,087

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

## 24 capital commitments

In RM	Group		Company	
	2001	2000	2001	2000
Approved and contracted for	<b>4,319,000</b>	1,724,000	<b>305,000</b>	1,724,000
Approved but not contracted for	<b>12,427,000</b>	1,090,000	<b>6,179,000</b>	-

25 contingent liabilities – unsecured

In RM	Group	
	2001	2000
Corporate guarantee issued to financial institutions and corporate shareholder for credit facilities granted to subsidiaries	6,900,000	1,300,000

26 significant events

- a 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 Shares”) 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 Shares”) 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 has been 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 its proposal (“Revised Proposal”) to the following:

- i Proposed 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 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.

The revised proposal has been approved by the SC on 13th July 2001.

- b During the financial year, Sri Tawau Farming Sdn Bhd, a subsidiary of the Company entered into an agreement with a third party to purchase a piece of land measuring 2.74 acres located in the Export Oriented Industrial Zone Phase II in Kota Kinabalu, Sabah for a cash consideration of RM1,072,189. The transaction has not been completed as at the date of this report.

## 27 subsequent event

A subsidiary, Sri Tawau Farming Sdn Bhd, has on 24th April 2001, increased:

- a 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
- b 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.

## 28 financial information by segment

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

## 29 currency

All amounts are stated in Ringgit Malaysia.

## 30 comparative figures

The presentation of the financial statements for the current year has been changed to adopt the format as prescribed by the Malaysian Accounting Standards Board Standard 1 : Presentation of Financial Statements. Comparative figures have been reclassified to conform with this presentation, where necessary.

Authorised Share Capital	- RM20,000,000
Issued & Fully Paid-Up Capital	- RM17,500,000
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 - less than 1000	5	0.25	2,000	0.01
1,000 - 10,000	1930	95.59	4,017,000	22.95
10,001 - 100,000	67	3.32	1,908,000	10.91
100,001 - 874,999*	16	0.79	4,485,500	25.63
5% and above of issued shares	1	0.05	7,087,500	40.50
	2019	100.00	17,500,000	100.00

\* less than 5% issued shares

Substantial Registered Shareholder(s)

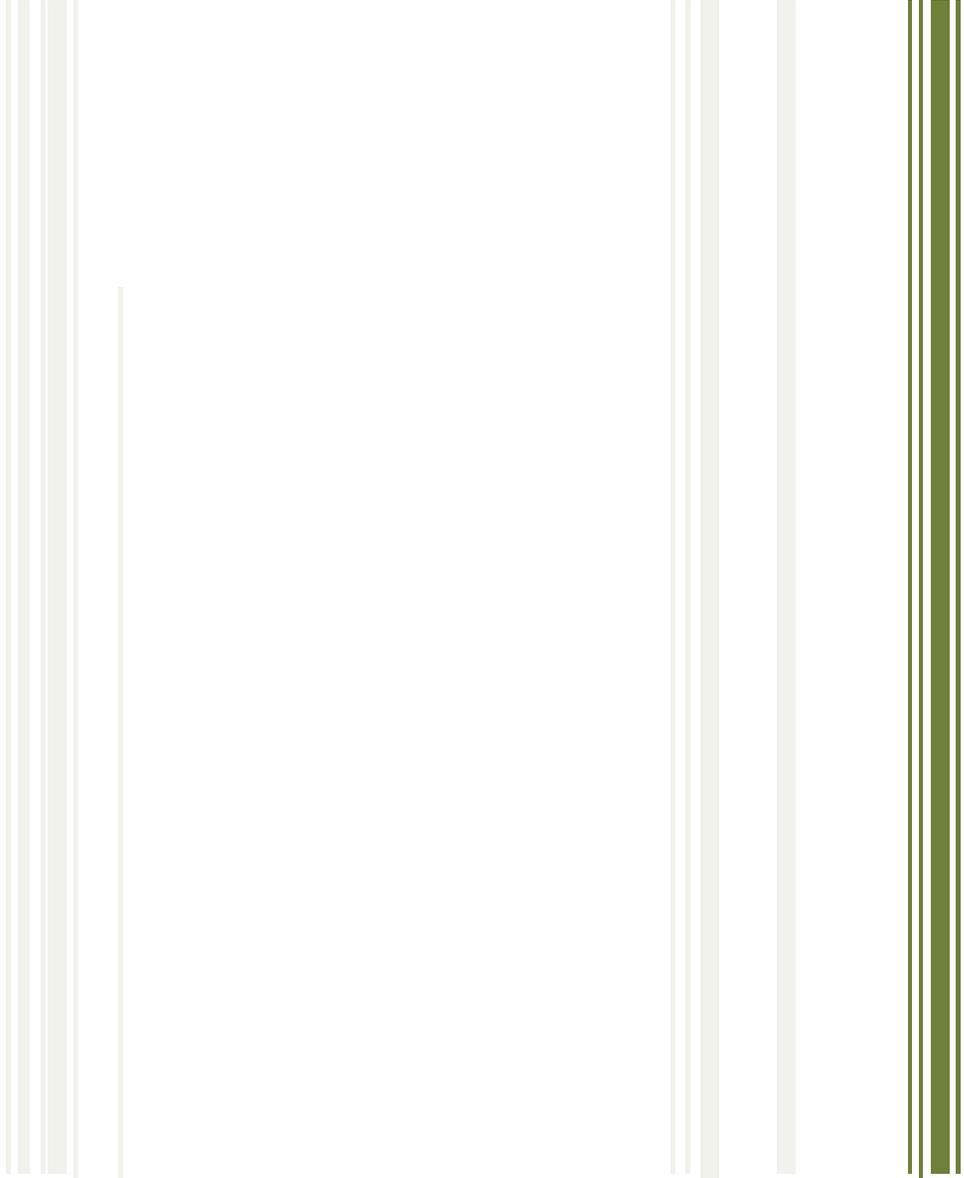
	No. of Shares	%
Innofarm Sdn Bhd	7,875,000	45.00

### Thirty Largest Registered Shareholders

	<b>Name of Shareholder</b>	<b>No. of Shares</b>	<b>%</b>
1	Innofarm Sdn Bhd	7,875,000	45.00
2	Lembaga Tabung Haji	690,000	3.94
3	Lai Kum Sim	541,000	3.09
4	UOBM Nominees (Asing) S/B for Yao Hsia Fen	426,000	2.43
5	Tan Han Chuan	339,000	1.94
6	Ong Har Hong	327,000	1.87
7	Tan Ching Ching	319,000	1.82
8	Universal Trustee (M) Bhd for BHLB Pacific Emerging Companies Growth Fund	201,000	1.15
9	Universal Trustee (M) Bhd for BHLB Pacific High Growth Fund	200,000	1.14
10	Amanah Raya Bhd for BHLB Pacific Double Growth Fund	200,000	1.14
11	Arab Malaysian Nominees (Tempatan) S/B for BHLB Pacific Dana Al-Ihsan	200,000	1.14
12	Mayban Nominees (Tempatan) S/B for Cheng Ying Ying	150,000	0.86
13	Wong Shu Pin	105,000	0.60
14	Amanah Raya Nominees (Tempatan) S/B for Amanah Saham Selangor	100,000	0.57
15	Azmi bin Abdullah	100,000	0.57
16	Ban Seng Guan Sdn Bhd	79,000	0.45
17	Poo Choo @ Ong Poo Choi	77,000	0.44
18	Pos Malaysia Berhad	72,000	0.41
19	Straits Nominees (Tempatan) S/B for Lim Yoke Sim	72,000	0.41
20	Lee Ah Moi @ Lee Wan Ying	56,000	0.32
21	Tawakar Enterprise Sdn Bhd	50,000	0.29
22	Malaysia Nominees (Tempatan) S/B for Wan Holdings Sdn Bhd	48,000	0.27
23	Goh Siew Hong	43,000	0.25
24	Public Nominees (Tempatan) S/B for Chieng You Ping (LBG)	42,000	0.24
25	Si Hong Kuan	42,000	0.24
26	Chin Kim Wah	42,000	0.24
27	Ng Tiong Seng @ Ng Ba	42,000	0.24
28	Ong Wah Seng	40,000	0.23
29	Low Saw Tin	37,000	0.21
30	Lim Lee Aik	37,000	0.21
	<b>Total</b>	<b>12,552,000</b>	<b>71.71</b>

Location	Description and Existing Use	Approximate Area (Acres)	Tenure and Expiry Date	Age of Building (Years)	NBV (RM'000)
<b>Selangor</b>					
No. 39 & 41, Jalan 5, Kawasan 16 Taman Intan, 41300 Klang	Office Buildings	9111 Sq. ft.	Freehold	16	549
Lot No. 4858, Mukim of Jeram District of Kuala Selangor	Poultry Farm	12	Land under Tenant's Lease May 2006	17	1,080
Lot No. 4857 Mukim of Jeram District of Kuala Selangor	Poultry Farm & Feedmill	12.8	Freehold	2-17	1,537
Lot No. 559 Mukim of Ijok Kuala Selangor	Poultry Farm	34	Freehold	2-9	10,348
Lot No. 1640 Mukim of Ijok Kuala Selangor	Poultry Farm	5	Freehold	6-10	437
Lot No. 1954 Mukim of Jeram District of Kuala Selangor	Vacant Land	5	Freehold	-	621
Lot No. 1868 Mukim of Jeram District of Kuala Selangor	Vacant Land	4.8	Freehold	-	399
Lot No. 3095 Mukim of Jeram District of Kuala Selangor	Vacant Land	4.8	Freehold	-	550
Lot Nos. 4847/8 Mukim of Jeram District of Kuala Selangor	Poultry Farms	26	Land Under Tenant's Lease Aug 2006	2-14	616
Lot No. 4859 Mukim of Jeram District of Kuala Selangor	Fertilizer Plant & Building	4.3	Land Under Tenant's Lease Nov 2004	5-7	266
Lot Nos. 1632/3 Mukim of Ijok Kuala Selangor	Poultry Farm & Hatchery	10	Freehold	2-9	1,176
Lot No. 807 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	2-6	750
Lot No. 681 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	2-6	949
Lot Nos. 708/9 Mukim Ujong Permatang Kuala Selangor	Broiler Farms	10	Freehold	2-5	1,442
Lot No. 969 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	2-4	770
Lot Nos. 683/4 & 685 Mukim Ujong Permatang Kuala Selangor	Broiler Farms	15	Land Under Tenant's Lease April / May 2012	1-4	2,513

Location	Description and Existing Use	Approximate Area (Acres)	Tenure and Expiry Date	Age of Building (Years)	NBV (RM'000)
<b>Selangor</b>					
Lot Nos. 1475/6, Lot Nos. 253 & 244 Mukim Pasangan Kuala Selangor	Breeder Farms	18	Freehold	2-3	2,376
Lot No. 1011 Mukim Pasangan Kuala Selangor	Vacant Land	3	Freehold	-	151
Lot No. 16456 Mukim of Tanjung Karang District of Kuala Selangor	Vacant Land	1	Freehold	-	109
Lot No. 16457 Mukim of Tanjung Karang District of Kuala Selangor	Vacant Land	1	Freehold	-	109
<b>Melaka</b>					
Lot Nos. 1717/8/9 and 1720 Mukim of Ayer Panas Jasin, Melaka	Poultry Farm	40.4	Freehold	7-16	2,861
<b>Sabah</b>					
CL 0450169248 Kampung Indai Tuaran, Sabah	Broiler Farm	10.7	Leasehold Jan 2060	5	866
NT No. 043176030 Lubok Bagiang Tuaran, Sabah	Broiler Farm	6.4	Leasehold June 2094	6	1,019
NT No. 043171651 Kampung Serusup Tuaran, Sabah	Vacant Land	9.4	Leasehold June 2094	-	147
CL 105245010 Mile 12, Runggu Road Tawau, Sabah	Vacant Land	16.5	Leasehold Jan 2064	-	134
CL 105244648 Tawau, Sabah	Vacant Land	8.8	Leasehold May 2064	-	68
CL 045115928 Tuaran, Sabah	Layer Farm & Feedmill	89	Leasehold Jan 2938	11	894
CL 025308043 Papar, Sabah	Broiler Breeder Farm	19.2	Leasehold Jan 2063	4	1,678
CL 025166714 Papar, Sabah	Vacant Land	18.8	Leasehold Jan 2056	-	105
CL 025166705 Papar, Sabah	Vacant Land	19.7	Leasehold Jan 2056	-	105
NT No. 043140905 Kampung Serusup Tuaran, Sabah	Broiler Farm	5	Leasehold Feb 2099	-	449
NT No. 043140914 Kampung Lok Bagiang Tuaran, Sabah	Broiler Farm	2.7	Leasehold Aug 2098	-	82



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 Seventeenth Annual General Meeting of the Company to be held on Wednesday, 26th September 2001 at 10.30 am at Crystal Crown Hotel Harbour View Port Klang, Crystal I, No. 217 Persiaran Raja Muda Musa, 42000 Pelabuhan Klang, Selangor and at any adjournment thereof. My/our proxy is to vote as indicated below:

Resolution	Ordinary Resolutions	For	Against
1	To receive the Audited Accounts for the year 31st March 2001		
2	To declare a First and Final Dividend of 1% less tax at 28% for the year ended 31st March 2001		
3	To approve Directors' Fees		
4	To re-elect Mr Yap Hoong Chai as a Director		
5	To re-elect Mr Gan Soo Jin as a Director		
6	To re-appoint Arthur Andersen as Auditor		
7	To authorise the issue of shares up to 10% of Issued Capital		

(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 thinks fit or, at his discretion, abstain from voting.)



Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2001

Signature of Shareholder or Common Seal \_\_\_\_\_

No. of shares held \_\_\_\_\_

**Notes**

- Every member entitled to attend and vote at the Meeting is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative) to attend and vote on his/her stead. A proxy need not be a member of 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 authorised.
- If the Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he/she thinks fit.
- If no name is inserted in the space for the name of your proxy, the Chairman of the Meeting will act as your proxy.
- 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.

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Stamp

**Lay Hong Berhad**

26, Jalan Istana

41000 Klang

Selangor Darul Eshan

Malaysia

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