



**TWO YOLKS
FROM ONE EGG: A
WONDERFULLY
APPROPRIATE VISUAL METAPHOR
FOR THIS YEAR'S ANNUAL
REPORT WHICH FOCUSES ON
FORGING STRATEGIC PARTNERSHIPS.
LAY HONG CONTINUES TO WORK
IN CLOSE PARTNERSHIP
WITH BOTH LOCAL AND
INTERNATIONAL BUSINESS
PARTNERS – AND IN THE PROCESS
ASSUMING A WORLD-CLASS CAPABILITY-
AND REACH. LAY HONG IS
PROUD OF THE BUSINESS
SYNERGIES WE HAVE BEEN ABLE
TO ACHIEVE, AND LOOK
FORWARD TO FORGING
EVER STRONGER
BONDS OF GROWTH
AND PROFITABILITY.**



Achieving “Superbrand” Status

Lay Hong is extremely pleased to announce its being selected a Malaysian “Superbrand,” in 2003. This honour was conferred by the prestigious Superbrands Council, comprised of local and foreign senior business executives. It voted “Nutriplus” one of Malaysia's strongest brands – a very select group of just one hundred and sixteen brands in all.

Lay Hong Berhad

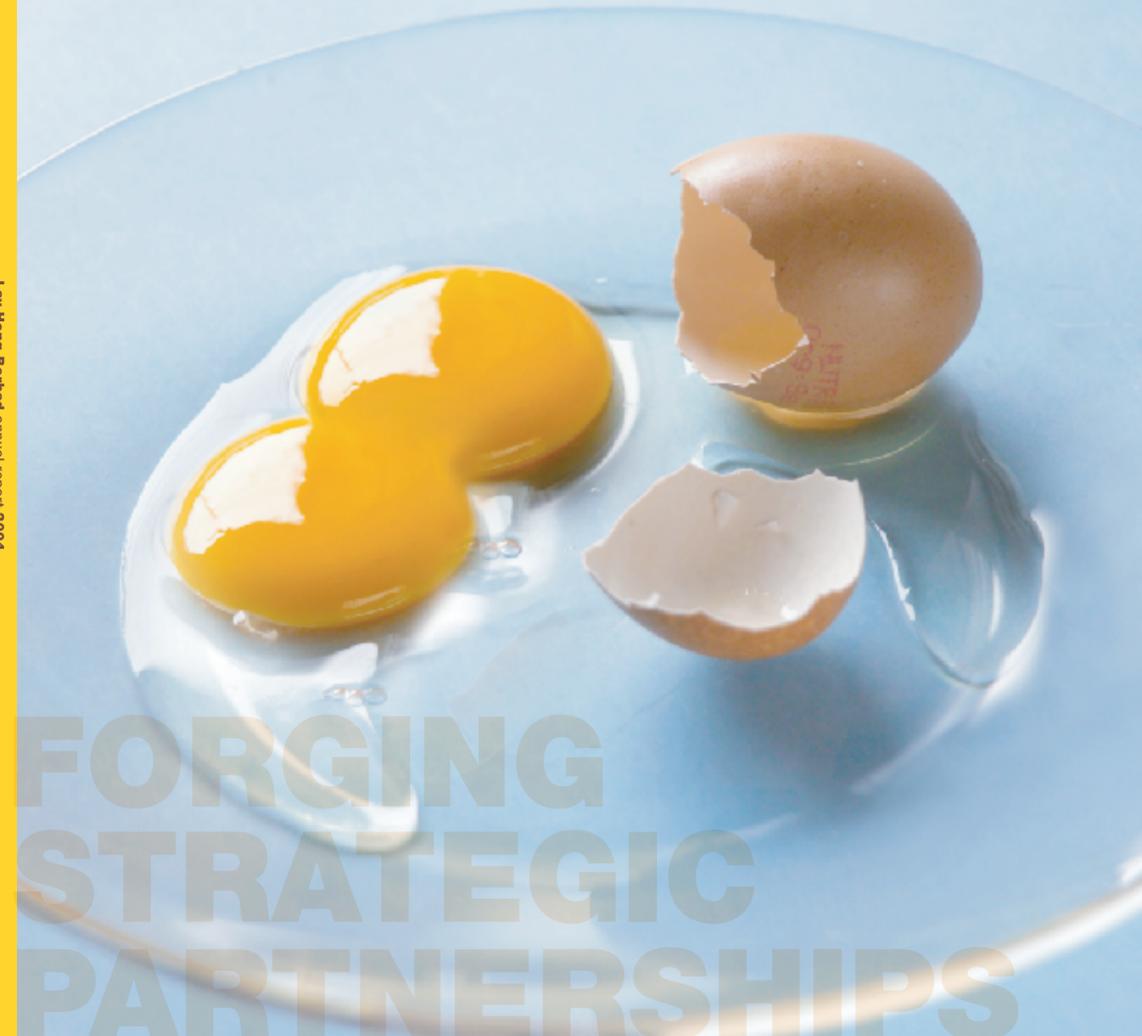
(107129-H) Incorporated in Malaysia

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Taman Intan, 41300 Klang
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(107129-H) Incorporated in Malaysia

**LAY HONG
BERHAD**



Lay Hong Berhad annual report 2004

**FORGING
STRATEGIC
PARTNERSHIPS**



Achieving “Superbrand” Status

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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BOARD OF DIRECTORS**Yap Hoong Chai**

Chairman and Group Managing Director
Non-Independent Executive Director

Yeap Weng Hong

Non-Independent Executive Director

Yip Kim Hoong

Non-Independent Non Executive Director

Yeap Fock Hoong

Non-Independent Non Executive Director

Tan Sri Dato' Mohd Desa bin Pachi

Independent Non Executive Director

Gan Soo Jin

Independent Non Executive Director

Abdul Hamid bin Mohamed Ghows

Independent Non-Executive Director

AUDIT COMMITTEE**Gan Soo Jin**

Chairman

Yap Hoong Chai

Non-Independent Executive Director

Tan Sri Dato' Mohd Desa bin Pachi

Independent Non Executive Director

Abdul Hamid bin Mohamed Ghows

Independent Non-Executive Director

NOMINATION COMMITTEE

Tan Sri Dato' Mohd Desa bin Pachi

Gan Soo Jin

REMUNERATION COMMITTEE

Yap Hoong Chai

Tan Sri Dato' Mohd Desa bin Pachi

Gan Soo Jin

SHARE REGISTRAR**Securities Services (Holdings) Sdn Bhd**

Level 7, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

Damansara Heights

50490 Kuala Lumpur

tel : 03 2084 9000

fax : 03 2094 9940

SUBSIDIARIES

Hing Hong Sdn Bhd

Innofarm (Klang) Sdn Bhd

Sri Tawau Farming Sdn Bhd

Evergreen Organic Fertilisers Sdn Bhd

Lay Hong Liquid Egg Sdn Bhd

Eminent Farm Sdn Bhd

Lay Hong Poultry Processing Sdn Bhd

Innobrid Sdn Bhd

Innobrid Marketing Sdn Bhd

COMPANY SECRETARIES

Lim King Hua (MAICSA 0798613)

Lim Kui Suang (MAICSA 0783327)

REGISTERED OFFICE

26, Jalan Istana

41000 Klang, Selangor

tel : 03 3371 0611

fax : 03 3371 2886

CORPORATE OFFICE

39 & 41, Jalan 5

Kawasan 16 Taman Intan

41300 Klang, Selangor

tel : 03 3343 4888

fax : 03 3341 0251

AUDITORS**Ernst & Young**

Level 23A, Menara Milenium,

Jalan Damanlela, Pusat Bandar

Damansara, Damansara Heights

50490 Kuala Lumpur

PRINCIPAL BANKERS

Bumiputra-Commerce Bank (M) Bhd

Malayan Banking Bhd

Hong Leong Bank Berhad

STOCK EXCHANGE LISTING**Second Board of KLSE**

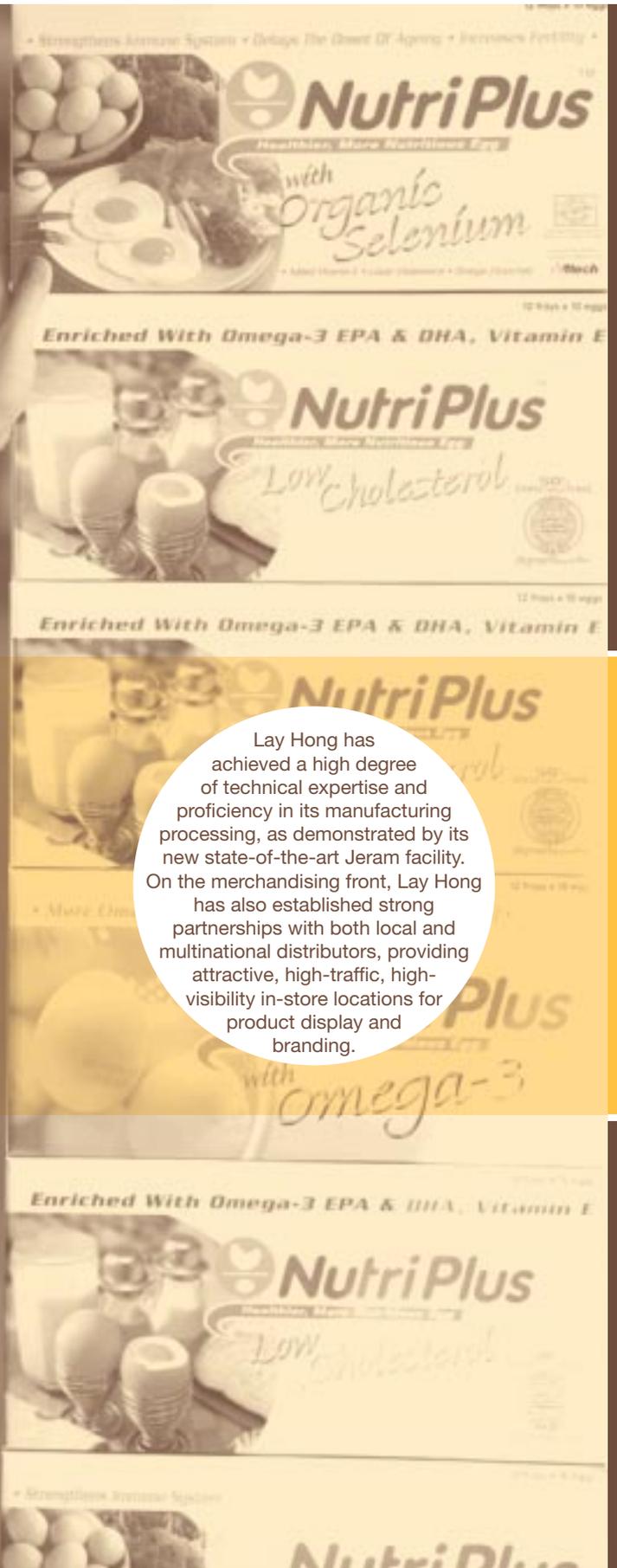
Stock Code : Lay Hong

Stock No. : 9385



LAY HONG & DISTRIBUTORS

**GLOBAL
EXPERTISE,
LOCAL
PRESENCE**



Lay Hong has achieved a high degree of technical expertise and proficiency in its manufacturing processing, as demonstrated by its new state-of-the-art Jeram facility. On the merchandising front, Lay Hong has also established strong partnerships with both local and multinational distributors, providing attractive, high-traffic, high-visibility in-store locations for product display and branding.

Yap Hoong Chai Malaysian, aged 54

Chairman and Group Managing Director and a founder member of the Lay Hong Berhad Group. He was appointed to the Board of Directors of Lay Hong Berhad on 27th September 1983. Under his stewardship for the past 30 years, the Lay Hong Berhad Group has grown from a small family concern into one of Malaysia's largest and most successful poultry business farms. With his many years of experience and knowledge in poultry farming and marketing, he is well respected in the local poultry farming industry. He also sits on the Board of Directors of several private limited companies. He is the brother of Yip Kim Hoong, Yeap Weng Hong and Yeap Fock Hoong, who are also Directors of the Company. He holds no direct shareholding but has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd.

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

Tan Sri Dato' Mohd Desa bin Pachi Malaysian, aged 70

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

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

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

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

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

Since he has reached the age of 70, he has decided not to seek re-election in the coming Annual General Meeting, pursuant to section 129 (6) of the Company Act, 1965.

Yip Kim Hoong Malaysian, aged 56

A Non-Executive Director of Lay Hong Berhad. He was appointed to the Board of Directors of Lay Hong Berhad on 20th August 1984. He has more than 20 years experience in poultry farming and has retired as an Executive Director on 30th June 2003 upon reaching 55 years of age. Previously he was in charge of the Group's poultry operation in Sri Tawau Farming Sdn Bhd as well as the broiler processing operations of Innobrid Marketing Sdn Bhd. He also sits on the Board of Directors of several private limited companies. He is the brother of Yap Hoong Chai, Yeap Weng Hong and Yeap Fock Hoong, who are also Directors of the Company. He holds 718,000 direct shareholding and has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd.

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

Yeap Weng Hong Malaysian, aged 46

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. He is the brother of Yip Kim Hoong, Yap Hoong Chai and Yeap Fock Hoong, who are also Directors of the Company. He holds 7,200 shares of RM1/- each in Lay Hong Berhad and has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd.

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

Yeap Fock Hoong Singaporean, aged 50

A Non-Executive Director of Lay Hong Berhad and was appointed to the Board of Directors of Lay Hong Berhad on 18th January 1994. He has been a commercial pilot since 1973 and currently holds the position of a management pilot for a major airline. He also sits on the Board of Directors of several private limited companies. He is the brother of Yip Kim Hoong, Yap Hoong Chai and Yeap Weng Hong, who are also Directors of the Company. He holds 12,000 shares of RM1/- each and has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd.

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

Gan Soo Jin Malaysian, aged 54

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 Institute of Accountants. He began his professional career with Price Waterhouse & Co., London from 1975 to 1977 and subsequently with Charles Bradburne & Co. (1930) Sdn Bhd from 1978 to 1987. He joined CIMB Securities Sdn Bhd in 1988 and currently holds the position of Senior Vice President. He holds 48,000 shares of RM1/- each in Lay Hong Berhad.

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

Abdul Hamid Bin Mohamed Ghows Malaysian, aged 53

He was appointed Independent Non-Executive Director of Lay Hong Berhad on 11th October 2001. He is a fellow member of the Institute of Chartered Accountants in England and Wales and of the Chartered Institute of Management Accountants, UK and a member of the Malaysian Institute of Accountants. Up to May 2004 he was Director-Risk Management at Rashid Hussain Berhad Group. From 1974 to March 2000, he served in various capacities with Price Waterhouse, Kenmore Asia Pte Ltd and Drexel Oilfields Services, Singapore 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 Non-Executive Director in Malaysia Merchant Marine Berhad and Perisai Petroleum Teknologi Bhd.

He attended all the five (5) board meetings held for the financial year. He has no family relationship with any director and / or major shareholder of Lay Hong Berhad. He has no conflict of interest with Lay Hong Berhad and no convictions for any offences within the past 10 years.

A close-up photograph of a hand holding a silver fork over a piece of cooked chicken in a steamer basket. The chicken is dark and appears to be steamed. The background is blurred, showing other parts of the steamer basket and the hand holding the fork. The overall tone is warm and appetizing.

LAY HONG & BROILERS

PROCESSING HIGH PERFORMANCE

In less than four years, Lay Hong's broiler business has grown to 13 broiler facilities producing over 7 million broilers per annum, or 10.4 million kilograms of poultry. Consumers are assured of the same high standards of quality, taste and consistency which go into our Nutriplus eggs.

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee of the Company comprises the following Members:

Gan Soo Jin • Chairman, Independent Non-Executive Director

Tan Sri Dato' Mohd Desa Bin Pachi • Independent Non-Executive Director

(did not seek re-election pursuant to section 129 (6) of the Company Act, 1965)

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, if any may consist of several documents in the like form, signed by one or more of the Committee.
- (d) In the event of any vacancy in an Audit Committee resulting in the non-compliance of subparagraph 15.10(1) of the Bursa Malaysia Listing Requirements, the Company must fill the vacancy within 3 months.
- (e) Upon the request of External Auditors, the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matter the External Auditor believes should be brought to the attention of the Directors or Shareholders.
- (f) To ensure that other directors and employees attend any particular audit committee meeting only at the audit committee's invitation, specific to the relevant meeting.

5 REPORT

The Audit Committee Report must be clearly set out in the Annual Report of the Company and shall include the following:

- (a) the composition of the Audit Committee, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
- (b) the terms of reference of the Audit Committee Member;
- (c) the number of Audit Committee meetings held during the financial year and details of attendance of each Audit Committee Member;
- (d) a summary of the activities of the Audit Committee in the discharge of its functions and duties for the financial year of the Company; and
- (e) the existence of an internal audit function or activity and where there is such a function or activity, a summary of the activities of the function or activity. Where such a function or activity does not exist, an explanation of the mechanisms that exist to enable the Audit Committee to discharge its function effectively.

6 REPORTING OF BREACHES TO THE EXCHANGE

Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Listing Requirements, the Audit Committee must promptly report such matter to the Bursa Malaysia.

7 RIGHTS

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

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

8 REVIEW OF THE AUDIT COMMITTEE

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

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

During the financial year ended 31 March 2004, the activities of the Audit Committee included the following:

- (1) Reviewed the Unaudited Quarterly Financial Statements and the Annual Audited Financial Statement of the Group and recommending the same for approval by the Board. The review was to ensure that the financial reporting and disclosure requirements of relevant authorities had been complied with. Any significant issues resulting from the audit of the financial statements raised by the External Auditors were discussed and brought to the attention of the Board and resolved at the Board level.
- (2) Reviewed the External Auditors' scope of work and audit plan for the year 2004.
- (3) Reviewed the Internal Audit Reports which highlighted the audit issues, recommendations and management's response. Follow up audits were also reviewed to ensure that appropriate actions were taken and recommendations were implemented.
- (4) Reviewed and approved the annual internal audit plan for year 2004.
- (5) Reviewed related party transactions of the Company.
- (6) Reviewed the extent of application and compliance of principles and best practices set out in the Malaysian Code on Corporate Governance.
- (7) Reviewed the corporate governance statement for inclusion in the Company's Annual Report.

For the Financial Year ended 31 March 2004, the Audit Committee members' attendance at meetings are as follows:

No. Director	Attendance At The Audit Committee Meetings	
	No. of Audit Committee meetings held during member's tenure in office	No. of Audit Committee meetings attended by member
Gan Soo Jin	5	5
Yap Hoong Chai	5	5
Abdul Hamid Bin Mohamed Ghows	5	5
Tan Sri Dato' Mohd Desa Bin Pachi	5	4

INTERNAL AUDIT FUNCTION

The internal audit function has been outsourced to an independent professional firm who reports directly to the Audit Committee. A report on the internal audit findings was issued to the Audit Committee during the year. The internal audit function reviews critical business processes and identifies internal control gaps, assesses the effectiveness and adequacy of the existing state of internal control and recommends possible improvements to the internal control process.

In carrying out audit assignments relating to the Lay Hong Group, the principal responsibility of Lay Hong Bhd Internal Auditors is to provide independent assessments for adequate, efficient and effective internal control systems to ensure compliance with systems and standard operating procedures in each of the operations in the Lay Hong Group.

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

NOTICE IS HEREBY GIVEN THAT THE TWENTIETH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT GOLDCOURSE HOTEL, 9 JALAN PASAR, 41400 KLANG, SELANGOR ON TUESDAY, 28TH SEPTEMBER 2004 AT 12.00 NOON FOR THE FOLLOWING PURPOSES:

ORDINARY BUSINESS

- 1 To receive the Audited Financial Statements for the financial year ended 31st March 2004 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
- 2 To approve Directors' Fees for the year ended 31 March 2004. **Resolution 2**
- 3 To re-elect Mr Yap Hoong Chai as a Director of the Company in accordance with Article 71 of the Company's Articles of Association **Resolution 3**
- 4 To re-elect Mr Gan Soo Jin as a Director of the Company in accordance with Article 71 of the Company's Articles of Association **Resolution 4**
- 5 To re-appoint Messrs Ernst & Young as Auditors to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Directors. **Resolution 5**

SPECIAL BUSINESS

- 6 To consider and, if thought fit, adopt the following resolutions, with or without amendments, as Ordinary Resolutions:

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

"That subject always to the Companies Act, 1965, and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 6**

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

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

"That subject always to the Listing Requirements of the Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into the categories of recurrent transactions of a revenue or trading nature and with those Related Parties as specified in Section 2.2 of the Circular to Shareholders dated 3rd September 2004 subject further to the following:

- a That the transactions are in the ordinary course of business and are on terms that are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- b That the transactions are made on an arm's length basis and on normal commercial terms; and
- c That disclosure is made in the Annual Report of the aggregate value transactions conducted pursuant to the shareholders' mandate during the financial year;
- d That such approval shall only continue to be in force until:
 - i the conclusion of the Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed;
 - ii the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or
 - iii revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier.

Resolution 7

- 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.

BY ORDER OF THE BOARD

SECRETARY

LIM KING HUA (F)

MAICSA 0798613

Date: 3rd September 2004

Klang

NOTES

- 1 Every member entitled to attend and vote at the Meeting is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative) to attend and vote on his/her stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- 2 The Proxy Form in the case of an individual shall be signed by the appointer or his/her attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorized.
- 3 Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- 4 Proxies or other instruments shall not be treated as valid unless they are deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof, or in the case of a poll, not less than 24 hours before the time appointed for the holding of the poll.
- 5 Authority to issue Shares pursuant to Section 132D of the Companies Act, 1965.
The Ordinary Resolution proposed under item 6 of the Agenda, if passed, will give the Directors of the Company from the date of the Annual General Meeting, authority to allot and issue ordinary shares from the unissued capital of the Company up to an amount not exceeding in total 10% of the issued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the company at a general meeting, expire at the next Annual General Meeting of the Company.
- 6 Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions of a Revenue or Trading Nature.
The Ordinary Resolution proposed under item 7 of the Agenda, if passed, will authorise the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company. Please refer to the Circular to Shareholders dated 3rd September 2004 for more information.

LAY HONG & LIQUID EGG

OUR NEW “LIQUID” ASSET

Here's even more icing on the proverbial cake: Lay Hong has aggressively expanded its product range. Among the most promising is its new “Liquid Egg,” an easy-to-use all-natural product mainly for industrial applications such as bakeries and confectionaries.

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

- (a) Yap Hoong Chai (retiring pursuant to Article 71 of the Company's Articles of Association).
- (b) Gan Soo Jin (retiring pursuant to Article 71 of the Company's Articles of Association).

B Details of attendance of directors at board meetings

5 Board Meetings were held during the financial year ended 31st March 2004. All meetings were held at the Office Premises, No 41-B Jalan 5, Kawasan 16, Taman Intan, 41300 Klang, Selangor.

The attendance record of each Director is as follows:

	Attendance	Percentage (%)
Executive Director		
Yap Hoong Chai	5/5	100%
Yeap Weng Hong	5/5	100%
Yip Kim Hoong (Relinquished his executive status on 30/6/2003)	5/5	100%
Non-Executive Director		
Tan Sri Dato' Mohd Desa Bin Pachi (did not seek re-election pursuant to section 129 (6) of the Company Act, 1965)	4/5	80%
Yeap Fock Hoong	4/5	80%
Gan Soo Jin	5/5	100%
Abdul Hamid Bin Mohamed Ghows	5/5	100%

C The Twentieth Annual General Meeting will be held at Goldcourse Hotel, 9 Jalan Pasar, 41400 Klang, Selangor on Tuesday, 28th September 2004 at 12.00 Noon.

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

- 1 (a) Yap Hoong Chai, a Malaysian, aged 54, is the Chairman and Group Managing Director and a founder member of the Lay Hong Group and was appointed to the Board of Lay Hong Berhad on 27th September 1983.
- (b) He has 30 years experience in poultry farming and marketing.
- (c) He sits on the Board of Directors of several private limited companies and does not hold any other directorship of public companies.
- (d) He holds no direct shareholding but has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd.
- (e) He is the brother of Yip Kim Hoong, Yeap Weng Hong and Yeap Fock Hoong, who are also Directors of the Company.
- (f) He has no conflict of interest with the Company.
- (g) He has no conviction for any offence within the past 10 years.

- 2 (a) Gan Soo Jin, a Malaysian, aged 54, is an Independent Non-Executive Director of Lay Hong Berhad and was appointed to the Board of Directors of Lay Hong Berhad on 10th August 1994.
- (b) He is a fellow member of the Institute of Chartered Accountants in England and Wales and has 30 years 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 48,000 shares of RM1/- each in Lay Hong Berhad 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 any offence within the past 10 years.

**DEAR SHAREHOLDERS,
ON BEHALF OF THE BOARD OF LAY HONG BERHAD,
IT IS MY PLEASURE TO PRESENT THE ANNUAL REPORT
AND THE FINANCIAL STATEMENTS OF THE COMPANY
AND THE GROUP FOR THE FINANCIAL
YEAR ENDED 31ST MARCH, 2004.**

FINANCIAL PERFORMANCE

Group turnover for the year under review improved from RM96.530 million to RM129.797 million due to higher volume sales of speciality and normal eggs. The group has been profitable all the months until the third quarter of the financial year when the unexpected Avian Influenza epidemic hit the neighboring countries that caused the consumption for eggs and chicken to nosedive in Malaysia. Good farm practices and bio-security measures implemented in the country plus the swift government pro-active actions have prevented this catastrophe from happening. Nevertheless, this has caused irreparable damage to the group's entire financial year's profitability and as a result a first time pre-tax loss of RM3.288 million was recorded compared to a pre-tax profit of RM1.406 million in the previous year. The drastic continuing increase in the prices of corn and soya bean which account for the major portion of the total feed cost have also contributed to the effect. Included in the loss, is an amount of RM1.655 million provisions for doubtful debts made in subsidiary companies.

BUSINESS REVIEW

LAYERS

Eggs production for the year under review was 370 million compared to 340 million recorded in the previous year. The higher production was due to the completion of the modern new high technology farm located in Jeram, Selangor. The group continues to make further in road into the speciality eggs market through continuous aggressive marketing campaigns and greater market acceptance. It has now emerged as a market leader. The recent award of a superbrand status by the Superbrand Council of Malaysia testifies this.

BROILERS

Broiler production remain constant at slightly above 10 million kilograms as no further expansion was carried out during the financial year under review. Prices were moderate for the first nine months until the Avian Influenza scare which caused the demand for poultry meat to plummet. Due to this unforeseen event, the broiler division suffered an operating loss of RM2.69 million.

CAPITAL EXPENDITURE

The commissioning of the liquid egg production facility in Klang was completed during the financial year under review. Total amount spent was RM5.0 million inclusive of land and building. Marketing activities have commenced and responses to date from confectioneries, food outlets, and other industrial users have been very encouraging.

The expansion of the broiler hatchery and breeder farm located in the Mukim of Api-Api, Kuala Selangor is now 80% completed. Partial production of day old chick is now in progress and is expected to be fully completed by the 4th quarter of the current financial year.

The construction of a new chicken processing and downstream processing plant in Sungei Tengkorak, Tanjung Karang, Selangor costing approximately RM17 million is progressing in accordance to schedule and is expected to be completed by the 2nd quarter of the current financial year. This new facility will be equipped with the latest state of the art air-chilled technology from Europe in the processing of broilers and also in manufacturing of downstream products such as frankfurter and nuggets.

DIVIDEND

The board does not recommend any dividend for the financial year ended 31st March, 2004.

PROSPECT

The Avian Influenza epidemic that hit Asian and American continents has since subsided. The consumption of eggs and broilers has been steadily improving and this has resulted in improved prices. Raw materials prices that have been escalating in the year under review such as corn and soya bean have since stabilized. Given the positive scenario and the completion of the new initiatives, the performance of the group for the ensuing year would improve.

APPRECIATION

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

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

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

YAP HOONG CHAI

Chairman and Group Managing Director

LAY HONG & YOU

PROMOTING HEALTHY LIFESTYLES

The most important partnership of all, of course, is with our customers. From restaurants to homes, from bakeries to hawker stalls, consumers recognise the Nutriplus brand for confidence and trust. Lay Hong is ever working to promote a healthy lifestyle for all. Thus, Lay Hong has developed products such as Nutriplus with Organic Selenium, Nutriplus with Low Cholesterol, & Nutriplus with Omega-3.

The Board fully appreciates the importance of adopting high standards of corporate governance within Lay Hong Bhd to enhance shareholders value. The Board has taken steps, as far as practicable, towards compliance of the recommendations in the Malaysia Code on Corporate Governance.

THE BOARD

The Board is responsible for ensuring that shareholders' interests are protected and that shareholders values are enhanced. Various processes and systems are in place to facilitate the Board in carrying out this stewardship responsibility.

COMPOSITION OF THE BOARD

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

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

Of the seven (7) Directors, two (2) are executives and non-independent namely Mr Yap Hoong Chai & Mr Yeap Weng Hong, two (2) are non-independent non-executive namely Mr Yip Kim Hoong and Mr Yeap Fock Hoong and three (3) are non-executive independents namely Tan Sri Dato' Mohd Desa Bin Pachi, Mr Gan Soo Jin and Encik Abdul Hamid Bin Mohamed Ghows. The Board is headed by a Chairman, Mr Yap Hoong Chai who is also the Group Managing Director. The presence of a sufficient number of independent directors provide a strong element of independence of the Board.

The two (2) executive directors are all hands on and have over two (2) decades of working experience in the poultry farming business. All the independent directors are Chartered Accountants by training who have extensive experience in both the corporate and financial service environment and the two (2) Non-Executive Non-Independent Directors, one is a professional pilot with a major Airline and the other is an ex-poultry farmer and businessman.

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

Apart from statutory responsibilities, the Board has overall responsibility for the Corporate Governance of the Company, including the strategic directions and review of key initiatives and decisions of the Company.

Board Responsibility

The Board has full control of the Group and oversees its business affairs. It approves strategic plans, key business initiatives, major investments and funding decisions, reviews financial performances, develops corporate objectives, determines succession plans for senior management and ensures adequate internal controls. These actions are carried out directly by the Board and through Board Committees.

Five (5) Board meetings were held during the financial year.

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

The attendance records of directors during the financial year (taking into account the date of their respective appointments) are as follows:

Director	Attendance
Yap Hoong Chai	5 of 5 meetings
Tan Sri Dato' Mohd Desa Bin Pachi	4 of 5 meetings
Yip Kim Hoong	5 of 5 meetings
Yeap Weng Hong	5 of 5 meetings
Yeap Fock Hoong	4 of 5 meetings
Gan Soo Jin	5 of 5 meetings
Abdul Hamid Bin Mohamed Ghows	5 of 5 meetings

The Board has also delegated certain responsibilities to the Audit Committee, which operates within clearly defined terms of reference. The Chairman of this Committee reports the outcome of Committee meetings to the Board. A Report on this Committee is presented on pages 7 to 9 of this Annual Report.

SUPPLY OF INFORMATION

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

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

APPOINTMENTS OF THE BOARD AND RE-ELECTION

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

The committee comprises exclusively of two (2) Independent Non-Executive Directors.

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

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

DIRECTORS' REMUNERATION

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

The Remuneration Committee was in place since 20 May 2002 and it comprise two independent directors and one executive director. This committee is entrusted with the role of determining and recommending suitable policies in respect of salary packages for Executive Directors and will meet as and when required. The remuneration packages of Non-Executive Directors are determined by the Board.

The breakdown of the remuneration of the directors during the financial year was as follows:

In RM	Executive Directors	Non-Executive Directors	Total
Fees	28,000	72,000	100,000
Salaries and other emoluments	680,540	–	680,540
Bonus	94,500	6,000	100,500
Benefit in kind	30,613	11,975	42,588
	833,653	89,975	923,628

Number of directors whose remuneration falls under the following bands:

Range of remuneration	Executive Directors	Non-Executive Directors	Total
RM1 to RM50,000	–	4	4
RM50,001 to RM200,000	–	–	–
RM250,001 to RM300,000	–	1	1
RM300,001 to RM350,000	1	–	1
RM550,001 to RM600,000	1	–	1
	2	5	7

SHAREHOLDERS COMMUNICATION

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

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

The Annual General Meeting (AGM) is the principal forum for dialogue with shareholders. Shareholders are notified of the meeting and provided with a copy of the Annual Report 21 days before the meeting. At the AGM, the Board presents the progress and performance of the Group and provides opportunity for shareholders to raise questions pertaining to the business activities of the Group. All directors are available to respond to questions from shareholders during these meetings. The external auditors are also present to provide professional and independent clarification on issues and concerns raised by the shareholders.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTS

The Board is responsible for ensuring that financial statements prepared for each financial year give a true and fair view of the Group's state of affairs. The directors took due care and reasonable steps to ensure that the requirements of accounting standards were fully met. Quarterly financial statements were reviewed by the Audit Committee and approved by the Board of Directors prior to their release to Bursa Malaysia.

A statement by Directors of their responsibilities in preparing the financial statements is set out on page 28 of this Annual Report.

INTERNAL CONTROL

The Code requires the Board to maintain a sound system of internal control to safeguard shareholder's investment and the Company's assets. The Statement of Internal Control furnished on pages 21 of this Annual Report provides an overview of the state of internal control within the Lay Hong Bhd.

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.

BOARD'S RESPONSIBILITY

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

KEY PROCESSES

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

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

- A Risk Management Committee was in place to identify key risks facing the Group and to formulate appropriate measures to address those risks. The Risk Management Committee comprise of the Managing Director and senior management team and is supported by a sub-committee comprising operational managers of major departments. During the year, all major risks that have an impact on the Group such as market, economic, legislative and financial risks, have been identified, prioritised and monitored closely. The risk assessment process includes areas of protection of livestock against adverse climatic conditions and diseases as well as recruitment and retention of employees and the provision for doubtful trade debts.
- During the financial year, the internal audit function has been outsourced to an independent professional firm who reports directly to the Audit Committee. A report on the internal audit findings was issued to the Audit Committee during the year. The internal audit function reviews critical business processes and identifies internal control gaps, assesses the effectiveness and adequacy of the existing state of internal control and recommends possible improvements to the internal control process.
- The Board has put in place an organisational structure with defined roles, responsibilities and delegation of authority. There are also established policies and procedures in terms of future planning, capital expenditure, development of information and reporting systems, and constant monitoring of the Group's business operations and its performance. Operational policies and procedures are communicated to the management and staff as to what is expected of them and to ensure that the required discretion is exercised in the carrying out of their duties.
- All major decisions require the final approval of the Board and are only made after appropriate in-depth analysis. The Board receives regular and comprehensive information in relation to all businesses within the Group.
- Monthly Executive Committee meetings are held and are attended by all Executive Directors and senior management to discuss the Group's operational matters.
- Detailed budgets are prepared by the finance department and approved by the Board. The monitoring of actual performance against what is budgeted is performed on a timely basis. When major variances are observed, further investigation is performed and follow-up management actions are taken where necessary.

This statement is made in accordance with the resolution of the Board dated 14 July 2004.

RM' million	2000	2001	2002	2003	2004
Turnover	77.553	77.140	81.964	96.530	129.797
Profit (Loss) before tax	8.115	1.118	1.256	1.406	(3.288)
Total assets	81.492	76.178	90.019	124.723	164.150
Paid-up capital	17.500	17.500	17.500	42.000	42.000
Net Tangible Assets (NTA)	41.082	41.199	42.465	53.674	52.408
NTA per share	2.348	2.354	2.427	1.278	1.248
Earnings per share - sen	33.54	0.78	3.2	2.94	(2.55)



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consolidated income statement **31** consolidated statement of changes in equity **32** consolidated cash flow statement **33**
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The directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2004.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

	Group RM	Company RM
(Loss)/profit after taxation	(2,545,050)	437,879
Minority interests	1,475,563	–
Net (loss)/profit for the year	(1,069,487)	437,879

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

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

DIVIDENDS

The amount of dividends paid or declared by the Company since 31 March 2003 were as follows:

	RM
In respect of the financial year ended 31st March 2003 as reported in the Directors' Report of that year:	
Final ordinary dividend of 1% on 42,000,000 ordinary shares less taxation of 28% paid on 1 November 2003	302,400

DIRECTORS

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

Yap Hoong Chai
 Yip Kim Hoong
 Yeap Weng Hong
 Yeap Fock Hoong
 Tan Sri Dato' Mohd Desa bin Pachi
 Gan Soo Jin
 Abdul Hamid bin Mohamed Ghows

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 21 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

DIRECTORS' INTEREST

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

	Number of Ordinary Shares of RM1 Each			
	At 1 April 2003	Bought	Sold	At 31 March 2004
The Company				
Direct Interest				
Yeap Fock Hoong	12,000	-	-	12,000
Yeap Weng Hong	7,200	-	-	7,200
Gan Soo Jin	48,000	-	-	48,000
Tan Sri Dato' Mohd Desa bin Pachi	2,400	-	-	2,400
Indirect Interest				
Yap Hoong Chai	18,900,000	-	-	18,900,000
Yip Kim Hoong	18,900,000	-	-	18,900,000
Yeap Fock Hoong	18,900,000	-	-	18,900,000
Yeap Weng Hong	18,900,000	-	-	18,900,000
Subsidiaries:				
Evergreen Organic Fertilisers Sdn Berhad				
Indirect Interest				
Yap Hoong Chai	147,000	-	-	147,000
Yip Kim Hoong	147,000	-	-	147,000
Yeap Fock Hoong	147,000	-	-	147,000
Yeap Weng Hong	147,000	-	-	147,000
Innobrid Sdn Bhd				
Indirect Interest				
Yap Hoong Chai	880,000	-	-	880,000
Yip Kim Hoong	880,000	-	-	880,000
Yeap Fock Hoong	880,000	-	-	880,000
Yeap Weng Hong	880,000	-	-	880,000

DIRECTORS' INTERESTS (CONT'D)

	Number of Ordinary Shares of RM1 Each			At 31 March 2004
	At 1 April 2003	Bought	Sold	
Sri Tawau Farming Sdn Bhd				
Indirect Interest				
Yap Hoong Chai	500,001	–	–	500,001
Yip Kim Hoong	500,001	–	–	500,001
Yeap Fock Hoong	500,001	–	–	500,001
Yeap Weng Hong	500,001	–	–	500,001

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

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

OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (CONT'D)

(e) As at the date of this report, there does not exist:

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

(f) In the opinion of the directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

Significant events during the year are as disclosed in Note 31 to the financial statements.

SUBSEQUENT EVENTS

Events subsequent to the year end are as disclosed in Note 32 to the financial statements.

AUDITORS

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

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

YAP HOONG CHAI
28 July 2004

YEAP WENG HONG

Selangor Darul Ehsan, Malaysia

We, YAP HOONG CHAI and YEAP WENG HONG, being two of the directors of LAY HONG BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 30 to 68 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2004 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

YAP HOONG CHAI
28 July 2004

YEAP WENG HONG

Selangor Darul Ehsan, Malaysia

I, NG KIM TIAN, being the officer primarily responsible for the financial management of LAY HONG BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 30 to 68 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed NG KIM TIAN at Klang
in Selangor Darul Ehsan on 28 July 2004

NG KIM TIAN

Before me,

No. B. 022
YAM CHEOK WAN
41-A, (Front) Jalan Goh Hock Huat
41400 Klang, Selangor
Commissioner for Oaths

We have audited the financial statements set out on pages 30 to 68. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 March 2004 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 4 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

PUSHPANATHAN A/L S.A. KANAGARAYAR
No. 1056/03/05 (J/PH)
Partner

Kuala Lumpur, Malaysia
28 July 2004

	Note	2004 RM	2003 RM
NON-CURRENT ASSETS			
Property, plant and equipment	3	98,732,523	73,193,559
Investments	4	2,010,004	839,328
Goodwill arising on consolidation, net	5	1,766,743	1,873,214
Deferred tax assets	17	11,178,926	6,470,793
		113,688,196	82,376,894
CURRENT ASSETS			
Inventories	6	25,615,086	23,231,253
Trade receivables	7	22,049,025	12,672,580
Other receivables	8	2,070,894	1,733,540
Cash and bank balances	10	727,150	4,708,928
		50,462,155	42,346,301
CURRENT LIABILITIES			
Short term borrowings	11	34,609,832	19,067,228
Trade payables		23,989,357	12,021,242
Other payables	12	5,198,184	6,045,503
Due to a corporate shareholder	13	308,405	478,405
Taxation		4,600	51,374
		64,110,378	37,663,752
NET CURRENT (LIABILITIES)/ASSETS		(13,648,223)	4,682,549
		100,039,973	87,059,443
FINANCED BY:			
Share capital	15	42,000,000	42,000,000
Retained profits	16	11,493,160	12,865,047
Other reserves		681,977	681,977
Shareholders' equity		54,175,137	55,547,024
Minority interests		4,370,008	5,845,573
		58,545,145	61,392,597
Long term borrowings	11	25,914,889	14,050,617
Due to a corporate shareholder	13	3,398,000	3,398,000
Deferred tax liabilities	17	12,181,939	8,218,229
Non-current liabilities		41,494,828	25,666,846
		100,039,973	87,059,443

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

	Note	2004 RM	2003 RM
Revenue	18	129,796,668	96,530,381
Other operating income	19	1,393,603	540,942
Changes in inventories		2,481,254	6,372,254
Raw materials, livestock and consumables used		(73,040,904)	(49,664,085)
Finished goods purchased		(22,405,152)	(17,890,649)
Staff costs	20	(11,808,734)	(10,153,322)
Depreciation		(6,572,093)	(5,185,277)
Other operating expenses	22	(21,205,243)	(17,699,004)
(Loss)/profit from operations		(1,360,601)	2,851,240
Finance costs	23	(1,927,299)	(1,445,510)
(Loss)/profit before taxation		(3,287,900)	1,405,730
Taxation	24	742,850	(623,776)
(Loss)/profit after taxation		(2,545,050)	781,954
Minority interests		1,475,563	408,840
Net (loss)/profit attributable to shareholders		(1,069,487)	1,190,794
Basic earnings per share (sen)	25	(2.55)	2.94

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

	Share Capital RM	Non Distributable Revaluation Reserve RM	Distributable Capital Reserve* RM	Distributable Retained Profits RM	Total RM
At 1 April 2002					
As previously stated	17,500,000	142,536	539,441	26,262,784	44,444,761
Prior year adjustment (Note 27)	-	-	-	1,480,038	1,480,038
At 1 April 2002 (restated)					
Issue of ordinary shares by way of:	17,500,000	142,536	539,441	27,742,822	45,924,799
- Rights Issue at par	8,750,000	-	-	-	8,750,000
- Bonus Issue (1:2)	8,750,000	-	-	(8,750,000)	-
- Bonus Issue (1:5)	7,000,000	-	-	(7,000,000)	-
Dilution arising from acquisition of additional shares in a subsidiary	-	-	-	(66,569)	(66,569)
Dividends (Note 26)	-	-	-	(252,000)	(252,000)
Net profit for the year	-	-	-	1,190,794	1,190,794
At 31 March 2003	42,000,000	142,536	539,441	12,865,047	55,547,024
At 1 April 2003					
As previously stated	42,000,000	142,536	539,441	11,268,063	53,950,040
Prior year adjustment (Note 27)	-	-	-	1,596,984	1,596,984
At 1 April 2003 (restated)					
Net loss for the year	-	-	-	(1,069,487)	(1,069,487)
Dividends (Note 26)	-	-	-	(302,400)	(302,400)
At 31 March 2004	42,000,000	142,536	539,441	11,493,160	54,175,137

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

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

	2004	2003
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(3,287,900)	1,405,730
Adjustments for:		
Amortisation of goodwill	106,471	106,472
Depreciation	6,572,093	5,185,277
Dividend income	(16,624)	(16,030)
Gain on disposal of property, plant and equipment	(940,442)	(55,440)
Gain on disposal of marketable securities	(101,466)	-
Interest expense	1,927,299	1,445,510
Interest income	(23,064)	(125,264)
Net unrealised foreign exchange gains	(35,218)	(6,761)
Provision for doubtful debts	1,655,467	100,851
Operating profit before working capital changes	5,856,616	8,040,345
Increase in inventories	(2,383,833)	(9,163,447)
Increase in receivables	(10,783,754)	(5,252,923)
Increase in payables	11,120,796	8,389,628
Decrease in amounts due to a corporate shareholder	(170,000)	(274,957)
Cash generated from operations	3,639,825	1,738,646
Interest paid	(1,927,299)	(1,445,510)
Taxes paid	(598,640)	(635,751)
Net cash generated from/(used in) operating activities	1,113,886	(342,615)

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

	2004	2003
	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable securities	-	(26,249)
Purchase of property, plant and equipment	(29,447,933)	(14,716,867)
Proceeds from disposal of property, plant and equipment	2,960,020	132,294
Proceeds from disposal of marketable securities	530,460	-
Capital repayment of marketable securities	499	-
Interest received	23,064	125,264
Net dividends received	16,624	16,030
Net cash used in investing activities	(25,917,266)	(14,469,528)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase financing, net	(2,140,503)	(1,211,700)
Drawdown of other short term borrowings, net	13,981,455	4,765,000
Drawdown of term loans, net	10,598,286	5,115,257
Dividend paid	(302,400)	(252,000)
Proceeds from issuance of ordinary shares	-	8,750,000
Net cash generated from financing activities	22,136,838	17,166,557
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,666,542)	2,354,414
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,347,269	(7,145)
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 10)	(319,273)	2,347,269

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

	Note	2004 RM	2003 RM
NON-CURRENT ASSETS			
Property, plant and equipment	3	40,889,144	32,423,727
Investments	4	12,880,426	9,709,254
		53,769,570	42,132,981
CURRENT ASSETS			
Inventories	6	11,019,015	10,093,158
Trade receivables	7	8,243,578	6,042,605
Other receivables	8	811,591	763,114
Due from subsidiaries	9	24,861,037	12,217,582
Cash and bank balances	10	207,187	4,320,083
		45,142,408	33,436,542
CURRENT LIABILITIES			
Short term borrowings	11	18,716,231	7,692,901
Trade payables		9,937,261	6,237,284
Other payables	12	5,575,931	4,818,755
Due to subsidiaries	9	2,539,015	432,564
Taxation		-	46,774
		36,768,438	19,228,278
NET CURRENT ASSETS		8,373,970	14,208,264
		62,143,540	56,341,245
FINANCED BY:			
Share capital	15	42,000,000	42,000,000
Retained profits	16	8,559,540	8,424,061
Other reserves		142,536	142,536
		50,702,076	50,566,597
Long term borrowings	11	6,700,317	1,395,648
Deferred tax liabilities	17	4,741,147	4,379,000
Non-current liabilities		11,441,464	5,774,648
		62,143,540	56,341,245

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

	Note	2004 RM	2003 RM
Revenue	18	110,250,085	83,453,724
Other operating income	19	1,451,056	507,833
Changes in inventories		1,726,280	3,071,405
Raw materials, livestock and consumables used		(71,952,494)	(50,843,084)
Finished goods purchased		(21,919,963)	(17,692,402)
Staff costs	20	(5,163,862)	(4,822,240)
Depreciation		(3,428,712)	(2,373,224)
Other operating expenses	22	(9,628,448)	(8,776,986)
Profit from operations		1,333,942	2,525,026
Finance costs	23	(534,717)	(276,453)
Profit before taxation		799,225	2,248,573
Taxation	24	(361,346)	(625,000)
Net profit for the year		437,879	1,623,573

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

	Share Capital RM	Non Distributable Revaluation Reserve RM	Distributable Retained Profits RM	Total RM
At 1 April 2002	17,500,000	142,536	22,802,488	40,445,024
Issue of ordinary shares by way of:				
– Rights Issue at par	8,750,000	–	–	8,750,000
– Bonus Issue (1:2)	8,750,000	–	(8,750,000)	–
– Bonus Issue (1:5)	7,000,000	–	(7,000,000)	–
Dividends (Note 26)	–	–	(252,000)	(252,000)
Net profit for the year	–	–	1,623,573	1,623,573
At 31 March 2003	42,000,000	142,536	8,424,061	50,566,597
Net profit for the year	–	–	437,879	437,879
Dividends (Note 26)	–	–	(302,400)	(302,400)
At 31 March 2004	42,000,000	142,536	8,559,540	50,702,076

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

	2004 RM	2003 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	799,225	2,248,573
Adjustments for:		
Depreciation	3,428,712	2,373,224
Dividend income	(16,624)	(16,030)
Gain on disposal of property, plant and equipment	(922,859)	(58,440)
Gain on disposal of quoted investments	(101,466)	-
Interest expense	534,717	276,453
Interest income	(23,064)	(114,079)
Net unrealised foreign exchange gains	(624)	(1,249)
Provision for doubtful debts	10,044	-
Writeback of provision for doubtful debts	-	(117,303)
Operating profit before working capital changes	3,708,061	4,591,149
Increase in receivables	(1,961,889)	(4,047,893)
Increase in inventories	(925,857)	(4,382,984)
Increase in payables	4,457,287	6,910,519
Increase in intercompany balances	(10,537,003)	(1,801,659)
Cash (used in)/generated from operations	(5,259,401)	1,269,132
Interest paid	(534,717)	(276,453)
Taxes paid	(343,090)	(584,925)
Net cash (used in)/generated from operating activities	(6,137,208)	407,754

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

	2004	2003
	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(9,413,547)	(8,341,624)
Proceeds from disposal of property, plant and equipment	1,281,420	67,099
Proceeds from disposal of marketable securities	530,460	-
Purchase of wholly-owned subsidiaries	(1,999,996)	(4)
Purchase of marketable securities	-	(26,249)
Interest received	23,064	114,079
Net dividends received	16,624	16,030
Net cash used in investing activities	(9,561,975)	(8,170,669)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(302,400)	(252,000)
Proceeds from issuance of ordinary shares	-	8,750,000
Repayment of hire purchase	(1,591,755)	(811,422)
Drawdown of other short term borrowings	10,206,456	3,750,000
Drawdown of term loans	4,479,395	252,768
Net cash generated from financing activities	12,791,696	11,689,346
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,907,487)	3,926,431
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,320,083	393,652
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 10)	1,412,596	4,320,083

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

1 CORPORATE INFORMATION

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of the Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at No. 39 & 41, Jalan 5, Kawasan 16, Taman Intan, 41300 Klang, Selangor Darul Ehsan.

The number of employees in the Group and the Company at the end of the financial year were 711 (2003 : 704) and 294 (2003 : 287) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 July 2004.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

During the financial year ended 31 March 2004, the Group and the Company adopted the following Malaysian Accounting Standards Board ("MASB") Standards for the first time:

MASB 25 Income Taxes

MASB 29 Employee Benefits

The effects of adopting MASB 25 is summarised in the Statement of Changes in Equity and further information is disclosed in Note 27 to the financial statements. The adoption of MASB 29 has not given rise to any adjustments to the opening balances of retained profits of the prior and current year.

(b) Basis of Consolidation

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (cont'd)

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

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

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

(c) Goodwill

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

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

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

(d) Investment in Subsidiaries

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

(e) Property, Plant and Equipment and Depreciation

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

The freehold land and buildings were revalued by a firm of independent professional valuers in 1993 based on their open market values using the Cost Comparison Method of Valuation. The revaluation of the freehold land and buildings was approved by the relevant authorities in 1994. The directors have not adopted a policy of regular revaluations of these assets. As permitted under the transitional provisions issued by the Malaysian Accounting Standards Board ("MASB") on adoption of MASB Standard No. 15 : Property, Plant and Equipment, these assets have not been subsequently revalued and continue to be stated at their 1993 valuation less accumulated depreciation.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment and Depreciation (cont'd)

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

Buildings	2% – 10%
Plant and machinery	3% – 20%
Motor vehicles	20%
Office equipment	10% – 20%
Furniture and fittings	5%

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

(f) Inventories

(i) Livestocks

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

(a) Layer Breeders

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

(b) Broiler Breeders

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

(c) Layers

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

(d) Broilers

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(h) Leases

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

(i) Finance leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

(ii) Operating leases

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

(i) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Income Tax

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

Deferred tax is provided for, using the liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credit can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rate that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Prior to the adoption of MASB 25 Income Tax on 1 April 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed in Note 27.

(k) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

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

Prior to the adoption of MASB 29 Employee Benefits on 1 April 2003, no liability was recognised for the obligations in respect of short-term employee benefits in the form of accumulating compensated absences. The adoption of MASB 29 has not given rise to any adjustments to the opening balances of the accumulated losses of prior and current year or to changes in comparatives.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Revenue Recognition

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

- (i) Revenue is recognised net of discounts upon the transfer of risks and rewards.
- (ii) Dividend income is recognised when the right to receive payment is established.
- (iii) Rental and interest income are recognised on the accrual basis.

(m) Foreign currencies

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

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

	2004	2003
	RM	RM
Singapore Dollar	2.23	2.12
Euro	4.62	4.10

(n) Impairment of Assets

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial Instruments

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

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

(i) Non-Current Investments

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

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

(ii) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

(iii) Receivables

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

(iv) Payables

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

(v) Interest-Bearing Borrowings

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

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

(vi) Equity Instruments

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

3 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM	Plant and machinery RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Total RM
Group					
Cost/Valuation					
At 1 April 2003	67,942,796	26,622,782	7,452,564	2,675,449	104,693,591
Additions	22,559,220	7,788,940	2,365,277	1,417,198	34,130,635
Disposals	(1,215,361)	(1,444,727)	(789,662)	(15,799)	(3,465,549)
At 31 March 2004	89,286,655	32,966,995	9,028,179	4,076,848	135,358,677
Accumulated Depreciation					
At 1 April 2003	15,288,924	11,368,369	3,720,267	1,122,472	31,500,032
Charge for the year	2,874,763	2,299,977	1,196,427	200,926	6,572,093
Disposals	(75,254)	(661,236)	(709,081)	(400)	(1,445,971)
At 31 March 2004	18,088,433	13,007,110	4,207,613	1,322,998	36,626,154
Net Book Value					
At 31 March 2004	71,198,222	19,959,885	4,820,566	2,753,850	98,732,523
At 31 March 2003	52,653,872	15,254,413	3,732,297	1,552,977	73,193,559
Details at 1 April 2002					
Cost	42,773,946	22,974,825	5,447,862	2,345,936	73,542,569
Valuation	14,382,678	–	–	–	14,382,678
Accumulated depreciation	13,046,864	9,469,324	3,011,561	931,150	26,458,899
Depreciation charge for 2003	2,243,170	1,899,404	850,709	191,994	5,185,277
Company					
Cost/Valuation					
At 1 April 2003	26,796,053	12,845,813	4,389,139	2,220,591	46,251,596
Additions	6,396,076	2,521,001	2,081,611	1,254,002	12,252,690
Disposals	–	(830,864)	(715,512)	(5,999)	(1,552,375)
At 31 March 2004	33,192,129	14,535,950	5,755,238	3,468,594	56,951,911

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Land and buildings RM	Plant and machinery RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Total RM
Accumulated Depreciation					
At 1 April 2003	5,594,592	5,242,446	2,087,392	903,439	13,827,869
Charge for the year	1,245,747	1,150,334	835,341	197,290	3,428,712
Disposals	–	(556,066)	(637,348)	(400)	(1,193,814)
At 31 March 2004	6,840,339	5,836,714	2,285,385	1,100,329	16,062,767
Net Book Value					
At 31 March 2004	26,351,790	8,699,236	3,469,853	2,368,265	40,889,144
At 31 March 2003	21,201,461	7,603,367	2,301,747	1,317,152	32,423,727
Details at 1 April 2002					
Cost	9,634,595	11,663,332	2,962,362	1,958,335	26,218,624
Valuation	10,349,543	–	–	–	10,349,543
Accumulated depreciation	4,831,182	4,283,567	1,730,789	745,453	11,590,991
Depreciation charge for 2003	763,410	958,879	492,949	157,986	2,373,224

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

	Valuation RM	Cost RM	Total RM
Group			
Cost/Valuation			
Land			
– Freehold	3,237,000	4,602,241	7,839,241
– Long leasehold	–	2,820,492	2,820,492
– Short leasehold	–	271,427	271,427
Buildings	11,145,678	59,102,601	70,248,279
Buildings-in-progress	–	8,107,216	8,107,216
	14,382,678	74,903,977	89,286,655

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Valuation RM	Cost RM	Total RM
Accumulated Depreciation			
Land			
– Freehold	-	-	-
– Long leasehold	-	56,064	56,064
– Short leasehold	-	6,298	6,298
Buildings	5,375,723	12,650,348	18,026,071
Buildings-in-progress	-	-	-
	5,375,723	12,712,710	18,088,433
Net Book Value			
At 31 March 2004	9,006,955	62,191,267	71,198,222
At 31 March 2003	9,201,321	43,452,551	52,653,872

Company

Cost/Valuation			
Land – Freehold	2,047,000	2,032,742	4,079,742
Buildings	8,302,543	20,809,844	29,112,387
	10,349,543	22,842,586	33,192,129

Accumulated Depreciation

Buildings	3,863,274	2,977,065	6,840,339
	3,863,274	2,977,065	6,840,339

Net Book Value

At 31 March 2004	6,486,269	19,865,521	26,351,790
At 31 March 2003	6,875,891	14,325,570	21,201,461

- (a) Freehold and long term leasehold land of certain subsidiaries with net book value amounting to RM4,440,476 (2003 : RM2,131,000) have been pledged to a financial institution as security for bank borrowings.
- (b) Due to the absence of certain historical records for the periods prior to the revaluation in 1993, the net book values of the land and buildings stated at valuation had the revalued assets been carried at historical cost less accumulated depreciation, are not disclosed.
- (c) The net book values of property, plant and equipment held under hire purchase arrangements are as follows:

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Motor vehicles	5,554,714	2,781,281	3,230,654	1,802,418
Plant and machinery	2,926,256	1,670,076	2,563,688	1,670,076

(d) Interest capitalised during the financial year under buildings-in-progress amounted to RM476,021 (2003 : RM212,933).

(e) During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM34,130,635 (2003: RM16,989,342) and RM12,252,690 (2003: RM9,828,434) respectively of which RM4,682,702 (2003: RM2,272,475) and RM2,839,143 (2003: RM1,486,810) respectively were acquired by means of hire purchase arrangements.

4 INVESTMENTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
(a) Subsidiaries				
Unquoted shares				
– at cost	–	–	7,375,832	5,375,836
– at valuation**	–	–	3,497,390	3,497,390
	–	–	10,873,222	8,873,226
(b) Other Investments				
Quoted shares at cost in Malaysia	291,833	721,327	289,033	718,027
Financial instruments under repo (Note 10)	1,600,170	–	1,600,170	–
Other investments	118,001	118,001	118,001	118,001
	2,010,004	839,328	2,007,204	836,028
Total investments	2,010,004	839,328	12,880,426	9,709,254
Market value of shares quoted in Malaysia	626,000	761,050	625,000	759,760

4 INVESTMENTS (CONT'D)

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Effective Interest Held (%)		Principal Activities
		2004	2003	
Hing Hong Sdn Berhad	Malaysia	100	100	Poultry farming
Innofarm (Klang) Sdn Bhd#	Malaysia	70	70	Poultry farming
Evergreen Organic Fertilisers Sdn Berhad	Malaysia	51	51	Organic fertiliser processing
Sri Tawau Farming Sdn Bhd# +	Malaysia	50	50	Poultry farming
Innobrid Sdn Bhd #^ and its subsidiary	Malaysia	50	50	Poultry farming
Innobrid Marketing Sdn Bhd #	Malaysia	38	38	Poultry processing and marketing
Eminent Farm Sdn Bhd	Malaysia	100	100	Poultry farming
Lay Hong Liquid Egg Sdn Bhd #	Malaysia	100	100	Liquid egg processing
Lay Hong Poultry Processing Sdn Bhd #	Malaysia	100	–	Dormant

Audited by firms of auditors other than Ernst & Young

+ Equity interest of 50% plus one special rights ordinary share

^ Equity interest of 50% plus one share

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

5 GOODWILL ON CONSOLIDATION

	Group	
	2004 RM	2003 RM
Arising from acquisition of subsidiaries:		
Goodwill	2,661,777	2,661,777
Negative goodwill	(362,677)	(362,677)
At 1 April 2003/2002	2,299,100	2,299,100
Less: Accumulated amortisation	(532,357)	(425,886)
	1,766,743	1,873,214

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

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

6 INVENTORIES

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
At cost:				
Livestock	18,909,863	16,403,123	6,830,474	5,156,205
Eggs	746,228	605,449	415,126	363,115
Raw materials	5,021,866	5,352,671	3,519,412	4,328,219
Organic fertilisers	392,254	346,162	-	-
Packing materials	314,457	285,965	254,003	245,619
Consumables	230,418	237,883	-	-
	25,615,086	23,231,253	11,019,015	10,093,158

7 TRADE RECEIVABLES

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Trade receivables	24,956,446	14,970,748	8,268,935	6,211,321
Provision for doubtful debts	(2,907,421)	(2,298,168)	(25,357)	(168,716)
	22,049,025	12,672,580	8,243,578	6,042,605

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

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

8 OTHER RECEIVABLES

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Prepayments	417,705	225,085	274,312	192,037
Sundry receivables	836,238	535,805	354,555	377,100
Deposits	701,223	381,444	154,175	153,636
Others	115,728	591,206	28,549	40,341
	2,070,894	1,733,540	811,591	763,114

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

9 DUE FROM/DUE TO SUBSIDIARIES

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

10 CASH AND CASH EQUIVALENTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Cash on hand and at banks	727,150	1,158,928	207,187	770,083
Deposits with:				
– licensed bank	–	2,700,000	–	2,700,000
– licensed finance company	–	850,000	–	850,000
Cash and bank balances	727,150	4,708,928	207,187	4,320,083
Financial instruments under repo (Note 4)	1,600,170	–	1,600,170	–
Less: Bank overdrafts (Note 11)	(2,646,593)	(2,361,659)	(394,761)	–
Cash and cash equivalents	(319,273)	2,347,269	1,412,596	4,320,083

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

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Licensed banks	–	3.20	–	3.20
Licensed finance companies	–	3.20	–	3.20
Other financial institution	2.60	–	2.60	–

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

	Group		Company	
	2004 Days	2003 Days	2004 Days	2003 Days
Licensed banks	–	31	–	31
Licensed finance companies	–	31	–	31
Other financial institution	7	–	7	–

Other financial institution is a merchant bank in Malaysia.

11 BORROWINGS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Short Term Borrowings				
Secured:				
Bank overdrafts	2,251,832	2,361,659	-	-
Bankers acceptances	10,481,000	6,706,000	-	-
Term loans	2,598,831	1,937,694	362,360	-
Short term advances	-	-	-	-
Hire purchase payables (Note 14)	2,866,952	1,565,543	1,942,654	1,196,569
	18,198,615	12,570,896	2,305,014	1,196,569
Unsecured:				
Bank overdrafts	394,761	-	394,761	-
Bankers' acceptances	15,904,000	5,810,000	15,904,000	5,810,000
Term loans	112,456	686,332	112,456	686,332
	16,411,217	6,496,332	16,411,217	6,496,332
	34,609,832	19,067,228	18,716,231	7,692,901
Long Term Borrowings				
Secured:				
Term loans	20,018,742	12,301,975	1,896,652	-
Hire purchase payables (Note 14)	2,989,432	1,748,642	1,896,950	1,395,648
	23,008,174	14,050,617	3,793,602	1,395,648
Unsecured:				
Term loans	2,906,715	-	2,906,715	-
	25,914,889	14,050,617	6,700,317	1,395,648

11 BORROWINGS (CONT'D)

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Total Borrowings				
Bank overdrafts (Note 10)	2,646,593	2,361,659	394,761	–
Bankers' acceptances	26,385,000	12,516,000	15,904,000	5,810,000
Term loans	25,636,744	14,926,001	5,278,183	686,332
Short term advances	–	–	–	–
Hire purchase payables (Note 14)	5,856,384	3,314,185	3,839,604	2,592,217
	60,524,721	33,117,845	25,416,548	9,088,549
Maturity of borrowings (excluding hire purchase):				
Within one year	31,742,880	17,501,685	16,773,577	6,496,332
More than 1 year and less than 2 years	3,729,034	2,076,595	743,604	–
More than 2 years and less than 5 years	11,131,708	7,158,848	1,405,683	–
5 years or more	8,064,715	3,066,532	2,654,080	–
	54,668,337	29,803,660	21,576,944	6,496,332

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

	Group		Company	
	2004	2003	2004	2003
	%	%	%	%
Bank overdrafts	7.54	7.80	7.50	–
Bankers' acceptances	4.02	4.11	3.76	3.83
Term loans	7.35	7.00	7.35	7.90

The credit facilities of the Company are secured by way of a negative pledge over the assets of the Company. The credit facilities of the subsidiaries are secured by way of corporate guarantees from the Company and a corporate shareholder, fixed charge on certain landed properties as disclosed in Note 3 and subordination of shareholders' loan and amount due to holding company of RM7.9 million (2003: RM5.4 million) in certain subsidiaries.

12 OTHER PAYABLES

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Due to director of a subsidiary	194,988	273,000	–	–
Accruals	4,564,327	3,403,940	2,530,064	2,923,139
Sundry payables	438,869	2,368,563	3,045,867	1,895,616
	5,198,184	6,045,503	5,575,931	4,818,755

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

13 DUE TO A CORPORATE SHAREHOLDER-GROUP

The amount due to Innofarm Sdn Bhd, a corporate shareholder of a subsidiary, is unsecured and interest-free. Included in the amount due to a corporate shareholder is an amount of RM2.8 million (2003 : RM2.8 million) which has been subordinated for credit facilities granted to a subsidiary by a financial institution, and an amount of RM598,000 (2003: RM598,000) which will be repayable after 12 months.

14 HIRE PURCHASE PAYABLES

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Minimum hire purchase payments:				
Not later than 1 year	2,022,402	1,780,199	1,654,527	1,362,048
Later than 1 year and not later than 2 years	946,397	1,464,349	852,421	1,147,306
Later than 2 years and not later than 5 years	3,521,617	407,600	1,715,403	353,931
	6,490,416	3,652,148	4,222,351	2,863,285
Less: Future finance charges	(634,032)	(337,963)	(382,747)	(271,068)
Present value of hire purchase liabilities	5,856,384	3,314,185	3,839,604	2,592,217

Present value of hire purchase liabilities:

Not later than 1 year	2,866,952	1,565,543	1,942,654	1,196,569
Later than 1 year and not later than 2 years	1,957,996	1,337,535	1,236,879	1,071,239
Later than 2 years and not later than 5 years	1,031,436	411,107	660,071	324,409
	5,856,384	3,314,185	3,839,604	2,592,217
Analysed as:				
Due within 12 months	2,866,952	1,565,543	1,942,654	1,196,569
Due after 12 months	2,989,432	1,748,642	1,896,950	1,395,648
	5,856,384	3,314,185	3,839,604	2,592,217

The hire purchase liabilities bore interest at the balance sheet date between 6.35% to 9.37% (2003: 8% to 10%) per annum.

15 SHARE CAPITAL

	Number of Ordinary Shares of RM1 each		Amount	
	2004	2003	2004 RM	2003 RM

Authorised:				
At 1 April 2003/2002	100,000,000	20,000,000	100,000,000	20,000,000
Created during the year	-	80,000,000	-	80,000,000
At 31 March	100,000,000	100,000,000	100,000,000	100,000,000

Issued and fully paid:				
At 1 April 2003/2002	42,000,000	17,500,000	42,000,000	17,500,000
Issued and paid up during the year				
- Rights Issue	-	8,750,000	-	8,750,000
- Bonus Issue (1:2)	-	8,750,000	-	8,750,000
- Bonus Issue (1:5)	-	7,000,000	-	7,000,000
At 31 March	42,000,000	42,000,000	42,000,000	42,000,000

16 RETAINED PROFITS

As at 31 March 2004, the Company has available tax exempt income under Schedule 7A of the Income Tax Act, 1967 and the Income Tax (Amendment) Act, 1999 which can be used to declare tax exempt dividends amounting to approximately RM10,088,000 (2003: RM10,088,000), subject to agreement with the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained profits as at 31 March 2004.

17 DEFERRED TAXATION

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM

At 1 April 2003/2002	1,747,436	1,272,908	4,379,000	3,879,000
Recognised in the income statement (Note 24)	(744,423)	474,528	362,147	500,000
At 31 March	1,003,013	1,747,436	4,741,147	4,379,000

Presented after offsetting as follows:				
Deferred tax assets	(4,622,685)	(6,470,793)	(389,639)	-
Deferred tax liabilities	5,625,698	8,218,229	5,130,786	4,379,000
	1,003,013	1,747,436	4,741,147	4,379,000

17 DEFERRED TAXATION (CONT'D)

	Accelerated Capital Allowances			
	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Deferred Tax Liabilities:				
At 1 April 2003/2002	8,218,229	9,021,180	4,379,000	3,879,000
Recognised in the income statement	3,963,710	(802,951)	751,786	500,000
At 31 March	12,181,939	8,218,229	5,130,786	4,379,000

	Tax Losses and Unabsorbed Capital Allowances			Total
	Provision for Reinvestment Liabilities	Unabsorbed Allowances	Unabsorbed Capital Allowances	
	RM	RM	RM	
At 1 April 2003	158,093	2,826,910	3,485,790	6,470,793
Recognised in the income statement	77,450	(74,827)	4,705,510	4,708,133
At 31 March 2004	235,543	2,752,083	8,191,300	11,178,926

Deferred Tax Assets of the Group:

At 1 April 2002	116,870	3,014,681	4,616,721	7,748,272
Recognised in the income statement	41,223	(187,771)	(1,130,931)	(1,277,479)
At 31 March 2003	158,093	2,826,910	3,485,790	6,470,793

	Tax Losses and Unabsorbed Capital Allowances	
	2004	2003
	RM	RM
At 1 April 2003/2002	-	-
Recognised in the income statement	389,639	-
At 31 March	389,639	-

Deferred Tax Assets of the Company:

At 1 April 2003/2002	-	-
Recognised in the income statement	389,639	-
At 31 March	389,639	-

18 REVENUE

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

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Sale of eggs	64,824,089	50,706,143	61,029,500	44,742,801
Sale of livestock	37,544,363	25,403,319	1,077,631	1,239,461
Sale of feed	11,334,054	4,596,389	47,301,243	36,690,402
Processed chicken	14,268,355	14,128,694	–	–
Others	1,825,807	1,695,836	841,711	781,060
	129,796,668	96,530,381	110,250,085	83,453,724

19 OTHER OPERATING INCOME

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

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Gain on disposal of:				
Property, plant and equipment	940,442	55,440	922,859	58,440
Quoted investments	101,466	–	101,466	–
Rental income				
Subsidiary	7,200	–	3,600	3,600
Others	15,600	4,050	9,600	4,050
Gross dividends from quoted investments	16,624	16,030	16,624	16,030
Interest income				
Others	23,064	125,264	23,064	114,079
Management fees receivable from subsidiaries	–	–	336,000	156,000
Gain on foreign exchange:				
Realised	19,075	–	–	–
Unrealised	35,218	6,761	624	1,249

20 STAFF COSTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Wages and salaries	9,283,636	8,480,359	3,658,054	3,938,907
Social security cost	77,396	73,699	28,747	28,528
Employees Provident Fund	731,078	704,109	384,925	360,303
Other staff related expenses	1,716,624	895,155	1,092,136	494,502
	11,808,734	10,153,322	5,163,862	4,822,240

Included in staff costs of the Group and the Company are directors' remuneration (excluding directors' fees and benefits-in-kind) amounting to RM992,840 (2003 : RM1,040,122) and RM781,040 (2003: RM774,922) respectively as further disclosed in Note 21.

21 DIRECTORS' REMUNERATION

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Directors of the Company				
Executive:				
Salaries and other emoluments	680,540	914,122	680,540	678,922
Fees	92,000	136,000	28,000	40,000
Bonus	94,500	120,000	94,500	90,000
Benefits-in-kind	30,163	50,125	30,613	50,125
	897,203	1,220,247	833,653	859,047
Non-executive:				
Salaries and other emoluments	196,800	-	-	-
Fees	136,000	92,000	72,000	60,000
Bonus	21,000	6,000	6,000	6,000
Benefits-in-kind	11,975	-	11,975	-
Total	365,775	98,000	89,975	66,000
Other Directors				
Non-executive:				
Fees	44,000	36,000	-	-
Total	1,306,978	1,354,247	923,628	925,047
Analysis excluding benefit-in-kind:				
Total executive directors'				
remuneration excluding benefits-in-kind	867,040	1,170,122	803,040	808,922
Total non-executive directors'				
remuneration excluding benefits-in-kind	397,800	134,000	78,000	66,000
Total directors' remuneration				
excluding benefits-in-kind	1,264,840	1,304,122	881,040	874,922

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

	Number of Directors	
	2004	2003
Executive directors:		
RM550,001 – RM600,000	1	1
RM300,001 – RM350,000	1	2
Non-Executive directors:		
RM250,001 – RM300,000	1	-
RM1 to RM50,000	4	4

22 OTHER OPERATING EXPENSES

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

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Amortisation of goodwill	106,471	106,472	-	-
Directors' fees (Note 21)	272,000	264,000	100,000	100,000
Auditors' remuneration:				
Statutory audits				
current year	64,175	67,200	19,000	19,100
overprovision in prior year	(38,925)	-	-	-
Other services	-	6,000	-	6,000
Hire of plant and machinery	171,291	109,165	-	-
Provision/(writeback) for doubtful debts	1,655,467	100,851	10,044	(117,303)
Rental				
Third parties	539,009	306,600	90,295	56,386
Subsidiaries	3,600	3,600	-	-
Preliminary exp	2,500	-	-	-
Hiring charges payable to subsidiaries	-	-	-	30,000

23 FINANCE COSTS

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Included in finance costs of the Group and of the Company are:				
Interest expense on borrowings	2,403,320	1,658,443	534,717	276,453
Less: Amount capitalised in buildings-in-progress	(476,021)	(212,933)	-	-
	1,927,299	1,445,510	534,717	276,453

24 TAXATION

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Tax expense/(benefit) for the year	1,573	127,310	(801)	158,964
Deferred tax (Note 17)	(744,423)	474,528	362,147	500,000
Under/(over)provision in prior years	-	21,938	-	(33,964)
	(742,850)	623,776	361,346	625,000

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

24 TAXATION (CONT'D)

	2004 RM	2003 RM
Group		
(Loss)/profit before taxation	(3,287,900)	1,405,730
Taxation at Malaysian statutory tax rate of 28%	(976,612)	346,414
Effect of income taxed at 20%	40,000	33,707
Income not subject to tax	(31,591)	(28,874)
Expenses not deductible for tax purposes	184,717	172,556
Underprovision of deferred tax in prior year	40,636	78,035
Underprovision of tax in prior years	-	21,938
Tax (benefit)/expense for the year	(742,850)	623,776

Company

Profit before taxation	799,225	2,248,573
Taxation at Malaysian statutory tax rate of 28%	223,783	629,600
Income not subject to tax	(31,591)	-
Expenses not deductible for tax purposes	95,694	136,442
Under/(over)provision of deferred tax in prior years	73,460	(107,078)
Overprovision of tax in prior years	-	(33,964)
Tax expense for the year	361,346	625,000

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM

Tax losses are analysed as follows:

Tax savings recognised during the year arising from:				
Utilisation of tax losses brought forward from previous years	119,467	113,839	-	-
Unutilised tax losses carried forward	3,842,055	3,704,497	-	-

25 EARNINGS PER SHARE

- (a) The basic earnings per share of the Group for the year ending 31 March 2004 is calculated by dividing the net loss for the year of RM1,069,487(2003: net profit of RM1,190,794) by the weighted average number of ordinary shares in issue during the year of 42,000,000 (2003: 40,476,000).
- (b) There is no diluted earnings per share as the Company does not have any potential ordinary shares outstanding as at year end.

The comparative basic earnings per share has been restated to take into account the effect of the changes in accounting policies and prior year adjustments as disclosed in Note 27.

26 DIVIDENDS

Group and Company

	Amount		Net dividend per share	
	2004	2003	2004	2003
	RM	RM	Sen	Sen
Ordinary final dividend of 1% less 28% taxation	302,400	252,000	0.72	0.72

27 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

During the financial year, the Group and the Company adopted MASB 25 Income Taxes for the first time. Prior to 1 April 2003, deferred tax assets were not recognised unless there was reasonable expectation of their realisation. However, under MASB 25, the Group and the Company have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probably that sufficient taxable profit will be available against which the deductible temporary differences can be utilised.

This change in accounting policy has been accounted for retrospectively and the effects of this change are as follows:

	Group	
	2004 RM	2003 RM
Effects on retained profits:		
At 1 April 2003/2002, as previously stated	11,268,063	26,262,784
Effects of change in accounting policy	1,596,984	1,480,038
At 1 April 2003/2002, as restated	12,865,047	27,742,822
Effects on net profit for the year:		
Net (loss)/profit before change in accounting policy	(1,069,487)	1,073,848
Effects of change in accounting policy	-	116,946
Net (loss)/profit for the year	(1,069,487)	1,190,794

Comparative amounts as at 31 March 2003 have been restated as follows:

	Previously	Adjustments	Restated
	Stated RM		
Balance Sheet			
Deferred tax assets	3,159,402	3,311,391	6,470,793
Minority interests	4,131,166	1,714,407	5,845,573
Income Statement			
Minority interests	546,193	(137,353)	408,840
Taxation	(878,075)	254,299	(623,776)

28 SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2004	2003
	RM	RM
Purchases from subsidiaries		
– Innofarm (Klang) Sdn Bhd	8,764,717	7,457,454
– Hing Hong Sdn Berhad	14,292,412	11,490,498
– Innobrid Sdn Bhd	–	1,545
– Sri Tawau Farming Sdn Bhd	55,602	–
Sales to subsidiaries		
– Innofarm (Klang) Sdn Bhd	7,305,274	7,513,620
– Hing Hong Sdn Berhad	10,996,603	10,562,495
– Innobrid Sdn Bhd	18,489,534	14,945,894
– Evergreen Organic Fertilisers Sdn Berhad	145,000	120,000
Management fees receivable from subsidiaries		
– Innofarm (Klang) Sdn Bhd	120,000	120,000
– Evergreen Organic Fertilisers Sdn Berhad	36,000	36,000
Hiring charges payable to subsidiaries		
– Hing Hong Sdn Berhad	–	30,000

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

29 CAPITAL COMMITMENTS

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Approved and contracted for				
– Property, plant and equipment	10,443,000	7,550,000	4,868,000	1,350,000
Approved but not contracted for				
– Property, plant and equipment	19,981,000	9,482,000	14,968,000	162,000

30 CONTINGENT LIABILITIES

	Company	
	2004	2003
	RM	RM
Unsecured		
Corporate guarantee issued to financial institutions and corporate shareholder for credit facilities granted to subsidiaries	22,496,350	14,409,663

31 SIGNIFICANT EVENTS

- (i) During the year, the Company increased its investment in its wholly-owned subsidiary, Lay Hong Liquid Egg Sdn Bhd, a company incorporated in Malaysia by acquiring an additional 899,998 ordinary shares of RM1 each fully paid at par for cash.
- (ii) During the year, the Company increased its investment in its wholly-owned subsidiary, Eminent Farm Sdn Bhd, a company incorporated in Malaysia by acquiring an additional 99,998 ordinary shares of RM1 each fully paid at par for cash.
- (iii) During the year, the Company invested in a wholly-owned subsidiary, Lay Hong Poultry Processing Sdn Bhd, a company incorporated in Malaysia with a paid up capital of RM1,000,000 comprising of 1,000,000 ordinary shares of RM1 each fully paid at par for cash.

32 SUBSEQUENT EVENT

During the year, the Company's subsidiary Sri Tawau Farming Sdn Bhd ("STFSB") entered into a 60:40 joint venture with Evergrowth Poultry Farm (KK) Sdn Bhd. Subsequent to the year end, STFSB invested in kind, through livestock amounting to RM600,000 as consideration for 600,000 ordinary shares of RM1 each in the joint venture company, Evergrowth Marketing Sdn Bhd ("EMSB"). The total issued and paid up capital of EMSB is RM1,000,000.

33 SEGMENT INFORMATION

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

34 FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt; the Group had no substantial long-term interest-bearing assets as at 31 March 2004. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

34 FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest Rate Risk (cont'd)

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(c) Foreign Exchange Risk

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

(d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level. As far as possible, the Group raises committed funding from both capital market and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

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

34 FINANCIAL INSTRUMENTS (CONT'D)

(f) Fair Values

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

	Note	Group		Company	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Assets					
Due from subsidiaries		–	–	24,861,037	*
Financial liabilities					
Due to subsidiaries		–	–	2,539,015	*
Term loans	11	25,636,744	25,654,406	5,278,183	5,278,183
Due to a corporate shareholder	13	308,405	*	–	–
Hire purchase payables	14	5,856,384	6,381,465	3,839,604	4,216,195
		31,801,533	32,035,871	11,656,802	9,494,378

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

The nominal/notional amounts and net fair values of financial instruments not recognised in the balance sheet of the Company as at the end of the financial year are:

	Note	Nominal/ Notional Amount RM	Company Net Fair Value RM
Contingent liabilities	30	22,496,350	#

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

34 FINANCIAL INSTRUMENTS (CONT'D)

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

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

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

- (ii) Marketable Securities

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

- (iii) Borrowings

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

35 COMPARATIVES

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

	Previously stated RM	Adjustments RM	Restated RM
Group			
Non-current assets			
Deferred tax assets	–	6,470,793	6,470,793
Non-current liabilities			
Deferred tax liabilities	(5,058,827)	(3,159,402)	(8,218,229)

Authorised Shared Capital	• RM 100,000,000
Issued & Fully Paid-Up Capital	• RM 42,000,000
Class of Shares	• RM 1.00 Ordinary Share
Voting Rights	• One Vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDING	NO.OF SHAREHOLDERS	% SHAREHOLDERS	NO.OF SHARES HELD	% OF ISSUED SHARE CAPITAL
1 - 99	70	3.41	924	0.00
100 - 1000	92	4.48	60,932	0.15
1001 - 10000	1,612	78.48	5,818,670	13.85
10001 - 100000	255	12.41	5,761,674	13.72
100001 - 2099999 (*)	23	1.12	11,457,800	27.28
2100000 and above (**)	2	0.10	18,900,000	45.00
	2,054	100.00	42,000,000	100

* less than 5% issued shares

** 5% and above of issued shares

SUBSTANTIAL REGISTERED SHAREHOLDER(S)

	NO. OF SHARES	%
1 Bumiputra - Commerce Nominees (Tempatan) Sdn Bhd for Innofarm Sdn Bhd	10,364,000	24.68
2 Innofarm Sdn Bhd	8,536,000	20.32

THIRTY LARGEST REGISTERED SHAREHOLDERS

NAME OF SHAREHOLDER	NO. OF SHARES	%
1 Bumiputra – Commerce Nominees (Tempatan) Sdn Bhd	10,368,800	24.69
2 Innofarm Sdn Bhd	8,536,000	20.32
3 Wong Chee Choon	1,348,800	3.21
4 Lembaga Tabung Haji	1,216,800	2.90
5 Poo Choo @ Ong Poo Choi	1,210,800	2.88
6 Lai Kum Sim	1,107,000	2.64
7 Tan Sok Huang	1,034,400	2.46
8 Mayban Securities Nominees (Tempatan) Sdn Bhd	877,600	2.09
9 Tan Han Chuan	816,000	1.94
10 Ong Har Hong	780,000	1.86
11 Tan Ching Ching	762,000	1.81
12 Yip Kim Hoong	718,000	1.71
13 Mayban Nominees (Tempatan) Sdn Bhd	695,300	1.66
14 Azmi Bin Abdullah	240,000	0.57
15 Ban Seng Guan Sdn Bhd	189,600	0.45
16 Pos Malaysia Berhad	172,800	0.41
17 Affin Nominees (Tempatan) Sdn Bhd	161,001	0.38
18 Alliancegroup Nominees (Tempatan) Sdn Bhd	155,400	0.37
19 Public Nominees (Tempatan) Sdn Bhd	153,800	0.37
20 Lindawaty Julia	150,000	0.36
21 Tawakar Enterprise Sdn Bhd	132,000	0.31
22 Citicorp Nominees (Tempatan) Sdn Bhd	124,900	0.30
23 Ong Wah Seng	110,400	0.26
24 Goh Siew Hong	105,600	0.25
25 Low Saw Tin	102,000	0.24
26 Ang Guan Seng	101,200	0.24
27 Si Hong Kuan	100,800	0.24
28 Botly Nominees (Tempatan) Sdn Bhd	96,700	0.23
29 Lim Peck Hong	95,000	0.23
30 Malaysia Nominees (Tempatan) Sendirian Berhad	93,400	0.22
Total	31,756,101	75.61

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition
SELANGOR						
No. 39 & 41 Jalan 5, Kawasan 16 Taman Intan 41300 Klang	Office Building	9111 sq ft	Freehold	19	527	03/04/90 (39) 26/06/84 (41)
Lot No. 4858 Mukim of Jeram District of Kuala Selangor	Layer Farm	12	Land under Tenant's Lease May 2006	20	916	01/06/91
Lot No. 4857 Mukim of Jeram District of Kuala Selangor	Layer Farm & Feedmill	12.8	Freehold	5-20	1,435	06/01/76
Lot No. 559 Mukim of Ijok Kuala Selangor	Layer Farm	34	Freehold	5-12	8,761	23/03/90
Lot No. 1640 Mukim of Ijok Kuala Selangor	Chick Farm	5	Freehold	2-13	605	29/04/91
Lot No. 1954 Mukim of Jeram District of Kuala Selangor	Pullet Farm	5	Freehold	2	5,440	15/02/00
Lot No. 3095 Mukim of Jeram District of Kuala Selangor	Layer Farm	4.8	Freehold	2	8,304	02/03/00
Lot No. 1868 Mukim of Jeram District of Kuala Selangor	Vacant Land	4.8	Freehold	–	403	05/04/00
Lot No. 1820 Mukim of Jeram District of Kuala Selangor	Vacant Land	4.9	Freehold	–	451	13/07/01
Lot Nos. 4847/8 Mukim of Jeram District of Kuala Selangor	Layer Farm	26	Land Under Tenant's Lease Aug 2006	5-17	589	01/09/86

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition
SELANGOR						
Lot No. 4859 Mukim of Jeram District of Kuala Selangor	Fertilizer Plant & Building	4.3	Land Under Tenant's Lease Nov 2004	8-10	262	01/12/94
Lot No. 1942 Mukim of Jeram District of Kuala Selangor	Fertiliser Plant	2.5	Land under Tenant's Lease Sep 2012	1	319	01/10/02
Lot Nos. 1632/3 Mukim of Ijok Kuala Selangor	Breeder Farm & Hatchery	10	Freehold	3-12	1,355	29/09/90
Lot No. 807 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	5-9	687	16/06/95
Lot No. 681 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	5-9	1,046	20/09/95
Lot Nos. 708/9 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	10	Freehold	5-8	1,350	06/05/95
Lot No. 969 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	5-7	705	09/06/95
Lot Nos. 683/4 & 685 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	15	Land Under Tenant's Lease May 2012	4-7	2,329	19/05/97
Lot Nos. 1475/6 Lot Nos. 253 & 244 Mukim Pasangan Kuala Selangor	Breeder Farm	18	Freehold	2-6	4,195	08/05/95
Lot No. 1011 Mukim Pasangan Kuala Selangor	Vacant Land	3	Freehold	–	387	14/07/95

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition
SELANGOR						
Lot No.16456/7 Mukim Tanjong Karang District of Kuala Selangor	Processing Plant (under construction)	2	Leasehold Nov 2080	–	220	14/06/00
Lot Nos. 739/40 & 41 Mukim Api-Api District of Kuala Selangor	Breeder Farm	15	Freehold	1	6,422	15/01/03
No. 29, Jalan Perindustrian 5 Off Jalan Haji Abdul Manan Batu 5 1/2, Jalan Meru 41050 Klang, Selangor	Manufacturing Liquid Egg Plant	1158 sq.ft.	Freehold	1	1,449	02/12/02
MELAKA						
Lot Nos. 1717/8/9 and 1720 Mukim of Ayer Panas Jasin, Melaka	Layer Farm	40.4	Freehold	10-19	2,370	13/04/82
SABAH						
CL 045169248 Kampung Indai Tuaran, Sabah	Broiler Farm	10.7	Leasehold Jan 2060	8	749	31/10/95
NT No. 043176030 Lubok Bagiang Tuaran, Sabah	Broiler Farm	6.4	Leasehold June 2094	9	1,331	21/06/95
NT No. 043171651 Kampung Serusup Tuaran, Sabah	Vacant Land	9.4	Leasehold June 2094	–	147	21/06/95
CL 105245010 Mile 12, Runggu Road Tawau, Sabah	Vacant Land	16.5	Leasehold Jan 2064	–	134	28/07/95
CL 105244648 Tawau, Sabah	Vacant Land	8.8	Leasehold May 2064	–	68	02/03/95
CL 045115928 Tuaran, Sabah	Layer Farm & Feedmill	89	Leasehold Jan 2938	14	708	12/03/90

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition
SABAH						
CL 025308043 Papar, Sabah	Breeder Farm	19.2	Leasehold Jan 2063	3-7	1,974	17/03/98
CL 025166714 Papar, Sabah	Vacant Land	18.8	Leasehold Jan 2056	–	105	17/03/98
CL 025166705 Papar, Sabah	Vacant Land	19.7	Leasehold Jan 2056	–	105	17/03/98
NT No. 043140905 Kampung Serusop Tuaran, Sabah	Broiler Farm	5	Leasehold Feb 2099	2	1,075	13/04/00
NT No. 043140914 Kampung Lok Bagiang Tuaran, Sabah	Broiler Farm	2.7	Leasehold Aug 2098	2	582	01/08/99
CL 015580104 Kota Kinabalu, Sabah (KKIP)	Feedmill	2.7	Leasehold Dec 2096	2	2,935	08/12/00
NT No. 044018224 Tuaran, Sabah	Broiler Farm	4	Leasehold Jul 2031	2	861	02/07/01
NT No. 013050569 Kampung Telipok Kota Kinabalu, Sabah	Broiler Farm	5.9	Leasehold Apr 2032	3	182	18/01/02

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 Twentieth Annual General Meeting of the Company to be held on Tuesday, 28th September 2004 at Goldcourse Hotel, 9 Jalan Pasar, 41400 Klang, Selangor at 12.00 Noon and at any adjournment thereof. My/our proxy is to vote as indicated below:

Resolutions	Ordinary Resolutions	For	Against
1	To receive the Audited Financial Statements for the financial year ended 31st March 2004.		
2	To approve Directors' Fees for the financial year ended 31st March 2004.		
3	To re-elect Mr Yap Hoong Chai as Director.		
4	To re-elect Mr Gan Soo Jin as Director.		
5	To re-appoint Messrs Ernst & Young as Auditors.		
6	To authorise the issue of shares up to 10% of Issued Capital.		
7	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.		

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

Signed this _____ day of _____ 2004.

Signature of Shareholder or Common Seal _____ No. of shares held _____

NOTES

- Every member entitled to attend and vote at the Meeting is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative) to attend and vote on his/her stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- The Proxy Form in the case of an individual shall be signed by the appointer or his/her attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorized.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- Proxies or other instruments shall not be treated as valid unless they are deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof, or in the case of a poll, not less than 24 hours before the time appointed for the holding of the poll.

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LAY HONG BERHAD

26, JALAN ISTANA

41000 KLANG

SELANGOR, MALAYSIA

stamp

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