



**LAY HONG  
BERHAD**

(107129-H) Incorporated in Malaysia

## TRUSTED FOR VALUE AND CONVENIENCE

annual report 2017



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# Our Mission

## To Promote

A healthier lifestyle and diet among Malaysians by developing highly nutritious and hygienic products utilizing the highest quality processing standards.

## To Become

An increasingly important supplier of processed chicken, chicken related products and eggs 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 consumers, and to be a responsible corporate citizen.



## 2016-2017 The BrandLaureate **BEST BRANDS** Award Most Favourite Brand

# Corporate Information

## AUDIT COMMITTEE

**Gan Lian Peng**  
Chairman  
**Tan Ooi Jin**  
  
**Tan Chee Hau**

## NOMINATING COMMITTEE

**Gan Lian Peng**  
Chairman  
**Tan Ooi Jin**  
  
**Tan Chee Hau**

## REMUNERATION COMMITTEE

**Gan Lian Peng**  
Chairman  
**Yap Hoong Chai**  
  
**Tan Ooi Jin**

## COMPANY SECRETARIES

**Lee Wee Hee**  
(MAICSA 0773340)  
  
**Wong Yuet Chyn**  
(MAICSA 7047163)

## BOARD OF DIRECTORS

**Yap Hoong Chai**  
Executive Chairman

**Yeap Fock Hoong**  
Non-Independent  
Non-Executive Director

**Hideki Fujii**  
Non-Independent  
Non-Executive Director

**Yeap Weng Hong**  
Executive Director

**Gan Lian Peng**  
Independent Non-Executive Director

**Tan Chee Hau**  
Independent Non-Executive Director

**Yap Chor How**  
Executive Director

**Tan Ooi Jin**  
Independent Non-Executive Director

**Ryuichi Nitta**  
(Alternate Director to Hideki Fujii)

**Ng Kim Tian**  
Executive Director

## AUDITORS

**Ong Boon Bah & Co**  
B-10-1 Megan Avenue 1  
189 Jalan Tun Razak  
50400 Kuala Lumpur

## SHARE REGISTRAR

**Securities Services  
(Holdings) Sdn Bhd**  
Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
T 03 2084 9000  
F 03 2094 9940

## PRINCIPAL BANKERS

Bangkok Bank Berhad  
Bank of China (Malaysia) Berhad  
CIMB Bank Berhad  
Hong Leong Bank Berhad  
Malayan Banking Berhad  
United Overseas Bank  
(Malaysia) Berhad

## REGISTERED OFFICE

No. 2-1 Jalan Sri Hartamas 8  
Sri Hartamas  
50480 Kuala Lumpur  
T 03 62011120  
F 03 62013121

## CORPORATE OFFICE

No.2 Level 10-12, Wisma Lay Hong  
Jalan Empayar, Off Persiaran Sultan  
Ibrahim / KU1, 41150 Klang, Selangor  
T 03 3343 4888  
F 03 3343 8839

## STOCK EXCHANGE LISTING

**Bursa Malaysia Securities Berhad**  
Main Market  
Stock Name: LAYHONG  
Stock No: 9385

## WEBSITE

[www.layhong.com.my](http://www.layhong.com.my)

# Group Financial Highlights

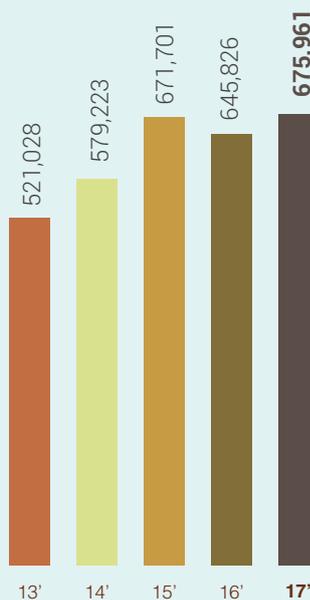
RM'000	2017	2016	2015	2014	2013
Revenue	675,961	645,826	671,701	579,223	521,028
Profit/(Loss) after tax *	19,406	3,816*	19,669	7,186	(19,073)
Total assets	613,898	552,389	427,374	419,554	393,443
Paid-up capital	121,750	57,750	50,830	49,780	49,780
Net assets (NA)	276,047	241,985	136,799	119,528	112,234
NA per share (RM) **	0.45	0.42	0.27	0.24	0.23
Basic earnings/(loss) per share (sen) ***	3.02	0.52	3.70	1.44	(3.57)

\* After charging a non - cash flow item of a share based expense of RM15,093,000.

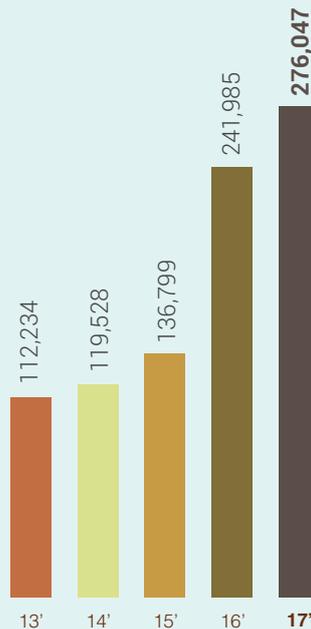
\*\* Based on ordinary shares of RM0.20 each after adjusting for the Bonus Issues and Share Split completed in October 2016.

\*\*\* Based on weighted average number of ordinary shares of RM0.20 each after adjusting for the Bonus Issues and Share Split completed in October 2016.

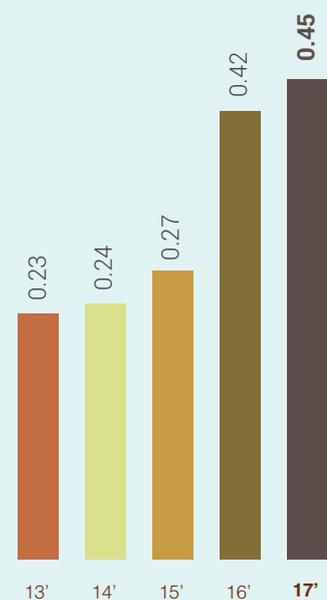
**Revenue**  
(RM'000)



**Net Assets**  
(RM'000)



**Net Assets Per Share**  
(RM)



# Group Structure & Operations

As at 28 June 2017





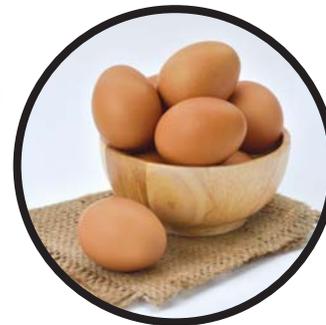
# STRONGER TOGETHER

NH Foods of Japan has invested in our company and its infusion of technology as well as other resources has forged a mutually beneficial bond. By sharing our capabilities, we are creating global opportunities for the future.

# Management Discussion and Analysis

## 1. BUSINESS REVIEW

The two principal core business of the Group are integrated livestock farming (ILF) and retail operation. The ILF business which currently accounts for over 80% of the Group's revenue is further broken down into three separate segments namely layer, broiler and food processing. The businesses are carried out primarily in Peninsular Malaysia state of Selangor, Perak, Melaka and Sabah in East Malaysia while the retail operation is concentrated only in the state of Sabah.



### A) Layer

The total number of fresh table eggs produced and sold during the financial year ended 31<sup>st</sup> March, 2017 was 626 million eggs compared to 589 million eggs recorded last year. This represents an increase of 37 million or 6.3%. Of the above total, 148 million eggs were functional or commonly called designer eggs compared to 136 million eggs recorded last year. Functional eggs are eggs laid by hens enriched with health properties. The increase of 12 million eggs represents an increase of 8.8% year on year. Total functional eggs sold currently accounted for 23.6% of the grand total of table eggs sold. Health conscious consumers have spurred the continual increase in the demand for functional eggs branded under NUTRIPLUS and this has resulted in the Group being recently awarded the "BrandLaureate for BEST BRANDS" for the most favourite brand for consumer eggs for year 2016-2017.

During the year, the directors carried out a review on the state of all its layer production facilities and after much discussion it has been decided to discontinue a 20 year old fully depreciated farm located in Ijok, Selangor. Aside of being very poor in productivity over the last few years due to its ageing condition, the farm is situated in close proximity to the upcoming new massive residential and commercial developments hub in the vicinity namely Desa Coalfield, Ecoworld and Hill Park property developments. This piece of land measuring thirty four (34) acres is currently vacant and has potential to go into the same direction as the above. It has been recently valued by an independent firm of valuers for RM30 million.

To replace the loss in production of table eggs arising from the discontinuation of the above farm, two new farms equipped with the latest automations, each capable of producing approximately four hundred and eighty thousand (480,000) table eggs each per day are currently under various stages of completion. Both are located in the existing Group's cluster of four (4) farms in Jeram, Selangor. One is in full production in the financial year ended 31<sup>st</sup> March, 2017 and the other by financial year ending 31<sup>st</sup> March, 2019. The Group's strategy of locating all the newer layer farms in one strategic area basically saves management and logistic costs. As at to date, the number of layer farms (parent stock breeders and layers) owned by the Group are as follows:-

#### Parent Stock Breeder Farm and Hatchery

Location	Capacity per month (day old chick)	Type
1. Lot 1632 & 3, Ijok, Selangor	150,000	Environment controlled houses (ECH)
2. Lot 1640 Ijok, Selangor	32,000	ECH
<b>Total</b>	<b>182,000</b>	

# Management Discussion and Analysis

## Layer Farm

Location	Capacity per day(egg)	Type
1. Lot 4857, Kapar, Selangor	150,000	Open house
2. Lot 1954, Jeram, Selangor	225,000	ECH
3. Lot 1555, Jeram, Selangor	450,000	ECH
4. Lot 1868, Jeram, Selangor		
5. Lot 1717-1720, Jasin, Melaka	225,000	Open house
6. Lot 1847, Jeram, Selangor	225,000	ECH
7. Lot 2809, Jeram, Selangor	480,000	ECH
8. Lot 4847& 8 Kapar, Selangor	150,000	Open house
9. CL 045115928, Tuaran, Sabah	90,000	Open house
10. NT043081625, Tamparuli, Sabah	210,000	ECH
<b>Total</b>	<b>2,205,000</b>	
11. Lot 1822,Jeram, Selangor	Under construction	ECH

The current production capacity of over 2.2 million table eggs per day will be enhanced to 3.0 million per day within the next two years as the Group has planned to invest two (2) more new automated farms, one in Selangor and the other in Sabah to cater for the increased demand. The land for these farms have already being purchased.

## B) Broiler

During the financial year under review, the Group produced a total of 31.62 million kilograms of broiler compared to 31.07 million kilograms recorded in the previous year. This represents a marginal increase of 0.55 million kilograms or 1.8% year on year. To further improve the production efficiency of the farms particularly in Peninsular Malaysia, the board of directors has recently undertaken an improvement exercise where older structures and houses were refurbished and outdated equipments were replaced with modern new ones. Further, taking into cognizance of the problems faced and high cost in hiring foreign workers for the newly built farms located in Behrang, Perak, the Group has implemented the "AUTOMATED REARING SYSTEM". Such automation will help to save cost in terms of reduced manpower, less feed wastages and lower rate of mortality. The dung will also be automatically moved by conveyer belt to a designated area at the back of the house thus help to remove the ammonia gas built up which will affect the health of the growing broilers. All these automations will be translated into improved efficiencies going forward.



# Management Discussion and Analysis

Currently the Group has 11 production facilities in the following locations:-

## Parent Stock Breeder Farm and Hatchery

Location	Capacity per month (day old chick)	Type
1. Bukit Belimbing / Bukit Rotan, Selangor	1,000,000	ECH
2. Papar, Sabah	900,000	ECH
<b>Total</b>	<b>1,900,000</b>	

## Broiler Farm

Location	Capacity per month (No. of Broilers)	Type
1. Tanjung Karang, Selangor	1,080,000	ECH
2. Behrang, Perak, Farm 1	250,000	ECH
3. Behrang, Perak, Farm 2	400,000	ECH
4. Kampung Indai, Sabah	80,000	ECH
5. Kampung Serusup, Sabah	300,000	ECH
6. Tawau, Sabah	40,000	ECH
7. Sandakan, Sabah	210,000	ECH
8. Bongawan, Sabah	50,000	ECH
9. Tamparuli, Sabah	120,000	ECH
<b>Total</b>	<b>2,530,000</b>	

It is also in the management plan that to cater for the expected higher demand for broilers, the Group has acquired two (2) pieces of land near the existing farms in Tanjung Karang, Selangor to build two (2) new automated farms. These farms will cater for the need of the joint venture company with NH Foods Ltd of Japan to produce HALAL processed chicken products for local and export markets. The Group has a 49% equity interest in this joint venture.



# Management Discussion and Analysis

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## C) Food Processing

### i) Chicken

All the broilers produced in the Group to date are consumed internally and processed into dressed chicken, cut parts and downstream products such as frankfurters, nuggets and fried chicken. Currently, the Group has one large chicken processing facility located in Bagan Tengkorak, Tanjung Karang, Selangor in Peninsular Malaysia. This facility is capable to slaughter up to 1.80 million broilers per month. Adjacent to the above plant, the Group has a newly built further processed facility which is equipped to manufacture up to 3,000 metric tonnes of downstream chicken products per month. These downstream products are also marketed under our premium brand NUTRIPLUS and WISE CHOICE. In the Sabah region, the Group also operates three (3) mini slaughtering plants in Kota Kinabalu, Tawau and Sandakan. These 3 facilities are capable to slaughter up to 500,000 broilers per month. All these plants are HALAL certified.

During the financial year under review ended 31<sup>st</sup> March, 2017, the Group produced 22.09 million kilograms of chicken meat and 9.78 million kilograms of processed chicken products compared to 23.5 million kilograms and 8.72 million kilograms recorded last year respectively. The increase of 1.06 million kilograms or 12.2% of the processed chicken products during the financial year has demonstrated that the Group is steadily increasing its market share in this segment of downstream chicken business.

### ii) Pasteurized Liquid Egg

The Group currently operates one pasteurized liquid egg plant. This plant is located in Meru, Klang and has a capacity to pasteurize up to 600 metric tonnes of liquid egg per month. Currently approximately thirty (30) percent of the total fresh table eggs produced by the Group are pasteurized into liquid egg and sold to confectioneries and manufacturers of mayonnaise. During the financial year ended 31<sup>st</sup> March, 2017, this segment produced 4.10 million kilograms compared to 3.68 million kilograms in the previous year. The higher production was due to larger off take by a large multinational company manufacturing mayonnaise.



## D) Retail Supermarket

The Group currently operates seventeen (17) retail outlets and one (1) distribution centre. It has its presence in all major towns in the state of Sabah such as Kota Kinabalu, Tuaran, Papar, Tenom, Beaufort, Kinarut, Kota Belud, Ranau, Sipitang, Keningau, Semporna, Tamparuli, Balung, Rugading, Telupid and Pitas.

During the financial year, two (2) non performing outlets have been closed and discontinued permanently and three (3) new outlets were opened. The Group's strategy in operating this retail business is that all outlets must be profitable on a continual basis after a given gestation period. If any outlet in certain location is exhibiting sign of weaknesses, appropriate steps will be taken promptly to improve it. If the management feels that after all corrective measures taken to improve have failed to materialize, then the final decision is to close it permanently and look for another new location. All the present outlets are currently on term rentals and moving to another location will incur minimum cost. Closing and opening outlets for retail business is an ongoing process.

# Management Discussion and Analysis

For the financial year ended 31st March, 2017, the retail business recorded a first time operating loss of RM1.39 million. The loss was attributed to lower consumers' spending after the government's implementation of the 6% goods and services tax and minimum wage. The write off of the renovation cost of outlets closed during the year also contributed to the pre-tax loss. We wish to highlight that this retail operation is only a small part of the total Group business and its main objective is to utilize these outlets to complement its poultry business to distribute its range of table eggs and chicken products to end consumers.

## 2. FINANCIAL RESULTS AND CONDITIONS

### Financial

	2017 RM (Million)	2016 RM (Million)	2015 RM (Million)
Revenue	675.96	645.82	671.70
Profit Before Tax	21.94	9.94	27.86
Profit After Tax	19.41	3.82*	19.67
Total Borrowing	156.78	157.93	145.81
Shareholders Fund	276.05	241.99	136.80
Share Capital	121.75	57.75	50.83
No. of Share as at 31 March **	608.75	577.50	508.30
Gearing	0.57	0.65	1.07
Basic Earnings Per Share (sen) ***	3.02	0.52	3.70
Net asset Per Share (RM) **	0.45	0.42	0.27

\* After charging a non - cash flow item of a share based expense of RM15,093,000.

\*\* Based on ordinary shares of RM0.20 each after adjusting for the Bonus Issues and Share Split completed in October 2016.

\*\*\* Based on weighted average number of ordinary shares of RM0.20 each after adjusting for the Bonus Issues and Share Split completed in October 2016.

During the financial year ended 31st March, 2017, the company undertook and completed the following corporate proposals:

- A bonus issue of 60,875,000 new ordinary shares of RM1.00 on the basis of one (1) bonus share of every one (1) existing share held.
- Share split involving subdivision of every one (1) share of RM1.00 into five (5) new ordinary share of RM0.20 each.
- Issue of up to 304,375,000 free warrants on the basis of one (1) warrant for every two (2) shares after the above on entitlement date.
- The authorized share capital of the company has increased from RM100,000,000 comprising of 100,000,000 ordinary shares to RM400,000,000 comprising of 2,000,000,000 ordinary shares.

# Management Discussion and Analysis

Revenue for the financial year ended 31st March, 2017 recorded an increase from RM645.82 million to RM675.96 million i.e an increase of RM30.14 million or 4.7% year on year. Even though the revenue for eggs and chicken had improved but the lower revenue contribution from the retail supermarket segment had set off most of the increase. The reduction in the said revenue was due to the closure of the two (2) non-performing outlets.

Profit before tax for the year under review was higher at RM21.94 million compared to that of RM9.94 million recorded in the previous year. The lower profit recorded last year was due to the charging out of a onetime non-cash flow share based expense of RM15.09 million upon the granting of 5.25 million ordinary shares of RM1.00 each to employees of the Group under the Share Issuing Scheme (SIS) at a price of RM5.81 each.

Group borrowings for the current and last financial year were almost at similar level of RM 157 million due to the drawdown of additional bank facilities to pay for capital expenditures to build new production facilities and financing of increased credit sales to customers and built up in inventories and biological assets for the new farms. The additional cash flow generated from the current year's profit was also utilized to partly finance the above capital expenditures and working capital requirements. Currently, the Group gearing is quite comfortable at 0.57 times, i.e. lower than the previous year at 0.65 times.

The share capital of the company has increased from RM57.75 million to RM121.75 million due to completion of the above bonus issue, share split exercise and the exercising of the shares arising from the SIS to employees of the Group. In terms of the number of ordinary share, the numbers have increased from the original 57.75 million ordinary shares of RM1.00 each to 608.75 million ordinary shares of RM0.20 each. The par value has been split from RM1.00 per ordinary share to RM0.20 per ordinary share. This exercise was carried out to widen the company's shareholders spread and also to increase the liquidity of the shares traded in the stock exchange. In regard to the warrants issue, there is no exercise by any shareholder to date.

## Capital Expenditure

During the financial year ended 31st March, 2017, the Group expended RM76.77 million in capital expenditures compared to RM30.64 million in the previous year. The substantial increase in capital expenditure was primarily to build two new automated layer farms in Jeram, Selangor and the improvements made to the older broiler farms located in Tanjung Karang, Selangor. The funding for these expenditures was from a combination of the proceeds from the 10% share placement exercise, employees SIS, bank borrowings and internally generated funds.

## 3. ANTICIPATED OR KNOWN RISKS

### 3.1 Credit Risk And Default In Payment By Customers

Generally, the credit terms granted to customers ranged from 45 days to 75 days. Our customers have varying degrees of credit risk profiles which exposes the Group to the risk of slow or non-payment by them. In the event that if the customers default on their payments, our operating cash flows, financial condition and results of operation could be materially and adversely affected.



# Management Discussion and Analysis

We are aware of our exposure to the above and we mitigate this by putting in place prudent credit management policies in our Group through the application of credit approvals, credit limits and monitoring procedures on an on-going basis. We perform credit evaluation on all our customers and an appropriate credit limit is then allocated to each customer based on our assessment of their risk profile. In addition, we also emphasize on close monitoring and collection of accounts on an on-going or monthly basis to minimize the risk of default.

Although there has been no material collection problem on trade receivables or material bad debts written off in the past, there is no guarantee that all our customers will be able to fulfill their debts obligation as and when the debts become due or that our Group will not encounter collection problem in the near future. Any default or delay in our collection of debts which lead to impairment loss on trade receivables or bad debts may have an impact on our financial performance.

## 3.2 Foreign Currencies Fluctuation Risk

The Group's major raw material purchases such as corn and soya bean and 15% of our sales of table egg proceeds are transacted in foreign currencies such as US Dollars and Singapore dollars respectively. As such, the Group is exposed to currency fluctuation risk. Any unfavorable fluctuations in foreign exchange rate may have an adverse impact on the Group's financial performance and profitability.

The Group does not enter into any financial instruments to hedge against any foreign currency as the transactions are not that significant. In terms of our purchases of corn and soya bean, the Group takes a three (3) to six (6) months position with the local importers who in turn take the currency risk upon themselves. The Group will pay a small premium on the risk passed to them.

Despite our effort to minimize the foreign exchange risk, there is no assurance that any future significant fluctuations in foreign currency will not have an impact on the financial performance of our Group.

## 4. FORWARD LOOKING STATEMENT

The Group is an integrated poultry farmer cum food processor. This means the Group has almost everything in-house from animal feed production, breeding of both layer and broiler parent and feed stocks right up to the harvesting of table eggs / broilers to slaughtering and processing of downstream chicken products and the final distribution of all its branded products to the retail market. The Group also converts its chicken waste to produce organic fertilizer for sale.

Moving forward, the Group has ambitious plan to expand its integrated poultry business further by increasing the production of fresh table eggs from the existing two (2) million table eggs per day to three (3) million table eggs within the next two years.



# Management Discussion and Analysis

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Similarly, broiler production will be enhanced from existing two (2) million birds per month to three (3) million birds. The additional broilers to be produced will be consumed both by the Group as well as the new joint venture company NHF Manufacturing Malaysia Sdn Bhd which is manufacturing "HALAL" chicken products with Japanese flavor for local consumption and export markets. Further, with NH Food Limited, Japan (the largest food processing company in Japan and 4<sup>th</sup> largest in the world) as our 21% strategic and substantial shareholder, the Group is poised to grow further both on the domestic front as well as in international markets.

In view of the above strategic plans put in place plus the alliance with the largest food processing company in Japan, our directors believe that the prospect of the Group going forward will be bright.

## 5. DIVIDEND

The company directors would take the following factors into consideration before recommending for dividend payment:

- The financial results of the Group for the financial year
- The required and expected interest expenses, tax payment, cash flow, and retained earnings
- The Group projected levels of capital expenditure and other investment plans if any
- The prevailing interest rate
- The debt / equity ratio of the Group
- Maintaining of adequate reserves for the further growth of the Group

After considering the above, the board of directors hereby proposed a first and final dividend of 0.5 sen per share for the financial year ended 31<sup>st</sup> March, 2017. This proposal is pending shareholders' approval at the forthcoming Annual General Meeting of the company.



# Profile of Directors

## **YAP HOONG CHAI**

### **Executive Chairman**

Malaysian, aged 67, Male

is a founder member of the Lay Hong Berhad Group. He was appointed to the Board of Directors ("Board") of the Company on 27 September 1983 and is also a member of the Remuneration Committee. Under his stewardship for the past 32 years, the Group has grown from a small family business into one of Malaysia's largest and most successful integrated poultry farming and food processing industry. He also sits on the Board of several private limited companies. He has served as a Past President of the Selangor Livestock Association, Egg Division and also the Past Chairman – Layer unit of Federation of Livestock Farmers' Associations of Malaysia ("FLFAM"). He is the brother of Mr Yeap Weng Hong and Mr Yeap Fock Hoong, and the father of Mr Yap Chor How, who are also Directors of the Company. He had been publicly reprimanded by Bursa Malaysia Securities Berhad on 20 June 2017 and fined RM150,000 for breaching regulations regarding the company's response to unusual market activity queries on 2 November 2015 and 19 January 2016. He holds 6,000,000 ordinary shares and 3,000,000 warrants in the Company. He is a director and shareholder in Innofarm Sdn Bhd which is a substantial shareholder of the Company and Mackan Holdings Sdn Bhd which is a major shareholder of certain subsidiary companies of the Group. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

## **YEAP WENG HONG**

### **Executive Director**

Malaysian, aged 59, Male

He was appointed to the Board of the Company on 18 April 1986. He has more than 30 years experience in poultry farming and is currently in-charge of the Group's farm activities and new projects in West Malaysia. He also sits on the Board of several private limited companies. He is the brother of Mr Yap Hoong Chai and Mr Yeap Fock Hoong, who are also Directors of the Company. He had been publicly reprimanded by Bursa Malaysia Securities Berhad on 20 June 2017 and fined RM100,000 for breaching regulations regarding the company's response to unusual market activity queries on 2 November 2015 and 19 January 2016. He holds 4,072,000 ordinary shares and 2,036,000 warrants in the Company. He is a director and shareholder of Mackan Holdings Sdn Bhd which is a major shareholder of certain subsidiary companies of the Group. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

# Profile of Directors

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## **YAP CHOR HOW**

### **Executive Director**

Malaysian, aged 40, Male

He graduated from University of Melbourne majoring in B.Com (Honours). He joined the Company in 2002 as a Production Executive. In 2005 he was designated to Marketing Director in charge of Nutriplus Egg Division in branding and marketing activities. Nutriplus egg under his supervision flourished to become the leading brand in the market. He has created a strong sales team for the company and currently expanding his role to create channels for our products. On 3 October 2013, he was appointed as an Executive Director of the Company. He started the operations of G-Mart Borneo Retail in 2009 and further expanded the number of stores from initial nine (9) to the present seventeen (17) all over Sabah. With his knowledge in manufacturing, marketing and retailing, he was seconded to be the Chief Executive Officer of this retail business. He is the eldest son of Mr Yap Hoong Chai, the major shareholder and Executive Director and a nephew to Mr Yeap Fock Hoong and Mr Yeap Weng Hong who are presently Directors of the Board of the Company. He had been publicly reprimanded by Bursa Malaysia Securities Berhad on 20 June 2017 and fined RM150,000 for breaching regulations regarding the company's response to unusual market activity queries on 2 November 2015 and 19 January 2016. He holds 4,597,000 ordinary shares and 2,298,500 warrants in the Company. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

## **NG KIM TIAN**

### **Executive Director**

Malaysian, aged 63, Male

He is a certified public accountant by training and joined the Company on 1 September 2000 as a General Manager. He was re-designated as Finance Director in year 2002 and is currently responsible for the Group's corporate services function inter-alia, treasury, accounting, finance, human resources, and information technology. He was appointed an Executive Director on 3 October 2013. Prior to joining the Company, he was the Chief Financial Officer of a diversified public listed group that has three listed companies in their stable namely Olympia Industries Bhd, Duta Land Berhad (previously known as Mycom Berhad) and Ayer Itam Tin Berhad. From 1986 to 1994, he served as a Group Financial Controller in Lion Land Berhad. From 1976 to 1994, he has served in various capacities in the field of auditing and finance. He started his initial career as an Audit Trainee with an accounting practice. He is not connected with any of the existing controlling or substantial shareholders or directors of the company. He had been publicly reprimanded by Bursa Malaysia Securities Berhad on 20 June 2017 and fined RM150,000 for breaching regulations regarding the company's response to unusual market activity queries on 2 November 2015 and 19 January 2016. He has no family relationship with any director and/or major shareholders. He does not hold any shares directly in the Company.

# Profile of Directors

## YEAP FOCK HOONG

### Non-Independent Non-Executive Director

Singaporean, aged 63, Male

He was appointed to the Board of the Company on 18 January 1994. He has been a commercial pilot since 1973 and he is presently a pilot on the A380 of a major airline. He also sits on the Board of Directors of several private limited companies. He is the brother of Mr Yap Hoong Chai and Mr Yeap Weng Hong, who are also Directors of the Company. He had been publicly reprimanded by Bursa Malaysia Securities Berhad on 20 June 2017 and fined RM50,000 for breaching regulations regarding the company's response to unusual market activity queries on 2 November 2015 and 19 January 2016. He holds 120,000 ordinary shares and 60,000 warrants in the Company. He is also a director and shareholder of Mackan Holdings Sdn Bhd which is a major shareholder of certain subsidiary company of the Group. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

## GAN LIAN PENG

### Independent Non-Executive Director

Malaysian, aged 66, Male

He was appointed to the Board of the Company on 3 October, 2013. He was appointed Chairman of Audit Committee on 25 November 2013, Chairman of Remuneration Committee on 26 May 2014 and also Chairman of the Nominating Committee appointed on 15 June 2017. He is a Fellow of the Chartered Association of Certified Accountants, Associate Member of the Institute of Chartered Secretaries and Administrators and Member of the Malaysian Institute of Accountants. He served in various capacities in the auditing, hire purchase and leasing industries. He was Accounts and Administration Manager of a subsidiary of Inchcape Group and Accountant/Credit Control Manager of Tractors Malaysia Berhad. From 1998 to 2001, he was Branch Manager of Asia Commercial Finance Berhad and subsequently as Branch Manager of Affin Bank. He had been publicly reprimanded by Bursa Malaysia Securities Berhad on 20 June 2017 and fined RM50,000 for breaching regulations regarding the company's response to unusual market activity queries on 2 November 2015 and 19 January 2016. He has no family relationship with any director and/or major shareholders. He does not hold any shares, direct or indirect in the Company.

## TAN OOI JIN

### Independent Non-Executive Director

Malaysian, aged 42, Male

He was appointed to the Board of the Company on 27 January, 2015. He is a lawyer by qualification and holds a Second Class Honours LLB Bachelor of Laws degree from the University of Newcastle-upon-Tyne, UK and during his years of practice, he focused on the areas of Corporate & Securities and ICT. A former ASEAN scholar, he started his legal career in a medium-sized firm with an international affiliation focusing on Corporate & Securities and ICT. He also advised the Technopreneurs Association of Malaysia (TeAM) and its members including its council members on legal issues and strategy. He was also part of a group of industry leaders which incorporated the National Incubators Network Association (NINA). He currently sits on the Board of Trustees of the 1Utopia Foundation which aims to generate donations whether in cash or in forms of ICT equipment and gadgets to orphanages, schools and underprivileged children. During his tenure as a practitioner, he has advised on various corporate and commercial transactions especially

cross border ones and he has also advised the listing of various companies in Malaysia as well as overseas including London, Hong Kong and Singapore and is constantly consulted to assist public-listed companies to recover and unlock their intrinsic value so as to enhance shareholders' investments. He currently sits on the board of a private company involved in circuit manufacturing and whose ultimate holding company is listed on the NASDAQ and is also the Executive Chairman of the Board of Directors of SKH Consortium Berhad. He also holds directorship in Sterling Progress Berhad. He had been publicly reprimanded by Bursa Malaysia Securities Berhad on 20 June 2017 and fined RM50,000 for breaching regulations regarding the company's response to unusual market activity queries on 2 November 2015 and 19 January 2016. He has no family relationship with any director and/or major shareholders. He does not hold any shares, direct or indirect in the Company.

# Profile of Directors

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## HIDEKI FUJII

### Non-Independent Non-Executive Director

Japanese, aged 52, Male

He graduated from University of Kitazato, Japan with Master of Veterinary Science. He was appointed to the Board of the Company on 7 March 2016. He gained expertise and grew his career at the product development and planning functions cross-border Mergers and Acquisition transactions in NH Foods Ltd. for nearly two decades. Currently he is serving as the Executive Officer and General Manager of Asia & Europe Division, Overseas Business Division in NH Foods Ltd. He has no family relationship with any director and/or major shareholders. He does not hold any shares, direct or indirect in the Company.

## TAN CHEE HAU

### Independent Non-Executive Director

Malaysian, aged 49, Male

He was appointed to the Board of the Company on 15 June 2017. He graduated from RMIT University, Melbourne, Australia with a Bachelor of Business (Accountancy & Finance) with Distinction in 1991, and obtained his Chartered Accountant (CA) membership and Certified Practising Accountant (CPA) membership from Malaysian Institute of Accountants (MIA) and CPA Australia respectively in 1995. He has more than 25 years of experience in Corporate and Debt Restructuring, Corporate Finance, Private Equity and Accounting, and has worked for many companies/firms including as Director & Co-Head of Corporate Finance of an Investment Bank, Head of Corporate Finance in several listed and private companies, Investment Director in a Private Equity company, and Auditor in an International Accounting Firm. He has advised many companies on listings, restructuring, mergers and acquisitions, equity and debt issuance, fund raising, etc. He is presently involved in corporate finance advisory works and held directorships in several private companies. He has no family relationship with any director and/or major shareholders. He does not hold any shares, direct or indirect in the Company.

## RYUICHI NITTA

### Alternate Director to Mr Hideki Fujii

Japanese, aged 53, Male

He graduated from Meiji University School of Agriculture with Bachelor of Agriculture. He was appointed as Alternate Director to Mr Hideki Fujii (Non-Independent Non-Executive Director) on 7 March 2016. He has been consistently engaged in product development at key development functions in Product Development Department and Deli Processed Food Division in NH Foods Ltd., Tokyo and Osaka. And he has been the Managing Director of Thai Nippon Foods Co., Ltd, Thailand a wholly-owned subsidiary of NH Foods Ltd. for 13 years. Currently he is the Chief Executive Officer of NHF Manufacturing (Malaysia) Sdn. Bhd. which is the joint venture company between NH Foods Ltd. and the Company. He has no family relationship with any director and/or major shareholders. He does not hold any shares, direct or indirect in the Company.

### Other Information:

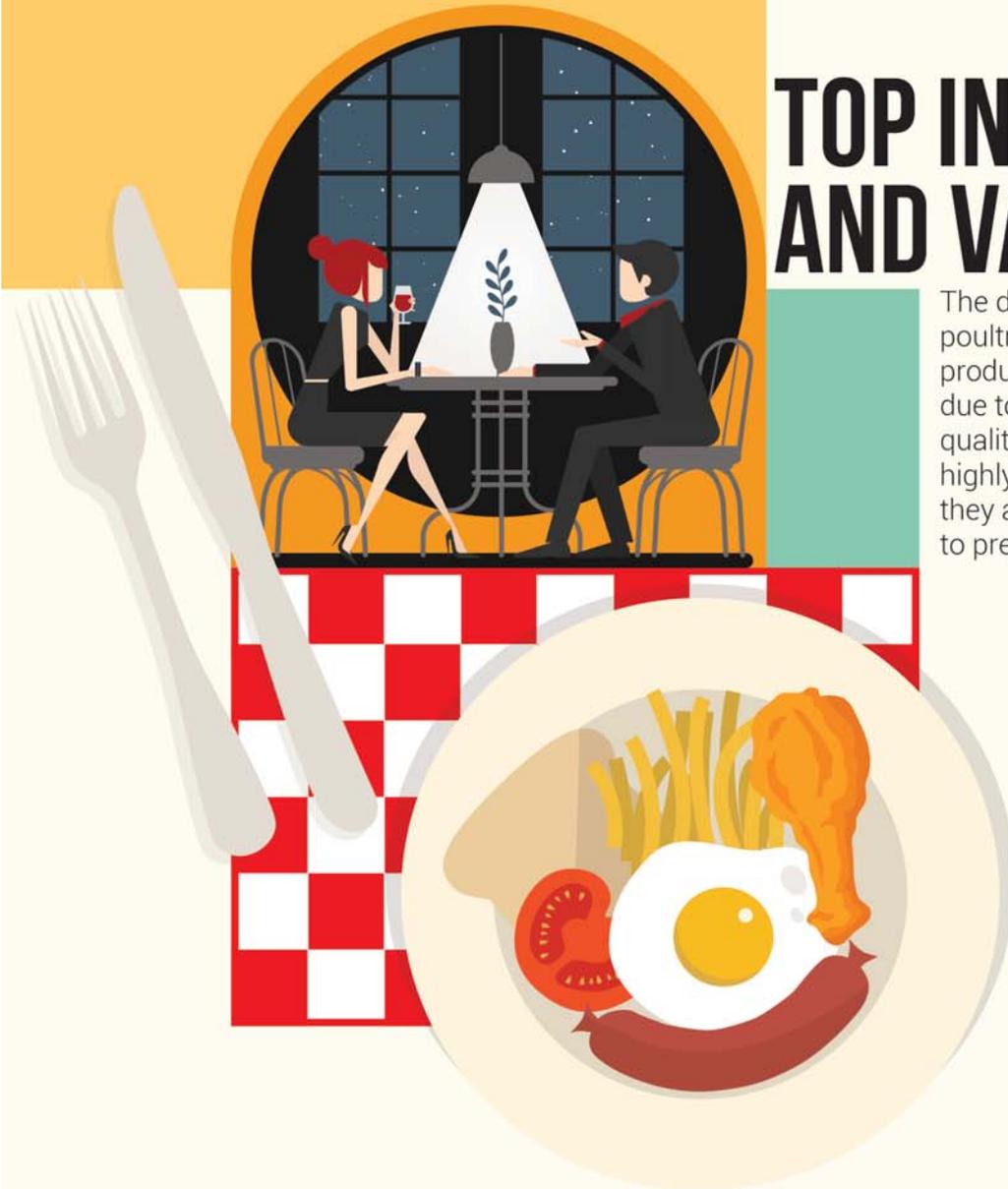
- (a) The summary of Directors' attendance at Board meetings is set out on page 30 of this Annual Report.
- (b) Conflict of Interest: None of the Directors has any conflict of interest with the Company.

# Profile of Key Senior Management

<p><b>YAP CHOR WEN</b></p> <p><b>Designation/Company</b></p> <ul style="list-style-type: none"> <li>Director of Operation/Lay Hong Food Corporation Sdn Bhd</li> </ul>	<p><b>BONG KIM FUI</b></p> <p><b>Designation/Company</b></p> <ul style="list-style-type: none"> <li>General Manager, Operations/STF Agriculture Sdn Bhd</li> </ul>	<p><b>WONG YEN TIEN</b></p> <p><b>Designation/Company</b></p> <ul style="list-style-type: none"> <li>General Manager, Operations/G-mart Borneo Retail Sdn Bhd</li> </ul>
<p><b>Nationality/Gender/Age</b></p> <ul style="list-style-type: none"> <li>Malaysian/Male/37</li> </ul>	<p><b>Nationality/Gender/Age</b></p> <ul style="list-style-type: none"> <li>Malaysian/Female/41</li> </ul>	<p><b>Nationality/Gender/Age</b></p> <ul style="list-style-type: none"> <li>Malaysian/Male/49</li> </ul>
<p><b>Date of Appointment</b></p> <ul style="list-style-type: none"> <li>24 January 2005</li> </ul>	<p><b>Date of Appointment</b></p> <ul style="list-style-type: none"> <li>06 October 2003</li> </ul>	<p><b>Date of Appointment</b></p> <ul style="list-style-type: none"> <li>01 August 2014</li> </ul>
<p><b>Academic/Professional Qualifications</b></p> <ul style="list-style-type: none"> <li>Bachelor of Science (University of Melbourne, Australia)</li> <li>Bachelor of Commerce (University of Melbourne, Australia)</li> </ul>	<p><b>Academic/Professional Qualifications</b></p> <ul style="list-style-type: none"> <li>Bachelor In Accountancy (University of Otago, New Zealand)</li> <li>Member of Malaysia Institute of Accountant (MIA)</li> </ul>	<p><b>Academic/Professional Qualifications</b></p> <ul style="list-style-type: none"> <li>Diploma in Retail</li> </ul>
<p><b>Working Experience</b></p> <ul style="list-style-type: none"> <li>2004 – Joined Optus (telco) as Sales &amp; Marketing Trainee</li> <li>2005 – Joined Lay Hong Bhd as Management Trainee</li> <li>2006 – Promoted to Production Manager</li> <li>2009 – Promoted to Operation Manager</li> <li>2011 – Promoted to Head of Operation</li> <li>2015 – Promoted to Director of Operation</li> </ul>	<p><b>Working Experience</b></p> <ul style="list-style-type: none"> <li>1997 – Joined Law &amp; Co as Auditor</li> <li>2001 – Joined Brake Master Industries Sdn Bhd as Accounts Executive</li> <li>2003 – Joined Sri Tawau Farming Sdn Bhd as Accountant</li> <li>2006 – Re-designated to Finance &amp; Administration Manager</li> <li>2009 – Promoted to Operation Manager in STF Agriculture Sdn Bhd</li> <li>2012 – Promoted to General Manager, Operations</li> </ul>	<p><b>Working Experience</b></p> <ul style="list-style-type: none"> <li>2003 – Joined Lotus Shanghai as Asst. Operation Head</li> <li>2006 – Joined Giant Retail Sdn Bhd as Senior Manager</li> <li>2014 – Joined ST Food Sdn Bhd as Senior Manager, Operations – 99 Wholesales Business, Sabah</li> <li>2016 – Transferred to G-mart Borneo Retail Sdn Bhd and promoted as General Manager, Operations</li> </ul>
<p><b>Present Directorship</b></p> <ul style="list-style-type: none"> <li>Listed Entity : Nil</li> <li>Other Public Companies : Nil</li> </ul>	<p><b>Present Directorship</b></p> <ul style="list-style-type: none"> <li>Listed Entity : Nil</li> <li>Other Public Companies : Nil</li> </ul>	<p><b>Present Directorship</b></p> <ul style="list-style-type: none"> <li>Listed Entity : Nil</li> <li>Other Public Companies : Nil</li> </ul>

# TOP IN TASTE AND VALUE

The demand for our poultry-based processed products continues to grow due to their unsurpassed quality. In addition to being highly delicious and nutritious, they are extremely convenient to prepare.



# Statement on Corporate Governance

The Board of Directors ("Board") of Lay Hong Berhad ("Group") remains firmly committed in ensuring that high standards of corporate governance are practiced and applied throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and interests.

This statement sets out the manner in which the Group has applied the Principles of Corporate Governance and the extent of compliance with the recommendations as set out in the Malaysian Code on Corporate Governance 2012 (the "Code").

## **Principle 1 - Establish Clear Roles and Responsibilities**

### **1.1 Roles and Responsibilities of the Board**

The Board is responsible in providing stewardship of the Group and directions for management and is collectively responsible and accountable to the Group's stakeholders for its long term success.

The responsibilities of the Board encompass the following parameters in setting the vision, purpose and directions of the Group:

- a) Review and approve strategic plans and key business initiatives;
- b) Oversee the conduct of the Group's business affairs and to evaluate whether the businesses are properly and effectively managed;
- c) Identify principal risks and ensure the implementation of appropriate systems and controls to manage these risks;
- d) Ensure that there are sound succession plans for Board and Senior Management teams;
- e) Develop and implement an investor relations programme or shareholders' communications policy; and
- f) Review the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board is represented by members of high calibre and comprises of individuals from varied backgrounds with a wide range of relevant business experiences who contribute independent and sound judgment on issues pertaining to strategies, risks, management performance, compliance and resources affecting the Group.

The Board recognizes the overall function and the powers of the Board of Directors as required by Section 211 (1) and 211 (2) of the Companies Act 2016.

Despite the fact that the Group has an Executive Chairman, there is a clear division of responsibilities between the Executive Chairman and the Executive Directors. The Executive Chairman is tasked with ensuring efficiency of the organisation and functions of the Board. The Executive Chairman facilitates the effective contributions of all directors and promotes constructive and respectful relations between Board members and between Board and management. The roles of the Executive Directors are to ensure a balance of power and authority and in addition oversee and manage the day to day operations of the Group and carry out the Board's instructions.

# Statement on Corporate Governance

In discharging its fiduciary duties, Board Committees are formed to assist in the effective performance of the Board. The Board delegates specific responsibilities to three (3) Committees, namely:-

1. The Nominating Committee ("NC"),
2. The Audit Committee ("AC"), and
3. The Remuneration Committee ("RC")

The Board Committees are guided and operate within clearly defined terms of reference. All these Committees are led mainly by Independent Non-Executive Directors of the Board. Management and third parties are invited to attend or are co-opted to such Committees as and when required.

## 1.2 Code of Business Ethics

The Group has in place a Code of Ethics for Directors and employees of the Group based on two elements which are fiduciary duties and use of reasonable care, skills and diligence.

## 1.3 Strategies Promoting Sustainability

The Group recognises the importance of sustainability and its increasing impact on its businesses. The Group embraces corporate responsibilities as an integral part of carrying out its business and is always mindful of the importance of environmental sustainability and a commitment to be a benefit to the larger society as well as to safeguard the welfare of the employees. Please refer to pages 43 to 44 for more detailed information.

## 1.4 Access to Information and Advice

All Directors have unrestricted access to the Company's records and information, and receive quarterly detailed financial and operational reports from the Management.

The Non-Executive Directors, especially members of AC, regularly communicate with the Executive Chairman, Executive Directors and Senior Management, requesting additional information and seeking clarification as deemed necessary.

Agenda and discussion papers are circulated minimum seven (7) days prior to the Board and Board Committee meetings to allow the Directors and Committee Members to study, evaluate the matters to be discussed and subsequently make effective decisions. Procedures have been established concerning the content, presentation and timely delivery of papers for each meeting of the Board and Board Committee meetings as well as matters arising from such meetings. Actions or updates on all matters arising from any meetings are reported in the subsequent meeting.

In addition, should the Board require specific expertise that is not available and/or is insufficient among the Board members, the Board has the right to seek assistance from any external expertise and independent professional for advice, at the Company's expense, in order for the Board to carry out its duties and responsibilities professionally and competently.

# Statement on Corporate Governance

## 1.5 Qualified and Competent Company Secretary

The Company Secretary is responsible for advising the Board on issues relating to compliance in laws, rules, procedures and regulations affecting the Group as well as the principles of best corporate governance practices.

The Company Secretary is also responsible for advising the Directors of their obligations and adherence to matters pertaining to disclosure of interest in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibitions on dealing in securities and restrictions on disclosure of price-sensitive information.

The duties of the Company Secretary amongst others, are to attend all Board and Board Committee meetings, ensuring that the proceedings of Board and Board Committee meetings and decisions made thereof, are accurately and sufficiently recorded and properly kept for the purposes of meeting statutory obligations as well as obligations arising from Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements or other regulatory requirements, communicating the decisions of the Board for Management's attention and further action, ensuring all appointments and resignation of Directors are in accordance with the relevant legislations and the Board Performance Assessment are properly executed.

## 1.6 Board Charter

The Board is guided by a Charter which was reviewed and adopted on 27 May 2013. The Board Charter sets out the principal role of the Board, the functions, roles, responsibilities and powers of the Board and its various committees.

The Board Charter would act as a source reference and primary induction literature, providing insights to prospective Board members as well as assist the Board in the assessment of its own performance and that of its individual Directors.

The Board Charter will be reviewed periodically and updated in accordance with the needs of the Company and any new regulations. The details of the Board Charter are available for reference at the Company's website [www.layhong.com.my](http://www.layhong.com.my)

# Statement on Corporate Governance

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## Principle 2 - Strengthen Composition of the Board

### 2.1 Nominating Committee

The Board has in place its NC which is responsible for the following functions: -

- (i) Develop criteria to assess the competency of new candidates for the position of Director and design an orientation and training program for a new Director.
- (ii) Evaluate the candidate's ability to discharge his responsibilities as Independent Non-Executive Director.
- (iii) Recommend new candidates to fill vacancies on the Board.
- (iv) Review skills, experiences, competencies and diversity in terms of gender, ethnicity and age of Non-Executive Directors.
- (v) Assess the effectiveness of the Board, Board Committees and Directors and the independence of Independent Directors.
- (vi) Review the Board Charter and recommend any amendments to the Board.

During the financial year, the Committee met to conduct the annual review on the Directors' core competencies, contributions, effectiveness and conduct a review on the independence of the Independent Directors. The Committee also met to discuss the re-election and rotation of existing Directors and the appointment of a new Director.

The NC comprises three (3) Non-Executive Directors, who are Independent Non-Executive Directors as follows:-

- **Chairman**  
Gan Lian Peng - Independent Non-Executive Director
- **Members**  
Tan Ooi Jin - Independent Non-Executive Director  
Tan Chee Hau - Independent Non-Executive Director

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 retire from office. The Directors who retire every year are those who have been longest in office since their last appointment or election.

The Board does not have any gender diversity policies and targets or any set measures to meet any targets. Nevertheless, the Group is an equal opportunity employer and all appointments and employments are based on merits and are not driven by any racial or gender bias. The NC will consider female candidates as new Director of the Company as and when the opportunity arises.

# Statement on Corporate Governance

## 2.2 Recruitment Process and Annual Assessment

The Board believes in a right composition with balance of qualifications, skills, experiences and diversity among its Board members.

NC is periodically reviewing and making recommendations to the Board on Board composition matters inclusive of identification and selection of high calibre candidates who are able to meet the present and future needs of the Company.

The NC is also responsible in undertaking an annual evaluation of Directors, Board Committees as well as the performance of the Board as a whole. This evaluation is used as a tool to evaluate the strength, identify the gaps or areas for improvement which may give rise to a need to recruitment of new Board members, if necessary.

The Board's annual evaluation process is conducted by way of a cross evaluation amongst the Board members according to the following criterias that have been predetermined:

- a) Board Structure;
- b) Board operation and communication;
- c) Board roles and responsibilities;
- d) Undertaking of roles and assignments;
- e) Mix of roles and knowledge;
- f) Commitment of members; and
- g) Depth of contribution.

During the year under review, the NC had conducted an annual assessment on Directors and Board Committees. The assessments carried out by the NC are properly documented.

For the year under review, the Board is satisfied with its current mix of qualifications, skills, experiences, expertise and strength, in the discharge of its duties effectively and that all the Independent Directors comply with the criteria of Independence based on the Listing Requirements.

On 15 June 2017, the NC recommended to the Board, the appointment of Tan Chee Hau to the Board as Independent Non-Executive Director.

# Statement on Corporate Governance

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## 2.3 Remuneration Policies

The Board has established a RC comprising two (2) Independent Non-Executive Directors and an Executive Chairman. The RC comprises of the following Board members:-

- **Chairman**  
Gan Lian Peng - Independent Non-Executive Director
- **Members**  
Yap Hoong Chai – Executive Chairman  
Tan Ooi Jin - Independent Non-Executive Director

### Executive Directors

The remuneration framework for the Executive Chairman and Executive Directors has an underlying objective of attracting and retaining Executive Directors needed to run the Group successfully.

The remuneration of the Executive Chairman and Executive Directors consisting of basic salary, other emoluments and benefits customary to the Group are made available as appropriate.

The Group operates a bonus scheme for all its employees including Executive Directors. The performance of the Group along with assessment of the individual's performance form the criteria for the scheme.

### Non-Executive Directors

The Non-Executive Directors' remuneration comprises annual fees that reflect their expected roles and responsibilities. The Company obtained approval from the shareholders at the last AGM held on 28 September 2016 to pay Director Fees to the Non-Executive Directors for the financial year ended ("FYE") 31 March 2016.

### Details of Directors' Remuneration

Remuneration paid or payable or otherwise made available to all Directors of the Company and Group who have served during the FYE 31 March 2017 is presented on pages 143 to 144 of the Annual Report.

# Statement on Corporate Governance

## Principle 3 - Reinforce Independence

### 3.1 Assessment on Independence of Director

The Independent Non-Executive Directors should be persons of calibre and integrity, who collectively provide skills and competencies to ensure the effectiveness of the Board. The criteria for independence set out under Rule 1.01 of the Bursa Securities Main Market Listing Requirements ("MMLR") also form the basis for evaluation of independence of Non-Executive Director. Independence broadly encapsulates independence from management and the absence of conflict of interest which could interfere with the Independent Director's judgement and ability to contribute to the Board's deliberations, or which could interfere with the Director's ability to act in the best interest of the Company.

The Board conducts annual reviews in respect of the independence of each and every Director using peer evaluation questionnaires, each Director making immediate declaration over their interests, assessing the performance of the Independent Directors. The Board has determined from the annual assessment carried out that all the three (3) Independent Non-Executive Directors serving on the Board and Board Committees remain objective and independent in expressing their views and in participating in deliberations and decisions.

### 3.2 Tenure of Independent Directors

The Board has adopted the recommendation of the Code that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon the completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as Non-Independent Director or to obtain shareholders' approval in the event it retains as an independent.

### 3.3 Shareholders' Approval for the re-appointment of Independent Director

For the financial year under review, none of the current independent Board members have served the Company for more than nine (9) years cumulatively.

### 3.4 Separation of positions of Chairman and Executive Directors

To ensure balance of authority, increased accountability and a greater capacity for independent decision making, the roles of the Chairman and the Executive Directors are distinct and separate with a clear division of responsibilities between the Chairman and the Executive Directors.

The Executive Chairman's role includes leading the Board in its oversight of management and is not involved in the day to day management of the Group. The Board does not comprise a majority of Independent Directors and the Executive Chairman is not an Independent Director which is a deviation from Recommendation 3.5 of the Code. Decisions reached at meetings reflect the consensus of the whole Board and not the views of any individual or Group.

# Statement on Corporate Governance

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The Executive Directors are primarily responsible for the day-to-day operations of the Group, which includes implementation of policies, and strategies adopted by the Board. The Executive Directors are responsible for communicating matters relating to the Group's business to the Board. The Executive Director's knowledge of the Group's business and affairs contributes significantly towards the attainment of the Group's goals and objectives.

## 3.5 Composition of the Board

As at end of the financial year, the Board comprised nine (9) members:-

- a) One (1) Executive Chairman
- b) Three (3) Executive Directors
- c) Two (2) Non-Independent Non-Executive Directors
- d) Three (3) Independent Non-Executive Directors

The Code stipulates that at least one-third of its Board members must be made up of Independent Non-Executive Directors. The Group's Board balance is achieved with the presence of three (3) Independent Non-Executive Directors.

The Board recognizes Mr Yap Hoong Chai as Executive Chairman which is not in compliance with the best practice and good corporate governance. However, Mr Yap Hoong Chai is one of the founding members of the Group and with his extensive experience in operations of the Group, he is able to lead the Board and ensure the effective functioning of the Board.

All three (3) Non-Executive Directors are Independent as defined in the Bursa Securities MMLR. The Independent Directors are:-

- a) Gan Lian Peng
- b) Tan Ooi Jin
- c) Tan Chee Hau

The Board is of the view that the current size of the Board is appropriate and views that the Board composition has the right mix of skills, experience and strength in qualities that are relevant to the business which enable the Board to carry out its responsibilities in an effective and competent manner.

# Statement on Corporate Governance

## Principle 4 - Foster Commitment

### 4.1 Commitment of the Board Members

The Directors are committed with sufficient time to carry out their duties during their tenure of services. The Board meets on a quarterly basis, with additional meetings being convened when necessary to address issues deemed urgent. The Board met on eight (8) occasions during the FYE 31 March 2017 and the details of attendance at Board Meetings held during the financial year are set out in page 30 of the Annual Report.

All the Directors have complied with the minimum attendance at Board meetings of at least 50% attendance as stipulated by the Bursa Securities MMLR during the financial year.

The Independent Non-Executive Directors are required to declare to the Board detail of their significant business and interest, of which the said Director would be required to abstain from decision voting should the subject resolution involve any chances of conflict of interest with his existing business and interest, directly or indirectly.

The Executive Directors are however required to declare to the Board all other significant business and interests and to indicate broadly the time spent on such commitment, other than the time spent on the Company.

All the Directors are required to advise the Board of any subsequent changes on such commitments declared.

The attendance record of the Directors at Board and Committee meetings during the FYE 31 March 2017 since their appointment is set out below:

Name of Director	Position	Attendance				
		Board	Percentage	AC	NC	RC
Yap Hoong Chai	Executive Chairman	8/8	100%	-	-	1/1
Yeap Weng Hong	Executive Director	8/8	100%	-	-	-
Yap Chor How	Executive Director	8/8	100%	-	-	-
Ng Kim Tian	Executive Director	8/8	100%	-	-	-
Yeap Fock Hoong	Non-Independent Non-Executive Director	8/8	100%	-	-	-
Gan Lian Peng	Independent Non-Executive Director	8/8	100%	5/5	2/2	1/1
Tan Ooi Jin	Independent Non-Executive Director	8/8	100%	5/5	-	1/1
Hideki Fujii	Non-Independent Non-Executive Director	8/8	100%	-	-	-
Tan Chee Hau (Appointed on 15.06.2017)	Independent Non-Executive Director	-	-	-	-	-
Cheng Chin Hong (Retired on 28.09.2016)	Independent Non-Executive Director	2/4	50%	2/5	2/2	-

# Statement on Corporate Governance

## 4.2 Training

The Board encourages Directors to continuously upgrade their knowledge and expertise, whether through the training programmes provided in house or external trainers. Some of the Directors have from time to time also attended various relevant training programmes and seminars organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment. All Directors have completed the Mandatory Accreditation Programme as stipulated in MMLR.

During the financial period under review, the training programmes attended by the Directors were as follows:

No.	Name	Programme
1.	Yap Hoong Chai	<ul style="list-style-type: none"> <li>- China Halal Trip at Xi'an, China <i>(12 May 2016 – 15 May 2016)</i></li> <li>- NH Foods Ltd. Annual Products Exhibition at Tokyo, Japan <i>(18 Jan 2017 – 20 Jan 2017)</i></li> <li>- Poultry Innovation Summit Asia 2017 at Bangkok, Thailand <i>(14 Mar 2017)</i></li> <li>- VIV Asia 2017 at Bangkok, Thailand <i>(15 Mar 2017 – 17 Mar 2017)</i></li> </ul>
2.	Yeap Weng Hong	<ul style="list-style-type: none"> <li>- ISO 9001:2015 Transition Training <i>(21 Oct 2016)</i></li> <li>- ISO 9001:2015 Transition Training <i>(23 Jan 2017)</i></li> <li>- ISO 9001:2015 Risk Based Thinking Awareness Training <i>(24 Jan 2017)</i></li> </ul>
3.	Yap Chor How	<ul style="list-style-type: none"> <li>- IEC Global Leadership Conference KL 2016 at Kuala Lumpur, Malaysia <i>(18 Sept 2016 – 22 Sept 2016)</i></li> <li>- Interpack Get-Together Trade Fair at Kuala Lumpur, Malaysia <i>(14 Sept 2016)</i></li> <li>- ISO 9001:2015 Transition Training <i>(21 Oct 2016)</i></li> <li>- NH Foods Ltd. Annual Products Exhibition at Tokyo, Japan <i>(18 Jan 2017 – 20 Jan 2017)</i></li> <li>- ISO 9001:2015 Transition Training <i>(23 Jan 2017)</i></li> <li>- ISO 9001:2015 Risk Based Thinking Awareness Training <i>(24 Jan 2017)</i></li> <li>- VIV Asia 2017 at Bangkok, Thailand <i>(15 Mar 2017 – 17 Mar 2017)</i></li> <li>- Supermarkets Conference at Bangkok, Thailand <i>(29 Mar 2017 – 30 Mar 2017)</i></li> </ul>

# Statement on Corporate Governance

No.	Name	Programme
4.	Ng Kim Tian	<ul style="list-style-type: none"> <li>- Advocacy Sessions on Management Discussion &amp; Analysis at Kuala Lumpur, Malaysia (16 Aug 2016)</li> <li>- New Companies Act 2016 at Selangor, Malaysia (19 Aug 2016)</li> <li>- Rabobank Exclusive Business Forum at Kuala Lumpur, Malaysia (5 Sept 2016)</li> </ul>
5.	Yeap Fock Hoong	<ul style="list-style-type: none"> <li>- NH Foods Ltd. Annual Products Exhibition at Tokyo, Japan (18 Jan 2017 – 20 Jan 2017)</li> <li>- Animal Husbandry &amp; Vaccine Free Poultry Seminar at Bangkok, Thailand (13 Mar 2017)</li> <li>- Poultry Innovation Summit Asia 2017 at Bangkok, Thailand (14 Mar 2017)</li> <li>- VIV Asia 2017 at Bangkok, Thailand (15 Mar 2017)</li> </ul>
6.	Gan Lian Peng	<ul style="list-style-type: none"> <li>- Advocacy Sessions on Management Discussion &amp; Analysis at Kuala Lumpur, Malaysia (16 Aug 2016)</li> </ul>
7.	Tan Ooi Jin	<ul style="list-style-type: none"> <li>- Crowe Horwath-Initial Public Offering (IPO)-The route to your corporate dream (28 Jul 2016)</li> <li>- CG Breakfast Series : How to Leverage on AGMs for better engagement with Shareholders (21 Nov 2016)</li> <li>- Crowe Horwath-Cross Border Assignments Forum (11 Jan 2017)</li> </ul>
8.	Hideki Fujii	<ul style="list-style-type: none"> <li>- SIAL Paris 2016 at Paris, France (16 October 2016)</li> <li>- Sustainability Strategy for Developing CSR (Training) at Tokyo, Japan (28 March 2017)</li> </ul>
9.	Tan Chee Hau	<ul style="list-style-type: none"> <li>- GST Update Briefing at Kuala Lumpur, Malaysia (12 October 2016)</li> <li>- Market Outlook 2017 at Kuala Lumpur, Malaysia (12 November 2016)</li> <li>- CIMB Market Intelligence Workshop - Finding Opportunities in a Down Trend at Kuala Lumpur, Malaysia (8 December 2016)</li> </ul>
10.	Ryuichi Nitta	<ul style="list-style-type: none"> <li>- Thaifex World of Food Asia 2016 at Bangkok, Thailand (27 May 2016)</li> <li>- Propack Asia 2016 at Bangkok, Thailand (17 June 2016)</li> <li>- Sustainability Strategy for Developing CSR (Training) at Tokyo, Japan (28 March 2017)</li> </ul>

# Statement on Corporate Governance

## **Principle 5 - Uphold Integrity in Financial Reporting**

### **5.1 Compliance with Applicable Financial Reporting Standards**

The Board is committed to provide a balanced, clear and comprehensive assessment of the Group's financial position and prospects by ensuring the financial statements and quarterly announcements are prepared in accordance with the provisions of the Companies Act 2016 and applicable approved accounting standards.

The Board is assisted by the AC in reviewing the appropriateness of accounting policies applied by the Group, as well as, the changes in these policies.

The AC also assists the Board in overseeing the financial reporting process and ensuring the quality of the financial reporting by the Group. The AC reviews and monitors the accuracy and integrity of the Group's annual and quarterly financial statements, before approving them to be announced to the public within the stipulated time frame.

In reviewing all the published annual and quarterly financial statements during the financial year, the Directors took due care and reasonable steps to ensure compliance with the applicable accounting standards in all material aspects. For this purpose, the Directors are updated and briefed by the External Auditors on current accounting practices, recommended best practices, and applicable financial reporting standards minimum once a year.

A statement by the Directors of their responsibilities for preparing the financial statements is set out under the Statement on Directors' Responsibility on page 45 of this Annual Report.

### **5.2 Assessment of Suitability and Independence of External Auditors**

The Board maintains a transparent and professional relationship with the Group's external auditors through the AC. The AC meets with the external auditors at least twice a year to discuss their audit plan and audit findings in relation to the Group's financial results. The AC also had private sessions with the External Auditors without the presence of Executive Directors and Management to discuss the audit findings and any other observations that may have arisen during the audit process. An assurance is provided by the External Auditors via their report to the AC, confirming their independence through the conduct of the audit engagement in accordance with the terms of relevant professional and regulatory requirements.

The External Auditors are invited to attend the Company's Annual General Meeting (AGM) and are available to answer shareholders' queries on the conduct of the statutory audit and the contents of the Annual Audited Financial Statements.

For the year under review, two (2) sessions and dialogues were conducted to exchange views and opinions between the both parties in relation to the financial reporting of the Group.

The AC recommends the appointment of the External Auditors and their remuneration. The appointment of the External Auditors is subject to the approval of shareholders in general meetings whilst their remuneration is determined by the Board. The role of the AC is further described in the AC Report on pages 37 to 40 in the Annual Report.

# Statement on Corporate Governance

The AC assesses the independence of the External Auditors based on, amongst others, the following:

- a. Review the independence and objectivity of the External Auditors and the services provided, including non-audit services;
- b. Ensure the Company's major shareholders and/or Directors do not have any interest in the audit firm prior to its engagement, vice versa; and
- c. Review the quality of services, sufficiency of resources, communication and interaction and audit planning.

## **Principle 6 - Recognise and Manage Risks**

### **6.1 Framework to Manage Risks**

The Board is responsible to ensure that financial statements prepared for each financial year give a true and fair view of the Group's state of affairs. The Directors take due care and reasonable steps to ensure that the requirements of accounting standards are fully met. Quarterly financial results are reviewed by the Audit Committee and approved by the Board of Directors prior to their release to Bursa Securities. A statement by Directors of their responsibilities in preparing the financial statements is set out on page 45 of this Annual Report.

### **6.2 Internal Audit Function**

The Code requires the Board to maintain a sound system of internal controls to safeguard shareholders' investment and the Group's assets. The Statement of Risk Management and Internal Control set out on pages 41 to 42 of this Annual Report provide an overview of the state of risk management and internal control within the Group.

## **Principle 7 - Ensure timely and high quality disclosure**

### **7.1 Corporate Disclosure Policy**

The Board strives to comply with corporate disclosure requirements set out by Bursa Securities and follows the main forms of information disclosure:

- a. Continuous disclosure – which is its core disclosure obligation and primary method of informing the market and shareholders.
- b. Periodical disclosure – in the form of full year and quarterly reporting of financial results and major investments, capital expenditure and funding activities proposed by the Company and the Annual Report.
- c. Specific information disclosure – as and when required, of administrative and corporate developments, usually in the form of Bursa Securities releases.

All information made available to Bursa Securities is immediately available to shareholders, stakeholders and the public on the Company's Investor Relations section of the website [www.layhong.com.my](http://www.layhong.com.my)

While the Board endeavours to keep its shareholders as much informed as possible, the Board must ensure that confidential information is handled properly by authorised personnel to avoid leakage and improper use of such information, as such, the Group has always abided by the legal and regulatory framework governing the release of materials and price-sensitive information.

# Statement on Corporate Governance

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## **7.2 Leverage on Information Technology for Effective Dissemination of Information**

The Board has established a dedicated section in the Company's website for corporate information on the Company's announcements, financial information, annual reports, share prices and analysts' reports which are accessible by shareholders, stakeholders and general public. The website is the key communication channel for the Company to reach its shareholders and general public.

The website has a dedicated section for Investor Relations which includes a corporate newsroom, investment calculator, as well as Company's IR contact which shareholders and general public may direct their enquiries through the provided communication channels including telephone and e-mail.

## **Principle 8 - Strengthen relationship between Company and Shareholders**

### **8.1 Shareholder Participation at General Meetings**

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with shareholders. The Board is committed to provide shareholders with comprehensive, timely information about the Group's activities and performance to enable easy investment decisions for the shareholders and investors.

Shareholders are notified of the meeting and provided with a copy of the Notice of AGM and Annual Report 21 days before the meeting. At each AGM, the shareholders are encouraged to attend and to use the opportunity to ask questions on resolutions being proposed during the meeting and also on the progress, performance and future prospects of the Company. The Chairman and Board members, with the assistance of the External Auditors are available to respond and provide explanations in the question and answer session.

### **8.2 Encourage poll voting**

There were no substantive resolutions put forth for shareholders' approval at the previous AGM held on 28 September 2016. As such, all resolutions tabled for shareholders' approval were voted by way of poll voting.

Nevertheless, the Company will be conducting poll voting for the forthcoming AGM to comply with Paragraph 8.29A(1) of the MMLR.

### **8.3 Communication and Engagements with Shareholders**

Information on the Group's activities is provided in the Annual Report and Financial Statements in CD ROM format, which are despatched to shareholders. Dialogues are also held by the Group with investment analysts and fund managers to keep them abreast of corporate and financial developments within the Group.

The Company also encourages the shareholders and investors to access online the Company's Annual Report and all up to date announcements from time to time, which are available at both Bursa Securities' website and the Company's website at [www.layhong.com.my](http://www.layhong.com.my)

# Statement on Corporate Governance

## COMPLIANCE STATEMENT

### STATEMENT ON COMPLIANCE WITH THE REQUIREMENTS OF BURSA SECURITIES IN RELATION TO APPLICATION OF PRINCIPLES AND ADOPTION OF BEST PRACTICES LAID DOWN IN THE MALAYSIAN CODE OF CORPORATE GOVERNANCE

The Board has taken necessary practical and appropriate steps to comply with the requirements of MMLR of Bursa Securities in relation to applications of principles and adoption of best practises of good corporate governance as set out in the MCCG 2012. The Group will continue to review its governance principles and recommendations in pursuit of achieving the highest level of transparency, accountability and integrity.

This statement was made in accordance with a resolution of the Board dated 28 June 2017.

## OTHER INFORMATION

### Share Issuance Scheme ("SIS")

A 3,125,000 numbers of ordinary shares were exercised under the SIS scheme during the financial year.

### Audit and Non-Audit Fees

Non-audit fees payable to the External Auditors for the FYE 31 March 2017 was RM6,000.

### Revaluation Policy on Landed Properties

The Group has adopted a policy to revalue its land and buildings at least once in every five (5) years. The next revaluation will be due in 2021.

### Material Contracts

There were no material contracts made by the Group involving Directors and major shareholders during or at the end of the financial year, other than those disclosed in the financial statements.

### Contract relates to a loan

There were no contract relates to loan entered into by the Company and/or its subsidiaries for the FYE 31 March 2017.

# Audit Committee Report

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## COMPOSITION OF AUDIT COMMITTEE

The Audit Committee ("AC") of Lay Hong Berhad ("the Company") is comprised wholly of Non-Executive Directors as follows:

### **Gan Lian Peng**

Chairman, Independent Non-Executive Director

### **Tan Ooi Jin**

Independent Non-Executive Director

### **Tan Chee Hau**

Independent Non-Executive Director  
(Appointed on 15.06.2017)

### **Cheng Chin Hong**

Independent Non-Executive Director  
(Retired on 28.09.2016)

The Chairman of the AC is a Chartered Accountant and a member of the Malaysian Institute of Accountants.

## MEETINGS

The attendance record of all members of the AC during the financial year ended ("FYE") 31 March 2017 at meetings of the AC are as follows:

	<b>ATTENDANCE</b>
Gan Lian Peng	5/5
Tan Ooi Jin	5/5
Tan Chee Hau (Appointed on 15.06.2017)	-
Cheng Chin Hong (Retired on 28.09.2016)	2/3

The agenda for meetings, the relevant reports and papers were furnished to all AC members by the Secretary after consultation with the AC Chairman in advance to facilitate effective deliberation and decision making at the respective meetings.

# Audit Committee Report

During its scheduled quarterly meetings, the AC reviewed the risk management and internal control processes (with the assistance of its outsourced Internal Audit Function), the Interim and Year-end Financial Report, the Internal and External Audit Plans and Reports, Related Party Transactions ("RPT"), and all other areas within the scope of responsibilities of the AC under its Terms of Reference.

All issues and challenges were deliberated during AC meetings before arriving at any decisions, conclusions or recommendations and brought to the attention of the Board where necessary. The minutes of these deliberations and its resultant decisions, conclusions or recommendations at each AC meeting were properly minuted by the Company Secretary and subsequently elevated to the Board for review and notation.

The Executive Directors were invited to, and attended all AC meetings to facilitate direct communication and interaction as well as provide clarifications on audit, financial and operational issues.

The representatives of the outsourced Internal Audit Function attended the AC meetings to table their respective Internal Audit reports.

The External Auditors of the Company represented by their Engagement Partner and the Audit Manager leading the audit attended AC meetings to present their Audit Planning Memorandum and Audit Review Memorandum.

## **TERMS OF REFERENCE**

The details of the terms of reference of the AC are available for reference at [www.layhong.com.my](http://www.layhong.com.my).

## **MEMBERSHIP**

The Board shall elect an AC comprising of three (3) members from amongst its members with majority being Independent Directors one of which must be a member of the Malaysian Institute of Accountants (MIA). If not, then he must have at least 3 years working experience and have passed the examination specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967 or he must have passed the examination specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or he must be a member of one of the Association of Accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967. No Alternate Director is to be appointed as a member of the AC. The members of an AC shall elect a Chairman from among their numbers who shall be an Independent Director.

# Audit Committee Report

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## **AUTHORITY AND RESPONSIBILITIES**

The AC shall have explicit authority to discharge any matter within its terms of reference. As such the Committee shall encompass the following with specific duties to review and report the same to the Board:

### **(a) Financial Review**

- The quarterly results and year-end financial statements, prior to recommendation to the Board on its release and adoption, focusing particularly on any changes in or implementation of major accounting policy changes, significant and unusual events and compliance with accounting standards and other legal requirements;

### **(b) External Audit**

- The audit plan, evaluation of the system of internal controls,
- Any management letter and management responses and the audit report with the external auditors;
- Any matters the external auditors may wish to discuss in the absence of management or Executive Directors;
- The Statement of Risk Management and Internal Control for inclusion in the Annual Report;
- The assistance provided by the employees to the external auditors;
- Any letter of resignation from the external auditors of the Company;
- Whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;
- Recommend the nomination of a person or persons as external auditors;
- Meet the External Auditors without the presence of Management or Executive Directors

### **(c) Internal Audit**

- The adequacy of the scope, functions, competency and resources of the internal audit function who reports directly to the AC and that it has the necessary authority to carry out its work;
- Process the results of the internal audit programmes or investigations undertaken and ensure whether or not appropriate and corrective actions are taken based on the recommendations of the internal audit function;
- The performance of the internal audit function and decide on their remuneration;

### **(d) Related Party Transactions**

- Any related party transactions and conflicts of interest situations that may arise within Group including any transactions, procedures or courses of misconduct that raises questions or compromises management integrity;

# Audit Committee Report

## SUMMARY OF ACTIVITIES OF THE AC

During the financial year under review, the following actions were carried out by the AC:

- (a) Met five (5) times and minutes of each meeting were recorded by the Company Secretary and distributed to each member of the Committee and the Board.
- (b) Reviewed the External Auditors' Audit Plan 2017 on the nature and scope of audit work;
- (c) Reviewed the unaudited quarterly financial statements of the Group and recommend the same for approval by the Board.
- (d) Reviewed the announcements of the unaudited financial results for all the quarters before recommending them for the Board's approval, upon being satisfied that the financial reporting standings and disclosure requirements by Bursa Malaysia Securities Berhad had been adhered to.
- (e) Reviewed the related party transactions and the shareholders' circular in relation to the recurrent related party transactions.
- (f) Reviewed the Group's Internal Audit Plan and ascertain its resources were adequate.
- (g) Reviewed the internal control weaknesses, risk issues, and recommendations proposed by Group Internal Audit and ensured that corrective actions were taken.
- (h) Reviewed the Statement of Risk Management and Internal Control for disclosure in the Annual Report.
- (i) Convened meetings with External Auditors without presence of Management and Executive Directors.

## SUMMARY OF ACTIVITIES OF GROUP INTERNAL AUDIT

The primary function of the Group Internal Audit is to assist the AC in discharging its duties and responsibilities. Its role was to undertake systematic and independent review of the adequacy and integrity of the internal control system, manage key risk areas, provide assurance that the system continues to operate satisfactorily, effectively and is in compliance with the Group's established policies and standard operating procedures.

For the FYE 31 March 2017, the Group Internal Audit carried out various audits and follow-up audits on various operating units in accordance with the approved Internal Audit Plan in respect of Lay Hong Berhad and its subsidiaries.

Internal Audit reports incorporating audit recommendations and management responses with regards to audit findings were presented to the AC and the Management of the respective operating units. Improved procedures and practices were recommended to strengthen internal controls and follow up audits were carried out to assess the status of implementation.

The internal audit function of the Group was outsourced to Bridge Corporate Advisory Sdn Bhd for the FYE 31 March 2017. Three (3) audit reports were issued during the financial year under review. Costs incurred for the internal audit function amounted to RM57,715.00 for the FYE 31 March 2017.

# Statement on Risk Management and Internal Control

## **INTRODUCTION**

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which requires listed companies to maintain a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets, the Board of Directors of Lay Hong Berhad is pleased to present the following Statement on Risk Management and Internal Control.

## **BOARD'S RESPONSIBILITY**

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

## **RISK MANAGEMENT FRAMEWORK**

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 Risk Management and Internal Control: Guidance for Directors of Public Listed Companies.

Risk Management Committee is in place to identify key risks facing the Group and to formulate appropriate measures to address those risks. The Risk Management Committee comprises the Executive Chairman and senior management team and is supported by a sub-committee comprising operational managers of major departments. During the year, all major risks that have an impact on the Group such as market, economic, legislative and financial risks, have been identified, prioritised and monitored closely on an on-going basis. The risk assessment process includes areas of protection of livestock against adverse climatic conditions and diseases as well as recruitment and retention of employees and the impairment of receivables.

The internal audit function reports directly to the Audit Committee. Three (3) reports on the internal audit findings and its follow up reports were issued to the Audit Committee during the year. The internal audit function reviews critical business processes and identifies internal control gaps, assesses the effectiveness and adequacy of the existing state of internal control and recommends possible improvements to the internal control process. The results of audits and recommendations for improvement were tabled at the Audit Committee meetings for discussion and assessment. Key and significant issues were reported to the Board by the Chairman of the Audit Committee for further actions and continuous monitoring by management.

# Statement on Risk Management and Internal Control

## INTERNAL CONTROL

Internal audit plays a critical role in the objective assessment of the Group's business processes by providing the Audit Committee with reasonable independent assurance on the effectiveness and integrity of the Group's system of risk management and internal control. The key elements of the Group's internal control system are described below:-

- **Organization Structure**  
The Group has in place an organisation structure with key responsibilities clearly defined for the Board, Committees of the Board and executive management of the Group's operating units.
- **Standard Operation Policies**  
Standard operating policies and procedures that document how transactions are captured and recorded where internal controls are applied exist for all Group's major subsidiaries.
- **Board Approval**  
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 Meeting**  
Monthly Executive Committee meetings are held and are attended by all Executive Directors and senior management to discuss the Group's operational matters.
- **Detailed Budgeting Process**  
Detailed annual 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.

## REVIEW OF EFFECTIVENESS

The Board has received assurance from the Executive Chairman and Group Finance Director that the system of risk management and internal control for the financial year under review is operating adequately and effectively. The Board is satisfied with the procedures outlined above and the Board will continue to review the effectiveness of the Group's risk management and internal control system.

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditor has reviewed this Statement on Risk Management and Internal Control. Based on their review, they have reported to the Board that nothing had come to their attention that caused them to believe that this Statement on Risk Management and Internal Control is inconsistent with their understanding with the procedures adopted by the Board in the review of the effectiveness of the internal controls.

This statement is made in accordance with the resolution of the Board dated 28 June 2017.

# Corporate Social Responsibilities Statement



Lay Hong Berhad Group is a proponent of open and transparent business practices that are based on moral and ethical values. The Group's Corporate Social Responsibilities ("CSR") initiatives, having undergone the process of process planning and consideration are assimilated into the way the Group functions as a business entity, thus delivering sustainable values.

## FOOD SAFETY AND QUALITY

The Group is in compliance with all relevant laws and regulations governing food safety and quality, including Skim Akreditasi Ladang Ternakan (SALT or Good Farm Practices Scheme) certification for layer and broiler farms, Veterinary Health Mark ("VHM") certification for chilled/frozen chicken, frankfurters & liquid egg, Hazard Analysis and Critical Control Point ("HACCP") certification for liquid egg processing, HALAL certification for chilled chicken, frankfurters, liquid egg & nuggets and Good Manufacturing Practices ("GMP") certification for feedmill. Our high-tech air-chilled chicken processing facilities reduce the hazard of cross contamination and ensure the highest quality chicken products for the consumers.

## ENVIRONMENT

The Group has in place proper waste treatment facilities at its chicken processing plant to avoid environmental contamination from its production effluents. Wastes from the Group's poultry rearing activity are also recycled into organic fertilisers for use in the agriculture industry, thus reducing environmental contamination and contributing to lesser use of chemical fertilisers. In addition, the Group uses recycled waste paper as raw materials for the paper egg containers used in transporting egg products.

# Corporate Social Responsibilities Statement

## WORKPLACE

The Group believes in local talent – the Group currently employs more than 1867 local employees of diverse nationalities for both Peninsular and East Malaysia operations. In addition to the sourcing of skills and talents from the local pool, the Group also strives to provide employment opportunities to females. Those in the senior bracket are also not forgotten – approximately 1.3% of the Group's workforce is over the age of 60. In developing and growing our talent pool, we regularly conduct periodical training in poultry farming and workplace safety and health. Moreover, we endeavour to embed the high standards required to enhance work quality and to achieve outstanding job performance. We also focus on on-job-training. Initiatives are also taken to actively engage our workplace in curbing farms/plants injuries and to ensure stringent compliance with existing environment health and safety regulations in all our operations.

At Lay Hong, our male to female employees ratio shows a healthy distribution of 1:1. Our total staff strength as at 31 March 2017 stands at 2,362.

## COMMUNITY

Donations were made to needy community organisations and institutions, including the Kiwanis Down Syndrome Foundation, Badan Kebajikan Thalassaemia Malaysia and the Selangor Dayspring Society for Persons with Learning Difficulties.

In the Group's endeavour to be a socially conscious corporate citizen, the Group has widened its community service to include contributions to schools in Kuala Selangor and Klang and participated in Sin Chew E-Paper campaign for 42 Chinese Schools in Kuala Lumpur and Selangor.

# Statement of Directors' Responsibility

For the Audited Financial Statements

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which have been made out in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and the Company at the financial year end and of the results and cash flows of the Group and Company for the financial year.

In preparing the financial statements, the Directors have carried out their responsibilities by:

- adopting suitable accounting policies and applied them consistently;
- making judgements and estimates that are reasonable and prudent;
- ensuring that all applicable accounting standards have been complied with; and
- preparing financial statements on a going concern basis, as the Board has reasonable expectations, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act 2016. The Directors have the overall responsibility of taking such steps as are reasonably available to them to safeguard the assets of the Group, to prevent and detect fraud and other irregularities.

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## DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2017.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are that of integrated livestock farming.

The principal activities of its subsidiary companies are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiary companies during the financial year.

## RESULTS

	Group RM	Company RM
Net profit for the financial year	<b>19,405,542</b>	3,707,740
Net profit attributable to:		
Owners of the Company	<b>18,255,179</b>	3,707,740
Non-controlling interests	<b>1,150,363</b>	-
	<b>19,405,542</b>	3,707,740

## DIVIDEND

Since the end of the previous financial year, the Company paid a final tax exempt dividend for the year ended 31 March 2016 of 5.0% totalling of RM3,043,750 on 3 November 2016.

The Directors proposed a final tax-exempt dividend of 0.5% amounting to RM3,043,750, subject to the approval of members at the forthcoming Annual General Meeting.

# Directors' Report

## RESERVES AND PROVISIONS

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

## ISSUES OF SHARES

During the financial year: -

- (i) Increase its issued and paid-up share capital from 57,750,000 to 60,875,000 consisting of 57,750,000 ordinary shares of RM1.00 each with the allotment of 3,125,000 new ordinary shares under Share Issuance Scheme (SIS), subsequently increase its issued and paid-up share capital from 60,875,000 consisting of 60,875,000 ordinary shares to 121,750,000 consisting 121,750,000 ordinary shares, by the way of bonus issue of 60,875,000 new ordinary shares of RM1.00 each on the basis of one (1) bonus share for every one (1) existing ordinary share held by way of capitalisation of the Company's share premium and retained earnings.
- (ii) Subdivision of the issued and paid up share capital of 121,750,000 ordinary share into 608,750,000 new ordinary shares on the basis of every one (1) ordinary share held after the bonus issue into five (5) new ordinary shares.
- (iii) Issued of up to 304,375,000 free Warrants 2016/2021 on the basis of one (1) warrant for every two (2) subdivided shares held after the bonus issue of shares and the shares split.

## DIRECTORS

The Directors who have held office since the date of the last report and at the date of this report are:

Yap Hoong Chai  
Yeap Weng Hong  
Yeap Fock Hoong  
Ng Kim Tian  
Yap Chor How  
Gan Lian Peng  
Tan Ooi Jin  
Hideki Fujii  
Ryuichi Nitta  
Tan Chee Hau  
Cheng Chin Hong

(Alternate Director to Hideki Fujii)  
(Appointed on 15 June 2017)  
(Retired on 28 September 2016)

## **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 33 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 a Director is a member, or with a company in which a Director has a substantial financial interest, except as disclosed in Note 38 to the financial statements.

Neither during nor at the end of the financial year, the Company was a party, to any arrangement whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Share Issuance Scheme.

## **DIRECTORS' REMUNERATIONS**

Details of directors' remuneration are set out in Note 33 to the financial statements.

## **SHARE ISSUANCE SCHEME**

In the previous financial year, the Company's shareholders have approved the Share Issuance Scheme (SIS) at an Extraordinary General Meeting held on 18 May 2015. The SIS was implemented on 12 January 2016 to grant share options to eligible Directors and employees of the Company.

The salient features and other terms of the SIS are disclosed in Note 16 to the financial statements.

# Directors' Report

## SHARE ISSUANCE SCHEME (cont'd)

The names of employees granted options to subscribe the ordinary shares of RM0.20 each is as follows:

Name	At 1 April 2016		Number of Ordinary share of RM1.00 each		Number of Ordinary share of RM0.20 each		At 31 March 2017	
	Granted	Exercised	Exercised	Bonus issue	Share split	Granted	Exercised	
1. Ong Yong Thye	295,000	-	(150,000)	145,000	1,160,000	-	-	1,450,000
2. Seow Chin Wei	295,000	-	(295,000)	-	-	-	-	-
3. Chee Kah Heng	295,000	-	(295,000)	-	-	-	-	-
4. Cheah Chang Shuoh	295,000	-	(295,000)	-	-	-	-	-
5. Bong Kim Fui	295,000	-	(100,000)	195,000	1,560,000	-	-	1,950,000
6. Kong Yin Fah	295,000	-	(150,000)	145,000	1,160,000	-	-	1,450,000
7. Lim Guek Boh	290,000	-	(150,000)	140,000	1,120,000	-	-	1,400,000
8. Lee Poh Tiak	290,000	-	(150,000)	140,000	1,120,000	-	-	1,400,000
9. Tan Huay	290,000	-	(100,000)	190,000	1,520,000	-	-	1,900,000
10. Oh Tan Hwa	290,000	-	(100,000)	190,000	1,520,000	-	-	1,900,000
11. Lim Yen Fung	290,000	-	(100,000)	190,000	1,520,000	-	-	1,900,000
12. Foo Nyuk Pow	290,000	-	(150,000)	140,000	1,120,000	-	-	1,400,000
13. Thu Kum Wan	290,000	-	(290,000)	-	-	-	-	-
14. Goh Siew Hong	290,000	-	(100,000)	190,000	1,520,000	-	-	1,900,000
15. Gan Pei Leng	290,000	-	(150,000)	140,000	1,120,000	-	-	1,400,000
16. Lee Kheng Pai	290,000	-	(100,000)	190,000	1,520,000	-	-	1,900,000
17. Lim Hui Shean	280,000	-	(150,000)	130,000	1,040,000	-	-	1,300,000

Details of options granted to Directors are disclosed in the section on Directors' Interest in this report.

## DIRECTORS' INTERESTS

During the financial year, the Company's shareholders have approved the 304,375,000 free Warrants 2016/2021 on 14 October 2016.

The terms and conditions of Warrants 2016/2021 are disclosed in Note 16 to the financial statements.

	Warrants allotted on 14/10/2016	Acquired	Number of Warrants		As at 31/03/2017
			Exercised	Transferred/ Disposed	
<b>The Company</b>					
<b>Direct Interest</b>					
Yap Hoong Chai	3,000,000	-	-	-	3,000,000
Yeap Fock Hoong	60,000	-	-	-	60,000
Yeap Weng Hong	2,036,000	-	-	-	2,036,000
Yap Chor How	2,298,500	-	-	-	2,298,500
Ng Kim Tian	1,500,000	-	-	(1,500,000)	-
<b>Indirect Interest</b>					
Yap Hoong Chai *	107,674,830	-	-	(20,000)	107,654,830

\* Deemed interested in 13,154,830 warrants held by spouse, children, siblings, spouse of sibling and 94,500,000 warrants by virtue of Innofarm Sdn Bhd which holds 4.31% and 31.05% respectively equity interest in Lay Hong Berhad.



## DIRECTORS' INTERESTS (cont'd)

	Number of Ordinary Shares			At 31 March 2017
	At 1 April 2016	Bought	Sold	
<b>Subsidiary Companies:</b>				
<b>Evergreen Organic Fertilisers Sdn Berhad</b>				
<b>Indirect Interest</b>				
Yap Hoong Chai	147,000	-	-	147,000
Yeap Fock Hoong	147,000	-	-	147,000
Yeap Weng Hong	147,000	-	-	147,000
<b>Sri Tawau Farming Sdn Bhd</b>				
<b>Indirect Interest</b>				
Yap Hoong Chai	500,001	-	-	500,001
Yeap Fock Hoong	500,001	-	-	500,001
Yeap Weng Hong	500,001	-	-	500,001

Yap Hoong Chai, 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 subsidiary companies to the extent the Company has an interest.

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

# Directors' Report

## DIRECTORS' INTERESTS (cont'd)

### SHARE ISSUANCE SCHEME

Name	At 1 April 2016		Number of Ordinary share of RM1.00 each		Number of Ordinary share of RM0.20 each		At 31 March 2017	
	Granted	Exercised	Bonus issue	Share split	Granted	Exercised	Granted	Exercised
Ng Kim Tian	-	(300,000)	-	-	-	-	-	-

## OTHER STATUTORY INFORMATION

Before the statements of financial position and the statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad receivables and the making of allowance for doubtful receivables and satisfied themselves that all known bad receivables had been written off and that adequate allowance had been made for doubtful receivables; and
- (b) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render if necessary to write off any receivables or to make an allowance for doubtful receivables in the financial statements of the Group and of the Company; or
- (b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (c) 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; and
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

Except as disclosed in the financial statements, no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

# Directors' Report

## **OTHER STATUTORY INFORMATION (cont'd)**

In the opinion of the Directors:

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 in financial year in which this report is made.

## **INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS**

There were no indemnity given to or insurance effected for any Directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

## **SUBSIDIARIES OF THE COMPANY**

Details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

## **AUDITORS' REMUNERATIONS**

Details of auditors' remuneration are disclosed in Note 27 to the financial statements.

## **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

Details of significant events during the financial year are as disclosed in Note 43 to the financial statements.

## **AUDITORS**

The auditors, Ong Boon Bah & Co, have expressed their willingness to continue in office.

Signed on behalf of the Board, as approved by the Board in accordance with a resolution of the Directors dated 28 June 2017.

**YAP HOONG CHAI**

Director  
Klang, Selangor Darul Ehsan

**YEAP WENG HONG**

Director

# Statement by Directors

Pursuant to Section 251(2) of the Companies Act, 2016

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 64 to 164 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017 and of their financial performance and cash flows for the year then ended.

The information set out in Note 45 on page 165 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Securities Malaysia Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 June 2017.

**YAP HOONG CHAI**

Director  
Klang, Selangor Darul Ehsan

**YEAP WENG HONG**

Director

## Statutory Declaration

Pursuant to Section 251(1) of the Companies Act, 2016

I, NG KIM TIAN, being the Director primarily responsible for the financial management of LAY HONG BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 64 to 164 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 in Klang,  
Selangor Darul Ehsan on 28 June 2017.

**NG KIM TIAN**

Before me,

Commissioner for Oaths  
Selangor Darul Ehsan

# Independent Auditors' Report

To the Members of Lay Hong Berhad

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of LAY HONG BERHAD, which comprise the statements of financial position as at 31 March 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 64 to 164.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Company. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

# Independent Auditors' Report

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To the Members of Lay Hong Berhad

## Key Audit Matters (cont'd)

The Key Audit Matters	How the matters was addressed in our audit
<p><b><i>Impairment assessment on biological assets</i></b></p> <p><i>Refer to Notes to the financial statements - Note 2.3(e)(i,ii,iii) (Significant accounting policies) and Note 8 (Biological assets)</i></p> <p>At 31 March 2017, the value of breeders and layers held as biological assets of the Group was approximately RM6.6 million and RM27.1 million respectively.</p> <p>The net realisable value of the biological assets may be lower than their carrying amount.</p> <p>The biological assets may be at the risk of being overstated as it involves judgement and estimation uncertainty which forms expectations relating to future sales and demands.</p>	<p>Our audit procedures included the followings:</p> <p>We performed the net realisable value test to the carrying amount of biological assets to determine whether there is any impairment loss;</p> <p>We had reviewed the computation of net realisable value of the biological assets prepared by the management, which is the estimated future revenue less estimated rearing costs over the remaining lifespan of biological assets; and</p> <p>We had also assessed the reasonableness of key estimates and assumptions used in arriving at the estimated future revenue and future rearing costs.</p> <p>Based on the above procedures performed, we noted no significant exceptions.</p>
<p><b><i>Existence and Valuation of Inventories</i></b></p> <p><i>Refer to Notes to the financial statements - Note 2.3(f)(i,ii,iii,iv) (Significant accounting policies) and Note 9 (Inventories)</i></p> <p>Total inventories of RM82.2 million represents 13% of total assets of the Group. These inventories mainly consist of broilers, eggs, raw materials and processed and frozen products.</p> <p>Valuation of the inventories is at the lower of cost and net realisable value and is determined by using the weighted average method.</p> <p>The inventories may be at the risk of being overstated as it involves judgement and estimation uncertainty which forms expectations relating to future sales and demands.</p>	<p>Our audit procedures included the followings:</p> <p>We performed a net realisable value test to ensure that inventories are stated at the lower of cost and net realisable value and test checked the costing of the weighted average method;</p> <p>We had observed physical inventories count to ensure existence; and</p> <p>We also considered and assessed the adequacy of allowance for slow moving, damaged and obsolete inventories.</p> <p>Based on the above procedures performed, we noted no significant exceptions.</p>

# Independent Auditors' Report

To the Members of Lay Hong Berhad

## Key Audit Matters (cont'd)

The Key Audit Matters	How the matters was addressed in our audit
<p><b><i>Impairment of Trade Receivables</i></b></p> <p><i>Refer to Notes to the financial statements - Note 2.3(l)(i) (Significant accounting policies) and Note 10 (Trade receivables)</i></p> <p>As at 31 March 2017, trade receivables that had been past due but not impaired amounted to RM5.0 million.</p> <p>The Group recognised impairment losses on trade receivables amounting to RM5.4 million based on specific known facts or circumstances or abilities of customers to pay.</p> <p>Assessing the net recoverability of trade receivables including review of credit worthiness and past collection history of receivables involves significant management judgement.</p> <p>The trade receivables may be at the risk of overstated arising from the inadequacy of impairment losses provided.</p>	<p>Our audit procedures included the followings:</p> <p>We evaluated and tested key control within the credit control process including credit account application approvals and credit limit review;</p> <p>We also assessed the recoverability of receivables that were past due but not impaired with reference to the past historical repayment trends, customers credit profiles, post year end cash receipts and discussion with management to enquire the status of attempts by management to collect the amounts outstanding; and</p> <p>We assessed the management's assessment that no further impairment loss was required based on analysis of customer credit worthiness, past historical repayment trends and expectation of repayment patterns.</p> <p>Based on the above procedures performed, we noted no significant exceptions.</p>

## Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# Independent Auditors' Report

To the Members of Lay Hong Berhad

## **Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and access the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.

# Independent Auditors' Report

To the Members of Lay Hong Berhad

## **Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)**

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that we were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

# Independent Auditors' Report

To the Members of Lay Hong Berhad

## Other Reporting Responsibilities

The supplementary information set out in Note 45 on page 165 is disclosed to meet the requirement of the Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**ONG BOON BAH & CO**  
AF: 0320  
Chartered Accountants

**WONG SOO THIAM**  
01315/12/2018 J  
Chartered Accountant

Kuala Lumpur  
28 June 2017

# Statements of Financial Position

As at 31 March 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	3	<b>368,328,902</b>	307,938,925	<b>138,159,118</b>	110,961,644
Investment properties	4	<b>4,139,581</b>	2,000,000	-	-
Investments	5	<b>1,142,857</b>	194,075	<b>56,842,535</b>	21,996,648
Intangible assets	6	<b>2,579,997</b>	2,600,071	-	-
Deferred tax assets	7	<b>3,065,811</b>	3,277,003	<b>879,488</b>	144,717
Due from subsidiary companies	12	-	-	<b>20,094,834</b>	18,179,095
		<b>379,257,148</b>	316,010,074	<b>215,975,975</b>	151,282,104
<b>Current assets</b>					
Biological assets	8	<b>33,698,896</b>	26,072,171	<b>20,952,432</b>	16,472,800
Inventories	9	<b>82,202,761</b>	68,733,271	<b>9,561,922</b>	8,669,924
Trade receivables	10	<b>76,722,379</b>	69,769,490	<b>15,745,418</b>	13,921,574
Other receivables	11	<b>32,349,896</b>	20,622,853	<b>15,839,870</b>	12,298,641
Due from subsidiary companies	12	-	-	<b>63,937,633</b>	65,096,295
Due from an associate company	13	<b>10,257</b>	-	<b>3,317</b>	-
Short term investment	14	<b>1,672,355</b>	27,602,814	<b>150,000</b>	27,602,814
Cash and bank balances	15	<b>7,984,222</b>	23,577,882	<b>3,812,961</b>	18,983,037
		<b>234,640,766</b>	236,378,481	<b>130,003,553</b>	163,045,085
<b>TOTAL ASSETS</b>		<b>613,897,914</b>	552,388,555	<b>345,979,528</b>	314,327,189

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

# Statements of Financial Position

As at 31 March 2017

		Group		Company	
Note	2017 RM	2016 RM	2017 RM	2016 RM	
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	16	121,750,000	57,750,000	121,750,000	57,750,000
Other reserves	17	72,809,376	112,997,151	47,963,074	86,509,824
Retained earnings	18	81,487,260	71,237,385	35,672,895	42,709,017
		<b>276,046,636</b>	241,984,536	<b>205,385,969</b>	186,968,841
Non-controlling interests		<b>26,110,252</b>	24,959,889	-	-
<b>Total equity</b>		<b>302,156,888</b>	266,944,425	<b>205,385,969</b>	186,968,841
<b>Non-current liabilities</b>					
Loan and borrowings	19	41,613,756	30,553,126	23,624,827	6,811,834
Long term payables	20	1,128,020	-	-	-
Deferred tax liabilities	7	32,703,565	30,275,055	10,247,663	8,597,876
		<b>75,445,341</b>	60,828,181	<b>33,872,490</b>	15,409,710
<b>Current liabilities</b>					
Trade payables	21	84,662,941	69,003,441	37,729,788	30,159,447
Other payables	22	36,136,096	24,947,145	13,311,989	7,639,622
Due to subsidiary companies	23	-	-	4,646,056	8,504,854
Due to an associate company	13	94,958	-	-	-
Current tax liability		234,631	3,292,635	-	1,816,955
Loan and borrowings	19	115,167,059	127,372,728	51,033,236	63,827,760
		<b>236,295,685</b>	224,615,949	<b>106,721,069</b>	111,948,638
<b>Total liabilities</b>		<b>311,741,026</b>	285,444,130	<b>140,593,559</b>	127,358,348
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>613,897,914</b>	552,388,555	<b>345,979,528</b>	314,327,189

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

# Statements of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 31 March 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	25	<b>675,961,327</b>	645,826,371	<b>253,645,068</b>	237,690,827
Purchase of goods and changes in inventories		<b>(551,289,260)</b>	(533,362,225)	<b>(222,490,422)</b>	(208,533,955)
Gross profit		<b>124,672,067</b>	112,464,146	<b>31,154,646</b>	29,156,872
Other operating income	26	<b>5,894,880</b>	9,953,160	<b>3,952,184</b>	36,212,194
Selling and distribution expenses		<b>(73,594,376)</b>	(69,302,913)	<b>(16,949,668)</b>	(14,958,595)
Administrative expenses		<b>(26,923,443)</b>	(20,425,950)	<b>(12,402,966)</b>	(9,485,119)
Other expense - share based		-	(15,093,000)	-	(15,093,000)
Profit from operations	27	<b>30,049,128</b>	17,595,443	<b>5,754,196</b>	25,832,352
Finance costs	28	<b>(7,584,908)</b>	(7,659,902)	<b>(3,338,153)</b>	(3,299,907)
Share of loss from an associate company	5	<b>(521,218)</b>	-	-	-
Profit before tax		<b>21,943,002</b>	9,935,541	<b>2,416,043</b>	22,532,445
Tax (expenses) / income	29	<b>(2,537,460)</b>	(6,119,874)	<b>1,291,697</b>	(2,031,205)
Net profit for the financial year		<b>19,405,542</b>	3,815,667	<b>3,707,740</b>	20,501,240

Other comprehensive income, net of tax

**Items that will not be reclassified subsequently to profit or loss**

Revaluation of property, plant and equipment	-	53,935,827	-	34,225,230
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**Items that are or may be reclassified subsequently to profit or loss**

Fair value of available-for-sale financial assets	<b>(3,213)</b>	74,030	-	74,030
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The accompanying notes form an integral part of the financial statements.

# Statements of Profit or Loss and Other Comprehensive Income

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For the Financial Year Ended 31 March 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Other comprehensive income, net of tax (cont'd)					
<b>Items that are or may be reclassified subsequently to profit or loss (cont'd)</b>					
Exchange differences on translation of foreign operations		1,100,746	-	-	-
Other comprehensive income, net of tax		1,097,533	54,009,857	-	34,299,260
Total comprehensive income for the financial year		20,503,075	57,825,524	3,707,740	54,800,500
Net profit attributable to:					
Owners of the Company		18,255,179	2,727,225	3,707,740	20,501,240
Non-controlling interests		1,150,363	1,088,442	-	-
		19,405,542	3,815,667	3,707,740	20,501,240
Total comprehensive income attributable to:					
Owners of the Company		19,352,712	54,593,776	3,707,740	54,800,500
Non-controlling interests		1,150,363	3,231,748	-	-
		20,503,075	57,825,524	3,707,740	54,800,500
<b>Earnings per share attributable to equity holders to the Company (sen)</b>					
Basic	30	3.02	0.52		
Diluted	30	2.41	0.51		

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

# Statements of Changes in Equity

For the Financial Year Ended 31 March 2017

Group	Attributable to owners of the Company										Total Equity RM
	Non-Distributable					Distributable					
	Share Capital RM	Share Premium RM	Share Option Reserve RM	Revaluation Reserve RM	Currency Translation Reserve RM	Fair Value Reserve RM	Retained Earnings RM	Total RM	Non-controlling Interests RM		
<b>As at 1 April 2015</b>	50,830,000	-	-	17,823,012	59,496	372,223	67,714,486	136,799,217	24,023,507	160,822,724	
Net profit for the financial year	-	-	-	-	-	-	2,727,225	2,727,225	1,088,442	3,815,667	
Transfer to distributable reserve on realisation of revaluation reserve	-	-	-	(815,055)	-	-	815,055	-	-	-	
Disposal of a subsidiary company	-	-	-	-	-	-	-	-	(766,321)	(766,321)	
Accretion of non-controlling interest	-	-	-	-	-	-	(450,957)	(450,957)	450,957	-	
Acquisition of additional equity interest in subsidiary company	-	-	-	-	-	-	-	-	(980,000)	(980,000)	
Transferred to distributable reserve on realisation of foreign currency translation reserve	-	-	-	-	(59,496)	-	59,496	-	-	-	
Transferred to distributable reserve on realisation of fair value reserve	-	-	-	-	-	(372,080)	372,080	-	-	-	
Other comprehensive income	-	-	-	51,792,521	-	74,030	-	51,866,551	2,143,306	54,009,857	
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(1,000,002)	(1,000,002)	
Transactions with owners of the Company	-	-	-	-	-	-	-	-	-	-	
Issue of ordinary shares pursuant to ESOS (Note 16)	1,670,000	3,777,000	-	-	-	-	-	5,447,000	-	5,447,000	
Issue shares by of private placement (Note 16)	5,250,000	25,252,500	-	-	-	-	-	30,502,500	-	30,502,500	
Share-based payment transactions	-	-	15,093,000	-	-	-	-	15,093,000	-	15,093,000	
Total transactions with owners of the Company	6,920,000	29,029,500	15,093,000	-	-	-	-	51,042,500	-	51,042,500	
<b>Balance at 31 March 2016</b>	<b>57,750,000</b>	<b>29,029,500</b>	<b>15,093,000</b>	<b>68,800,478</b>	<b>-</b>	<b>74,173</b>	<b>71,237,385</b>	<b>241,984,536</b>	<b>24,959,889</b>	<b>266,944,425</b>	

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

# Statements of Changes in Equity

For the Financial Year Ended 31 March 2017

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Group	Attributable to owners of the Company			Distributable			Total Equity RM			
	Share Capital RM	Share Premium RM	Share Option Reserve RM	Revaluation Reserve RM	Foreign Currency Translation Reserve RM	Fair Value Reserve RM		Retained Earnings RM	Total RM	Non-controlling Interests RM
<b>Balance at 31 March 2016</b>	57,750,000	29,029,500	15,093,000	68,800,478	-	74,173	71,237,385	241,984,536	24,959,889	266,944,425
Transfer to distributable reserve on realisation of revaluation reserve	-	-	-	(3,197,849)	-	-	3,197,849	-	-	-
Transferred to distributable reserve on realisation of fair value reserve	-	-	-	-	-	(74,030)	74,030	-	-	-
Net profit for the financial year	-	-	-	-	-	-	18,255,179	18,255,179	1,150,363	19,405,542
Other comprehensive income	-	-	-	-	1,100,746	(3,213)	-	1,097,533	-	1,097,533
Transactions with owners of the Company										
Issue of bonus shares (Note 16)	60,875,000	(52,696,151)	-	-	-	-	(8,178,849)	-	-	-
Expenses from issue of bonus shares	-	(348,528)	-	-	-	-	(54,584)	(403,112)	-	(403,112)
Dividends (Note 31)	-	-	-	-	-	-	(3,043,750)	(3,043,750)	-	(3,043,750)
Issuance of new SIS shares (Note 16)	3,125,000	15,031,250	-	-	-	-	-	18,156,250	-	18,156,250
Transfer to share premium for SIS options exercised	-	8,983,929	(8,983,929)	-	-	-	-	-	-	-
Total transactions with owners of the Company	64,000,000	(29,029,500)	(8,983,929)	-	-	-	(11,277,183)	14,709,388	-	14,709,388
<b>Balance at 31 March 2017</b>	<b>121,750,000</b>	<b>-</b>	<b>6,109,071</b>	<b>65,602,629</b>	<b>1,100,746</b>	<b>(3,070)</b>	<b>81,487,260</b>	<b>276,046,636</b>	<b>26,110,252</b>	<b>302,156,888</b>

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

# Statements of Changes in Equity

For the Financial Year Ended 31 March 2017

Company	Share Capital RM	Non-Distributable			Fair Value Reserve RM	Distributable Retained Earnings RM	Total RM
		Share Premium RM	Share Option Reserve RM	Revaluation Reserve RM			
<b>Balance at 1 April 2015</b>	50,830,000	-	-	8,557,908	369,735	21,368,198	81,125,841
Net profit for the financial year	-	-	-	-	-	20,501,240	20,501,240
Transfer to distributable reserve on realisation of revaluation reserve	-	-	-	(469,844)	-	469,844	-
Transfer to distributable reserve on realisation of fair value reserve	-	-	-	(369,735)	369,735	-	-
Other comprehensive income	-	-	-	34,225,230	74,030	-	34,299,260
Issue of ordinary shares pursuant to ESOS (Note 16)	1,670,000	3,777,000	-	-	-	-	5,447,000
Issue of private placement	5,250,000	25,252,500	-	-	-	-	30,502,500
Share-based payment transactions	-	-	15,093,000	-	-	-	15,093,000
<b>Balance at 31 March 2016</b>	57,750,000	29,029,500	15,093,000	42,313,294	74,030	42,709,017	186,968,841
Net profit for the financial year	-	-	-	-	-	3,707,740	3,707,740
Transfer to distributable reserve on realisation of revaluation reserve	-	-	-	(459,291)	-	459,291	-
Transfer to distributable reserve on realisation of fair value reserve	-	-	-	-	(74,030)	74,030	-
Issue of bonus shares	60,875,000	(52,696,151)	-	-	-	(8,178,849)	-
Expenses from issue of bonus shares	-	(348,528)	-	-	-	(54,584)	(403,112)
Dividends (Note 31)	-	-	-	-	-	(3,043,750)	(3,043,750)
Issuance of new SIS shares	3,125,000	15,031,250	-	-	-	-	18,156,250
Transfer to share premium for SIS options exercised	-	8,983,929	(8,983,929)	-	-	-	-
<b>Balance at 31 March 2017</b>	<b>121,750,000</b>	<b>-</b>	<b>6,109,071</b>	<b>41,854,003</b>	<b>-</b>	<b>35,672,895</b>	<b>205,385,969</b>

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

# Statements of Cash Flows

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For the Financial Year Ended 31 March 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Cash Flows from Operating Activities</b>					
Profit before tax		<b>21,943,002</b>	9,935,541	<b>2,416,043</b>	22,532,445
Adjustments for:					
Amortisation of intangible assets	6	<b>20,074</b>	28,654	-	-
Depreciation of property, plant and equipment	3	<b>23,342,664</b>	21,210,642	<b>7,274,359</b>	6,227,424
Dividend income		<b>(4,435)</b>	(819)	<b>(4,394)</b>	(33,000,630)
Change in fair value of investment properties		-	(111,306)	-	-
Net loss/(gain) on disposal of property, plant and equipment		<b>387,427</b>	(2,354,227)	<b>(75,402)</b>	(2,334,019)
Gain on disposal of a subsidiary company		-	(1,102,100)	-	(152,907)
Gain on disposal of investment properties		<b>(15,000)</b>	-	-	-
Property, plant and equipment written off	27	<b>77,727</b>	144,356	-	128,193
Interest expense	28	<b>7,584,908</b>	7,659,902	<b>3,338,153</b>	3,299,907
Interest income	26	<b>(80,278)</b>	(64,467)	<b>(1,241)</b>	(15,313)
Goodwill and other investment written off		-	567,200	-	-
Negative goodwill		<b>(96,767)</b>	-	-	-
Equity settled share-based payment transaction	27	-	15,093,000	-	15,093,000
Net unrealised foreign exchange loss/(gains)		<b>(382,964)</b>	653,975	<b>(343,771)</b>	-
Net impairment/(reversal) losses on trade receivables		<b>353,064</b>	(593,830)	<b>(168)</b>	27,656
Bad debts written off	27	<b>70,851</b>	480,337	-	-
Changes in fair value of financial asset		<b>(3,213)</b>	74,030	-	74,030
Operating profit before working capital changes		<b>53,197,060</b>	51,620,888	<b>12,603,579</b>	11,879,786
Increase in inventories and biological assets		<b>(21,096,215)</b>	(3,303,023)	<b>(5,371,630)</b>	(2,663,875)
Increase in trade and other receivables		<b>(15,733,824)</b>	(15,329,755)	<b>(2,681,513)</b>	(11,621,919)
Increase in trade and other payables		<b>27,976,468</b>	404,229	<b>13,242,708</b>	3,845,143
Increase/(Decrease) in associate		<b>84,701</b>	-	<b>(3,317)</b>	-
(Decrease)/Increase in intercompany balances		-	-	<b>(4,615,875)</b>	8,503,534
Cash generated from operations		<b>44,428,190</b>	33,392,339	<b>13,173,952</b>	9,942,669
Interest paid		<b>(7,584,908)</b>	(7,659,902)	<b>(3,338,153)</b>	(3,299,907)
Net tax paid		<b>(5,803,212)</b>	(6,416,317)	<b>(1,949,863)</b>	(3,993,764)
Net cash inflow from operating activities		<b>31,040,070</b>	19,316,120	<b>7,885,936</b>	2,648,998

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

# Statements of Cash Flows

For the Financial Year Ended 31 March 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Cash Flows from Investing Activities</b>					
Additional acquisition of intangible assets	6	-	(2,500)	-	-
Net cash outflow from acquisition of subsidiary company	5 (e)	<b>(8,477,372)</b>	-	<b>(33,375,887)</b>	-
Investment in an associate		<b>(948,782)</b>	-	<b>(1,470,000)</b>	-
Purchase of property, plant and equipment	3 (c)	<b>(50,816,823)</b>	(23,355,482)	<b>(14,269,699)</b>	(7,905,009)
Proceeds from disposal of property, plant and equipment		<b>523,530</b>	4,001,886	<b>151,887</b>	3,981,679
Proceeds from disposal of a subsidiary company	5 (d)	-	1,733,312	-	1,895,884
Proceeds from disposal of investment properties		<b>315,000</b>	-	-	-
Purchase of investment properties		<b>(741,901)</b>	-	-	-
Interest received		<b>80,278</b>	64,467	<b>1,241</b>	15,313
Dividend received		<b>4,435</b>	819	<b>4,394</b>	660
Net cash outflow from investing activities		<b>(60,061,635)</b>	(17,557,498)	<b>(48,958,064)</b>	(2,011,473)

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

# Statements of Cash Flows

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For the Financial Year Ended 31 March 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Cash Flows from Financing Activities</b>					
Net drawdown/(repayment) of bankers' acceptances		<b>3,791,000</b>	6,351,000	<b>(1,545,000)</b>	4,023,000
Proceeds from issuance of ordinary shares		<b>17,753,138</b>	35,949,500	<b>17,753,138</b>	35,949,500
Onshore foreign currency trade loan		<b>1,469,512</b>	-	-	-
Net (repayment)/drawdown of revolving credit facilities		<b>(8,000,000)</b>	6,500,000	<b>(8,000,000)</b>	6,500,000
Net repayment of term loans		<b>(7,831,650)</b>	(6,721,501)	<b>(2,399,424)</b>	(2,429,031)
Net repayment of finance lease liabilities		<b>(7,573,229)</b>	(6,974,901)	<b>(2,063,354)</b>	(1,859,954)
Dividends paid to owners of the parent		<b>(3,043,750)</b>	-	<b>(3,043,750)</b>	-
Increase in deposits pledged to licensed banks		<b>(15,399)</b>	(14,682)	-	-
Dividend paid to non-controlling interest		-	(1,000,002)	-	-
Net cash (outflow) / inflow from financing activities		<b>(3,450,378)</b>	34,089,414	<b>701,610</b>	42,183,515
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>		<b>(32,471,943)</b>	35,848,036	<b>(40,370,518)</b>	42,821,040
<b>Effect of foreign exchange rate changes</b>		<b>(46,735)</b>	-	-	-
<b>Cash and Cash Equivalents at Beginning of the Financial Year</b>		<b>32,067,399</b>	(3,780,637)	<b>42,150,745</b>	(670,295)
<b>Cash and Cash Equivalents at End of the Financial Year</b>	15	<b>(451,279)</b>	32,067,399	<b>1,780,227</b>	42,150,745

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

# Notes to the Financial Statements

31 March 2017

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas 50480 Kuala Lumpur and its principal place of business is located at No.2, Level 10-12, Wisma Lay Hong, Jalan Empayar, Off Persiaran Sultan Ibrahim/ KU1, 41150 Klang, Selangor Darul Ehsan.

The principal activities of the Company are that of integrated livestock farming. The principal activities of its subsidiary companies are as disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of the principal activities of the Company and of its subsidiary companies during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the 28 June 2017.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements comply with the requirements of the Companies Act, 2016 and applicable Financial Reporting Standards ("FRSs") in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods on or after 1 April 2015 as described fully in Note 2.4.

The financial statements of the Group and of the Company have been prepared on a historical cost basis, unless otherwise indicated in the summary of significant accounting policies described below.

The financial statements are prepared in Ringgit Malaysia ("RM").

### 2.2 New Companies Act effective beginning 31 January 2017

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders.

On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, would be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Company upon the commencement of the New Act on 31 January 2017 are:

# Notes to the Financial Statements

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31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.2 New Companies Act effective beginning 31 January 2017 (cont'd)

- (i) removal of the authorised share capital;
- (ii) shares of the Company will cease to have par or nominal value; and
- (iii) The Company's share premium account will become part of the Company's share capital.

The adoption of the New Act is not expected to have any financial impact on the Group and the Company for the current financial year as any accounting implications will only be applied prospectively, if applicable.

### 2.3 Summary of significant accounting policies

#### (a) Basic of consolidation

##### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considered it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

##### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

# Notes to the Financial Statements

31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (a) Basic of consolidation (cont'd)

##### (ii) Business combinations (cont'd)

###### Acquisitions on or after 1 April 2011

For acquisitions on or after 1 April 2011, the Group measures the costs of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expenses as incurred.

###### Acquisitions between 1 April 2006 and 31 March 2011

For acquisitions between 1 April 2006 and 31 March 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

###### Acquisitions prior to 31 March 2006

For acquisitions prior to 31 March 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

# Notes to the Financial Statements

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31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (a) Basic of consolidation (cont'd)

##### (iii) Acquisition of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

##### (iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, the such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

##### (v) Associate

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

# Notes to the Financial Statements

31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (a) Basic of consolidation (cont'd)

##### (v) Associate (cont'd)

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of the investment includes transaction costs.

#### (b) Intangible assets

##### (i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. The policy for the recognition and measurement of impairment losses for goodwill is in accordance with Note 2.3(h).

# Notes to the Financial Statements

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31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (b) Intangible assets (cont'd)

##### (ii) Research and development costs

All research costs are recognised in profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any accumulated impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. The development costs are amortised when the future economic benefits starts flowing to the Group. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each reporting date. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(h).

#### (c) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Subsequent to initial recognition, freehold land is stated at cost/valuation. All other property, plant and equipment are stated at cost/valuation less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(h).

Freehold and leasehold land is stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Buildings are stated at revalued amount, which is the fair value at the date of the revaluation less accumulated depreciation and any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professional qualified valuers.

Revaluations on land and buildings are performed once in every five years.

# Notes to the Financial Statements

31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (c) Property, plant and equipment (cont'd)

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

Freehold land is not depreciated as it has an infinite life. Leased assets are depreciated over shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Capital work-in-progress comprises office space, expenditure incurred on the installation of construction and extension of buildings, plant and machinery which are in progress/under construction as at year end. Capital work-in-progress are not depreciated as these assets are not yet available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the 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% - 20%
Renovations	10%

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

# Notes to the Financial Statements

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31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (c) Property, plant and equipment (cont'd)

Each year an amount equal to the depreciation charge for the year on the surplus on revaluation of relevant assets is transferred from revaluation reserve to retained earnings. Upon the disposal of a revalued asset, the attributable revaluation surplus (net of depreciation, where applicable) is transferred from revaluation reserve to retained earnings.

#### (d) Investment properties

##### (i) Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

##### (ii) Reclassification to/from investment properties

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

# Notes to the Financial Statements

31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (e) Biological assets

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

##### (i) 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.

##### (ii) 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.

##### (iii) Layers

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

#### (f) Inventories

##### (i) Livestocks

Livestocks comprise broilers held for trading and is stated at the lower of cost or amortised cost and net realisable value. Costs include purchase costs and other directly attributable costs of acquisition.

##### (ii) Broilers

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

# Notes to the Financial Statements

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31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (f) Inventories (cont'd)

##### (iii) Eggs, organic fertilisers, packing materials, raw materials, processed and frozen products

Eggs, organic fertilisers, raw materials, processed and frozen products are stated at the lower of cost and net realisable value. Cost of eggs, organic fertilisers, packing materials, processed and frozen products include direct production costs and appropriate production overheads and is determined on the weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

##### (iv) Trading merchandise

Trading merchandise are valued at the lower of cost and net realisable value. Cost comprises the weighted average cost of merchandise arrived at using the first-in first-out method. Weighted average cost includes related charges incurred in purchasing such merchandise.

Net realisable value is arrived at after due allowances made for obsolete or slow moving inventories.

#### (g) Leases

##### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

##### (ii) Finance leases

Assets acquired by way of 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 any accumulated impairment losses. The corresponding liability is included in the statements of financial position 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. Any initial direct costs are also added to the carrying amount of such assets.

# Notes to the Financial Statements

31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (g) Leases (cont'd)

##### (ii) Finance leases (cont'd)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit or loss 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 lease assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.3(c).

##### (iii) Operating leases

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### (h) Impairment of non-financial assets

The carrying amounts of the Group's assets, other than biological assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest groups of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The goodwill acquired in a business combination is allocated to CGU that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or group of units on a pro-rata basis.

# Notes to the Financial Statements

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31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (h) Impairment of non-financial assets (cont'd)

Impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reversed the effect of that event.

Impairment losses, if any, recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss has been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

#### (i) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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 rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method on temporary differences at the reporting date between the tax bases 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 credits 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.

# Notes to the Financial Statements

31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (i) Income taxes (cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised as income or an expense and included in profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised 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 the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Where there is a change in the carrying amount of asset arising from revaluation, the tax effects of the asset revaluation are credited or charged to equity. Where amounts are transferred from revaluation surplus to retained earnings, the related deferred tax is also transferred. Upon the disposal of the related asset, the attributable portion of the tax effect arising from revaluation is credited or charged to profit or loss.

#### (j) Foreign currencies

##### (i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

##### (ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currency using the exchange rates prevailing at the date of transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

# Notes to the Financial Statements

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31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (j) Foreign currencies (cont'd)

##### (ii) Foreign currency transactions (cont'd)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the year.

The principal closing rate used in translating of every unit of foreign currency amounts are as follows:

<b>Foreign Currencies</b>	<b>2017 RM</b>	<b>2016 RM</b>
Euro (EUR)	<b>4.7226</b>	4.4310
Singapore Dollar (SGD)	<b>3.1643</b>	2.9060
United State Dollar (USD)	<b>4.4290</b>	3.9170
Renminbi (CNY)	<b>0.6413</b>	0.6056

##### (iii) Foreign currency translation

For inclusion in the Group's financial statement, all assets and liabilities of foreign subsidiary company that is functional currency other than Ringgit Malaysia are translated into Ringgit Malaysia at the exchange rates ruling at reporting date. The trading results of foreign subsidiary company are translated into Ringgit Malaysia using the average exchange rates for the financial year. Exchange differences due to such currency translation are recognised in other comprehensive income and accumulated in the foreign currency translation account. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation shall be reclassified from equity to the profit and loss account when the gain or loss on disposal is recognised.

#### (k) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. The following specific recognition criteria must be met before revenue is recognised.

# Notes to the Financial Statements

31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (k) Revenue recognition (cont'd)

##### (i) Sale of goods

Revenue from the sale of goods is measured at fair values of the consideration received or receivable, net of returns and discounts and is recognised in the statements of profit or loss and other comprehensive income when significant risks and rewards of ownership has been transferred to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

##### (ii) Dividend income

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

##### (iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest rate applicable.

##### (iv) Rental income

Rental income is accounted for on a straight-line basis when services are rendered.

##### (v) Management fees

Management fees are recognised on an accrual basis when services are rendered.

#### (l) Financial assets

Financial assets are recognised in the financial statements when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus directly attributable transaction costs. Subsequent measurement of financial assets depends on the classification of the financial assets which are determined at initial recognition.

The Group and the Company determine the classification of their financial assets at initial recognition and the categories include loans and receivables and available-for-sale financial assets.

# Notes to the Financial Statements

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31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (I) Financial assets (cont'd)

##### (i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

##### (ii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any other category.

Investments in equity instruments that do not have a quoted market price in an active market and those whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at fair value, with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses from hedged items attributable to hedge risks of fair value hedges which are recognised in profit and loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest income using the effective interest method is recognised as profit or loss. Dividends on an available-for-sale equity financial instrument is recognised in profit or loss when the Company's right to receive the payment is established.

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment losses.

All financial assets, except those measured at fair value through profit or loss are subject to review for impairment.

# Notes to the Financial Statements

31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (m) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities within the scope of FRS 139 are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Group and the Company has not designated any financial liabilities as at fair value through profit and loss. The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings. Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gain and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### (n) Impairment of financial assets

All financial assets (except for investment in subsidiary companies) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

# Notes to the Financial Statements

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31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (n) Impairment of financial assets (cont'd)

An impairment loss in respect of loans and receivable is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

#### (o) 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. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur. Non-monetary benefits such as medical care and other employee related expenses are charged to profit or loss as and when incurred.

##### (ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

# Notes to the Financial Statements

31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (o) Employee benefits (cont'd)

##### (iii) Share-based compensation

The Lay Hong Berhad's Share Issuance Scheme ("SIS"), an equity-settled, share-based compensation plan, allows the Group's executives to acquire ordinary shares of the Company. FRS 2, Share-based Payments requires the total fair value of share options granted to executives be recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, the estimate of the number of options that are expected to become exercisable on vesting date is revised. The impact of the revision of original estimates, if any, is recognised in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

Proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

#### (p) Borrowing costs

Borrowing costs are capitalised as part of a qualifying assets if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the assets for its intended use or sales are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Company incurred in connection with the borrowing of funds.

# Notes to the Financial Statements

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31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (q) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy as described in Note 2.3(l).

#### (r) Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### (s) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

#### (t) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other component. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Chairman of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

# Notes to the Financial Statements

31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Summary of significant accounting policies (cont'd)

#### (u) Goods and services tax ("GST")

On and after 1 April 2015, revenue, expenses and assets are recognised net of the amount of GST except:

- (i) where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 2.4 Changes in accounting policies and effects arising from adoption of new and revised FRSs

The accounting policies adopted are consistent with those of the previous financial year, except in the current financial year, the Group and the Company adopted the following new and amended FRSs, issued by Malaysian Accounting Standard Board ( "MASB" ) which are mandatory for annual financial periods beginning on or after 1 January 2016.

#### Effective for financial periods beginning on or after 1 January 2016:

Amendments to FRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 10, 12 and 128	Investment Entities: Applying the Consolidation Exception
FRS 14	Regulatory Deferral Accounts
Amendments to FRS 101	Presentation of Financial Statements: Disclosure Initiative
Amendments to FRS 116	Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	Consolidated Financial Statements: Equity Method in Separate Financial Statements
Amendments to FRS 138	Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation

Annual Improvements to FRSs 2012 - 2014 Cycle

# Notes to the Financial Statements

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31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.4 Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd)

The adoption of these new and revised FRSs did not result in significant changes in the accounting policies of the Group and of the Company and have no significant effect on the financial performance or position of the Group and of the Company.

At the date of authorisation for issue of these financial statements, the following new FRSs and Amendments to FRSs have been issued by the MASB but are not yet effective and have not been applied by the Group and the Company.

#### **Effective for financial periods beginning on or after 1 January 2017:**

Amendments to FRS 107	Statement of Cash Flows: Disclosure Initiative
Amendments to FRS 112	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to FRS Standard 2014 - 2016 Cycles

Amendments to FRS 12	Clarification of the Scope of Standard
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#### **Effective for financial periods beginning on or after 1 January 2018:**

Amendments to FRS 2	Share-based payment: Classification and Measurement of Share-based Payment Transactions
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Amendments to FRS 4	Insurance Contracts: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts
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Amendments to FRS 140	Investment Property: Transfers of Investment Property
FRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)

IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
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Annual Improvements to FRS Standards 2014 - 2016 Cycles

- Amendments to FRS 1 Deletion of Short-Term Exemptions for First-Time Adopters
- Amendments to FRS 128 Measuring an Associate or Joint Venture at Fair Value

In November 2014, MASB issued a final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous version of FRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's and the Company's financial assets, but no impact on the classification and measurement of the Group's and the Company's financial liabilities.

# Notes to the Financial Statements

31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.4 Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd)

#### Deferred to a date to be determined by the MASB:

Amendments to FRS 10	Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associates or Joint Venture
Amendments to FRS 128	Investment in Associates and Joint Venture: Sale or Contribution of Assets between an Investor and its Associates or Joint Venture

#### Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer ("Transitioning Entities").

On 28 October 2015, Transitioning Entities will be allowed to defer adoption of the new MFRS Framework. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 March 2019. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening accumulated losses/retained earnings.

### 2.5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates may differ from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

# Notes to the Financial Statements

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31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.5 Critical accounting estimates and judgements (cont'd)

#### (a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 6.

#### (b) Impairment of property, plant and equipment

The Group assess at each reporting date the carrying amount of its property, plant and equipment. The Group carries out the impairment test based on value-in-use of the CGU to which the plant and equipment are allocated, and estimate the expected future cash flow from the CGU and choose a suitable discount rate to calculate the present value of the cash flows. As for its property, the Group had performed an impairment review to ensure the market value of the properties have not declined significantly more than would be expected as a result of passage of time or normal use.

#### (c) Impairment of investments

At reporting date, management determines whether the carrying amount of its investments are impaired. This involves measuring the recoverable amounts which includes fair value less costs to sell and valuation techniques. Valuation techniques include the use of discounted cash flow analysis, considering the current market value indicators and recent arms-length market transactions. These estimates provide reasonable approximations to the computation of recoverable amounts.

In performing discounted cash flow analysis, discount rate and growth rates used reflect, amongst others, the maturity of the business development cycle as well as the industry growth potential. The discount rate applied is 7.5% - 7.9% whereas the growth rates used to project cash flows for the following year approximate the performances of the investment based on the latest approved budgets. The growth rates used to extrapolate the cash flows beyond the following year reflect a progressive decline to a rate lower than industry average.

Based on management's review, the investments of the Group are not impaired as at reporting date.

# Notes to the Financial Statements

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## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.5 Critical accounting estimates and judgements (cont'd)

#### (d) Depreciation of property, plant and equipment

The cost of property, plant and equipment except for freehold land and capital work in progress is depreciated on a straight-line basis over the assets' economic useful lives up to its residual value. Management reviews the remaining useful lives of these plant and machinery to be within 10 to 20 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

#### (e) Deferred tax assets

Deferred tax assets are recognised for all the unused tax losses and unutilised capital allowances to the extent that it is probable that future taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depends on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgment is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

#### (f) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that the receivables is impaired. To determine whether there is objective evidence of the impairment, the Group considers factors such as probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payment.

# Notes to the Financial Statements

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31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.5 Critical accounting estimates and judgements (cont'd)

#### (g) Fair value measurements

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. The assets and liabilities carried at fair value are categorised into different levels of the fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: unobservable inputs for the asset or liability.

#### (h) Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 9.

#### (i) Biological assets

The cost of layers, layer breeders and broiler breeders are amortised to write off such cost to their net realisable values over their economic egg-laying lives. Management estimates the economic useful lives of these livestock is 77, 72 and 65 weeks respectively. This is common life expectancies applied in the layer industry. Changes in the expected mortality rates of layers could impact the economic useful lives and future amortisation charges could be revised.

#### (j) Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. Details of tax expense/(income) are disclosed in Note 29.

# Notes to the Financial Statements

31 March 2017

## 3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture, Fittings and Renovations RM	Capital Work-In-Progress RM	Total RM
<b>2017</b>									
<b>Cost/Valuation</b>									
At 1 April 2016									
Cost	3,861,626	1,351,448	1,125,110	66,986,200	189,747,198	23,567,690	29,778,586	10,508,161	326,926,019
Valuation	71,479,960	12,692,568	1,725,827	119,814,063	-	-	-	-	205,712,418
	75,341,586	14,044,016	2,850,937	186,800,263	189,747,198	23,567,690	29,778,586	10,508,161	532,638,437
Additions	7,100,945	1,217,430	-	7,817,835	5,023,564	3,956,101	4,468,027	47,185,024	76,768,926
Acquisition of subsidiary	3,492,175	-	-	-	-	136,036	10,902	4,897,723	8,536,836
Reclassification	116,854	(166,432)	42,431	(13,039)	(41,334)	(40,004)	41,340	3	(60,181)
Disposals	-	-	-	-	(733,702)	(1,227,472)	(652,861)	-	(2,614,035)
Transfers (Note 4)	-	-	-	12,630,874	23,415,467	-	(10,117)	(37,733,904)	(1,697,680)
Write off	-	-	-	-	(110,527)	-	(112,377)	-	(222,904)
Exchange differences	423,223	-	-	-	-	48,253	6,718	709,050	1,187,244
At 31 March 2017	86,474,783	15,095,014	2,893,368	207,235,933	217,300,666	26,440,604	33,530,218	25,566,057	614,536,643
Cost	13,365,320	1,217,430	-	58,362,988	217,300,666	26,440,604	33,530,218	25,566,057	375,783,283
Valuation	73,109,463	13,877,584	2,893,368	148,872,945	-	-	-	-	238,753,360
	86,474,783	15,095,014	2,893,368	207,235,933	217,300,666	26,440,604	33,530,218	25,566,057	614,536,643

# Notes to the Financial Statements

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31 March 2017

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

Group (cont'd)	Freehold Land RM	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture, Fittings and Renovations RM	Capital Work-In-Progress RM	Total RM
<b>Accumulated depreciation</b>									
At 1 April 2016	-	2,122,174	300,389	76,960,546	117,214,929	16,192,408	10,067,807	-	222,858,253
Reclassification	-	(26,379)	19,232	(64,762)	(2,700)	(18,505)	32,933	-	(60,181)
Charge for the financial year	-	210,254	30,194	5,963,455	12,328,367	2,976,152	1,834,242	-	23,342,664
Acquisition of subsidiary	-	-	-	-	-	31,767	2,471	-	34,238
Disposals	-	-	-	-	(448,580)	(1,128,022)	(126,476)	-	(1,703,078)
Write off	-	-	-	-	(108,920)	-	(36,257)	-	(145,177)
Exchange differences	-	-	-	-	-	36,868	2,895	-	39,763
At 31 March 2017	-	2,306,049	349,815	82,859,239	128,983,096	18,090,668	11,777,615	-	244,366,482
<b>Cost</b>									
Valuation	-	9,524	-	24,154,521	128,983,096	18,090,668	11,777,615	-	183,015,424
	-	2,296,525	349,815	58,704,718	-	-	-	-	61,351,058
	-	2,306,049	349,815	82,859,239	128,983,096	18,090,668	11,777,615	-	244,366,482
<b>Accumulated impairment loss</b>									
At 1 April 2016/ 31 March 2017	-	-	-	-	1,841,259	-	-	-	1,841,259
<b>Net carrying amounts</b>									
Cost	13,365,320	1,207,906	-	34,208,467	86,476,311	8,349,936	21,752,603	25,566,057	190,926,600
Valuation	73,109,463	11,581,059	2,543,553	90,168,227	-	-	-	-	177,402,302
At 31 March 2017	86,474,783	12,788,965	2,543,553	124,376,694	86,476,311	8,349,936	21,752,603	25,566,057	368,328,902

# Notes to the Financial Statements

31 March 2017

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

Group (cont'd)	Freehold Land RM	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture, Renovations RM	Capital Work-In-Progress RM	Total RM
<b>2016</b>									
<b>Cost/Valuation</b>									
At 1 April 2015									
Cost	3,169,485	1,240,776	868,551	67,704,733	176,487,390	22,625,352	30,365,635	4,313,547	306,775,469
Valuation	23,154,999	11,725,593	626,066	99,098,757	-	-	-	-	134,605,415
Reclassification	4,577,800	(4,189,683)	749,658	(906,387)	2,089,761	-	(2,321,152)	3	-
	30,902,284	8,776,686	2,244,275	165,897,103	178,577,151	22,625,352	28,044,483	4,313,550	441,380,884
Additions	692,141	-	-	4,832,552	4,488,506	3,321,110	1,880,083	15,421,302	30,635,694
Disposal of a subsidiary company	-	-	-	-	(1,656,867)	-	(4,638)	-	(1,661,505)
Adjustment for revaluation surplus	43,911,231	5,156,658	350,103	21,621,693	-	-	-	-	71,039,685
Disposals	-	-	-	(3,545,129)	(917,686)	(2,102,894)	-	-	(6,565,709)
Transfers (Note 4)	(164,070)	110,672	256,559	(2,005,956)	9,256,094	-	(121,452)	(9,226,691)	(1,894,844)
Write off	-	-	-	-	-	(275,878)	(19,890)	-	(295,768)
At 31 March 2016	75,341,586	14,044,016	2,850,937	186,800,263	189,747,198	23,567,690	29,778,586	10,508,161	532,638,437
Cost	3,861,626	1,351,448	1,125,110	66,986,200	189,747,198	23,567,690	29,778,586	10,508,161	326,926,019
Valuation	71,479,960	12,692,568	1,725,827	119,814,063	-	-	-	-	205,712,418
	75,341,586	14,044,016	2,850,937	186,800,263	189,747,198	23,567,690	29,778,586	10,508,161	532,638,437

# Notes to the Financial Statements

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31 March 2017

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

Group (cont'd)	Freehold Land RM	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture, Renovations RM	Capital Work-In-Progress RM	Total RM
<b>Accumulated depreciation</b>									
At 1 April 2015	-	942,369	158,398	64,423,064	104,982,205	15,746,730	9,774,487	-	196,027,253
Reclassification	-	174,154	4,777	(131,221)	1,291,586	4	(1,339,300)	-	-
Charge for the financial year	-	171,141	129,409	4,878,140	11,680,988	2,696,253	1,654,711	-	21,210,642
Disposal of a subsidiary company	-	-	-	-	(337,943)	-	(4,420)	-	(342,363)
Adjustment for revaluation surplus	-	834,510	7,805	10,195,645	-	-	-	-	11,037,960
Disposals	-	-	-	(2,413,249)	(401,907)	(2,102,894)	-	-	(4,918,050)
Transfers	-	-	-	8,167	-	-	(13,944)	-	(5,777)
Write off	-	-	-	-	-	(147,685)	(3,727)	-	(151,412)
At 31 March 2016	-	2,122,174	300,389	76,960,546	117,214,929	16,192,408	10,067,807	-	222,858,253
Cost	-	-	-	23,388,302	117,214,929	16,192,408	10,067,807	-	166,863,446
Valuation	-	2,122,174	300,389	53,572,244	-	-	-	-	55,994,807
	-	2,122,174	300,389	76,960,546	117,214,929	16,192,408	10,067,807	-	222,858,253
<b>Accumulated impairment loss</b>									
At 1 April 2015/ 31 March 2016	-	-	-	-	1,841,259	-	-	-	1,841,259
<b>Net carrying amounts</b>									
Cost	3,861,626	1,351,448	1,125,110	43,597,898	70,691,010	7,375,282	19,710,779	10,508,161	158,221,314
Valuation	71,479,960	10,570,394	1,425,438	66,241,819	-	-	-	-	149,717,611
At 31 March 2016	75,341,586	11,921,842	2,550,548	109,839,717	70,691,010	7,375,282	19,710,779	10,508,161	307,938,925

# Notes to the Financial Statements

31 March 2017

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

Company	Freehold Land RM	Long Term Leasehold Land RM	Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Capital Work-In-Progress RM	Total RM
<b>2017</b>								
<b>Cost/Valuation</b>								
At 1 April 2016								
Cost	2,348,977	-	2,367,830	60,274,838	9,735,211	6,429,805	4,866,511	86,023,172
Valuation	42,545,000	975,991	60,297,362	-	-	-	-	103,818,353
	44,893,977	975,991	62,665,192	60,274,838	9,735,211	6,429,805	4,866,511	189,841,525
Additions	3,915,259	1,217,430	1,280,087	677,430	1,557,749	467,573	25,432,790	34,548,318
Disposals	-	-	-	-	(557,982)	-	-	(557,982)
Reclassification	-	-	5,804,368	15,222,865	-	10,380	(21,037,613)	-
At 31 March 2017	48,809,236	2,193,421	69,749,647	76,175,133	10,734,978	6,907,758	9,261,688	223,831,861
Cost	6,264,236	1,217,430	9,452,285	76,175,133	10,734,978	6,907,758	9,261,688	120,013,508
Valuation	42,545,000	975,991	60,297,362	-	-	-	-	103,818,353
	48,809,236	2,193,421	69,749,647	76,175,133	10,734,978	6,907,758	9,261,688	223,831,861
<b>Accumulated depreciation</b>								
At 1 April 2016	-	95,991	25,097,132	41,264,140	6,288,145	4,293,214	-	77,038,622
Charge for the financial year	-	23,289	1,880,057	3,599,248	1,255,665	516,100	-	7,274,359
Disposals	-	-	-	-	(481,497)	-	-	(481,497)
At 31 March 2017	-	119,280	26,977,189	44,863,388	7,062,313	4,809,314	-	83,831,484
Cost	-	9,524	503,594	44,863,388	7,062,313	4,809,314	-	57,248,133
Valuation	-	109,756	26,473,595	-	-	-	-	26,583,351
	-	119,280	26,977,189	44,863,388	7,062,313	4,809,314	-	83,831,484
<b>Accumulated impairment loss</b>								
At 1 April 2016/ 31 March 2017	-	-	-	1,841,259	-	-	-	1,841,259
<b>Net carrying amounts</b>								
Cost	6,264,236	1,207,906	8,948,691	29,470,486	3,672,665	2,098,444	9,261,688	60,924,116
Valuation	42,545,000	866,235	33,823,767	-	-	-	-	77,235,002
At 31 March 2017	48,809,236	2,074,141	42,772,458	29,470,486	3,672,665	2,098,444	9,261,688	138,159,118

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31 March 2017

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

Company (cont'd)	Freehold Land RM	Long Term Leasehold Land RM	Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Capital Work-In-Progress RM	Total RM
<b>2016</b>								
<b>Cost/Valuation</b>								
At 1 April 2015								
Cost	1,656,836	187,481	9,044,222	56,717,955	9,566,018	5,986,012	2,204,934	85,363,458
Valuation	11,820,000	332,644	44,227,691	-	-	-	-	56,380,335
	13,476,836	520,125	53,271,913	56,717,955	9,566,018	5,986,012	2,204,934	141,743,793
Additions	692,141	-	117,596	518,490	2,466,956	559,865	8,110,673	12,465,721
Revaluation surplus	30,725,000	455,866	11,212,493	-	-	-	-	42,393,359
Disposals	-	-	(3,545,129)	(917,686)	(2,021,885)	-	-	(6,484,700)
Reclassification	-	-	1,608,319	3,956,079	-	(115,302)	(5,449,096)	-
Write off	-	-	-	-	(275,878)	(770)	-	(276,648)
At 31 March 2016	44,893,977	975,991	62,665,192	60,274,838	9,735,211	6,429,805	4,866,511	189,841,525
<b>Accumulated depreciation</b>								
At 1 April 2015	-	43,820	20,998,649	38,536,072	7,369,863	3,818,207	-	70,766,611
Charge for the financial year	-	7,336	1,518,317	3,129,975	1,087,852	483,944	-	6,227,424
Adjustment for revaluation	-	44,835	4,985,247	-	-	-	-	5,030,082
Disposals	-	-	(2,413,248)	(401,907)	(2,021,885)	-	-	(4,837,040)
Reclassification	-	-	8,167	-	-	(8,167)	-	-
Write off	-	-	-	-	(147,685)	(770)	-	(148,455)
At 31 March 2016	-	95,991	25,097,132	41,264,140	6,288,145	4,293,214	-	77,038,622
<b>Accumulated impairment loss</b>								
At 1 April 2015/ 31 March 2016	-	-	-	1,841,259	-	-	-	1,841,259
<b>Net carrying amounts</b>								
Cost	2,348,977	-	2,053,143	17,169,439	3,447,066	2,136,591	4,866,511	32,021,727
Valuation	42,545,000	880,000	35,514,917	-	-	-	-	78,939,917
At 31 March 2016	44,893,977	880,000	37,568,060	17,169,439	3,447,066	2,136,591	4,866,511	110,961,644

# Notes to the Financial Statements

31 March 2017

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

- (a) Freehold land, leasehold land and buildings with net carrying amounts of RM81,058,812 (2016: RM60,082,870) have been pledged to financial institutions as security for borrowings as disclosed in Note 19.
- (b) The net carrying amounts of property, plant and equipment held under finance lease arrangements are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Motor vehicles	<b>8,204,498</b>	7,310,883	<b>3,676,952</b>	3,362,193
Office equipment	<b>1,707,044</b>	2,474,563	<b>553,789</b>	767,316
Plant and machinery	<b>16,092,647</b>	18,577,684	<b>4,628,182</b>	5,293,389
Building	<b>3,492,426</b>	-	-	-

- (c) Acquisition of property, plant and equipment during the financial year were made by the following means:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash	<b>50,816,823</b>	23,355,482	<b>14,269,699</b>	7,905,009
Finance lease	<b>8,245,278</b>	7,280,212	<b>2,571,794</b>	4,560,712
Term loans	<b>17,706,825</b>	-	<b>17,706,825</b>	-
	<b>76,768,926</b>	30,635,694	<b>34,548,318</b>	12,465,721

# Notes to the Financial Statements

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31 March 2017

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

(d) Land and buildings carried at fair value

The land and buildings of the Group and of the Company were revalued on 1 March 2016 by Irhamy & Co, an independent professional valuer. Fair value is determined by reference to open market values on an existing use basis.

The fair value of land and buildings (at valuation) of the Group and of the Company are categorised as follows:-

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>Group</b>				
2017				
Leasehold land	-	14,175,000	-	14,175,000
Freehold land	-	73,003,156	-	73,003,156
Buildings	-	94,795,000	-	94,795,000
	-	181,973,156	-	181,973,156
<b>Group</b>				
2016				
Leasehold land	-	14,175,000	-	14,175,000
Freehold land	-	73,003,156	-	73,003,156
Buildings	-	94,795,000	-	94,795,000
	-	181,973,156	-	181,973,156

# Notes to the Financial Statements

31 March 2017

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

(d) Land and buildings carried at fair value (cont'd)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>Company</b>				
2017				
Leasehold land	-	880,000	-	880,000
Freehold land	-	42,545,000	-	42,545,000
Buildings	-	35,514,917	-	35,514,917
	-	78,939,917	-	78,939,917
<b>Company</b>				
2016				
Leasehold land	-	880,000	-	880,000
Freehold land	-	42,545,000	-	42,545,000
Buildings	-	35,514,917	-	35,514,917
	-	78,939,917	-	78,939,917

- (i) There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 March 2017 and 31 March 2016.
- (ii) Level 2 fair value of land and buildings (at valuation) was determined by external and independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The property valuers provide the fair value of the land and buildings (at valuation) of the Group and of the Company on every five years.

# Notes to the Financial Statements

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

(d) Land and buildings carried at fair value (cont'd)

Had the revalued assets been carried at cost less accumulated depreciation, the carrying amounts would have been:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Leasehold land	<b>6,275,113</b>	6,389,863	<b>457,683</b>	464,955
Freehold land	<b>13,583,277</b>	13,586,665	<b>4,792,479</b>	4,792,479
Buildings	<b>69,853,936</b>	72,744,668	<b>24,666,177</b>	25,759,489
	<b>89,712,326</b>	92,721,196	<b>29,916,339</b>	31,016,923

## 4. INVESTMENT PROPERTIES

Group	RM
<b>Cost/Valuation</b>	
At 1 April 2015	-
Transfer from property, plant and equipment (Note 3)	1,888,694
Changes in fair value recognised in profit or loss	111,306
At 31 March 2016	2,000,000
Additions	741,901
Transfer from property, plant and equipment (Note 3)	1,697,680
Disposals	(300,000)
At 31 March 2017	<b>4,139,581</b>
<b>Net carrying amount</b>	
At 31 March 2017	<b>4,139,581</b>
At 31 March 2016	2,000,000

# Notes to the Financial Statements

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## 4. INVESTMENT PROPERTIES (cont'd)

Group	2017 RM	2016 RM
Analysed as:		
<b>At fair value:</b>		
Leasehold buildings	1,700,000	2,000,000
<b>At cost:</b>		
Leasehold buildings	2,439,581	-
	<b>4,139,581</b>	2,000,000

Investment properties comprise residential and commercial properties that are leased to third parties.

The following are recognised in profit or loss in respect of investment properties:

	2017 RM	2016 RM
Rental income	56,842	92,000
Direct operating expenses	(58,548)	(65,405)
	<b>(1,706)</b>	26,595

### Fair value measurement

- (i) There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 March 2017 and 31 March 2016.
- (ii) Level 2 fair value of leasehold buildings (at valuation) was determined by external and independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The property valuers provide the fair value of the leasehold buildings (at valuation) of the Group on every five years basis.

Buildings of the Group were revalued on 1 March 2016 by Irhamy & Co, an independent professional valuer. Fair value is determined by reference to open market values on an existing use basis.

# Notes to the Financial Statements

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## 5. INVESTMENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>(a) Subsidiary companies</b>				
Unquoted shares at cost	-	-	55,254,140	21,878,253
<b>(b) Investment in associate</b>				
Unquoted shares at cost	1,470,000	-	1,470,000	-
Share of post - acquisition results	(521,218)	-	-	-
	948,782	-	1,470,000	-
<b>(c) Other investments</b>				
Quoted shares at cost in Malaysia	5,885	5,885	2,799	2,799
Accumulated impairment losses	(4,810)	(4,810)	(2,404)	(2,404)
	1,075	1,075	395	395
<b>Club Membership, at cost</b>	193,000	193,000	118,000	118,000
Total investments	1,142,857	194,075	56,842,535	21,996,648
Market value of shares, quoted in Malaysia	3,480	2,912	1,740	1,456

# Notes to the Financial Statements

31 March 2017

## 5. INVESTMENTS (cont'd)

Details of the subsidiary companies are as follows:

Name of Company	Country of Incorporation	Effective Interest Held (%)		Principal Activities
		2017	2016	
Hing Hong Sdn Berhad	Malaysia	100	100	Breeder farm & Hatchery
Innofarm (Klang) Sdn Bhd	Malaysia	70	70	Layer farm
Evergreen Organic Fertilisers Sdn Berhad	Malaysia	70.6	70.6	Organic fertiliser production
Sri Tawau Farming Sdn Bhd + and its subsidiary	Malaysia	50	50	Investment holding
ST Food Sdn Bhd *	Malaysia	50	46.7	Trading
Innobrid Sdn Bhd	Malaysia	97	97	Broiler farm
G-mart Borneo Retail Sdn Bhd	Malaysia	100	100	Retail supermarket
Eminent Farm Sdn Bhd	Malaysia	100	100	Breeder farm, Hatchery & Broiler farm
Lay Hong Liquid Egg Sdn Bhd	Malaysia	100	100	Liquid egg production
Lay Hong Food Corporation Sdn Bhd	Malaysia	100	100	Chicken processing & Food manufacturing
STF Agriculture Sdn Bhd *	Malaysia	50	50	Integrated livestock farming & Chicken processing
JT Trading Sdn Bhd	Malaysia	100	100	Trading
Takaso SC (Thailand) Limited #	Thailand	100	-	Food processing
Lay Hong Development Sdn Bhd #	Malaysia	100	-	Not yet commenced operations

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

\* Holding in equity by subsidiary company

# The financial statements of the subsidiary companies as at 31 March 2017 not audited by Ong Boon Bah & Co.

# Notes to the Financial Statements

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31 March 2017

## 5. INVESTMENTS (cont'd)

### (d) Disposal of OZ Food Solutions Company Ltd

In previous financial year, the Company disposed of its entire equity in Oz Food Solutions Company Ltd for a total cash consideration of RM1,895,884.

The disposal has the following effects on the financial position and results of the Group and the Company:

	<b>2016 RM</b>
<b>Group</b>	
Property, plant and equipment	1,319,142
Inventories	149,754
Trade and other receivables	175,874
Cash and bank balances	162,572
Trade and other payables	(247,237)
Non-controlling interest	(766,321)
Net assets of Oz Food Solutions Company Ltd	793,784
Cash consideration	1,895,884
Expenses on disposal	-
Gain on disposal to the Group (Note 26)	1,102,100
<u>Cash inflow arising from disposal</u>	
Cash consideration	1,895,884
Cash and cash equivalents of subsidiary disposed of	(162,572)
Net cash inflow on disposal	1,733,312
<b>Company</b>	
Cash consideration	1,895,884
Net cash inflow on disposal	1,895,884
Cost of investment	(1,742,977)
Gain on disposal to the Company (Note 26)	152,907

# Notes to the Financial Statements

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## 5. INVESTMENTS (cont'd)

### (e) Acquisition of subsidiary companies

#### (i) Acquisition of additional equity interest in subsidiary

Lay Hong Berhad subscribed additional 32,000,000 shares in G-mart Borneo Retail Sdn Bhd (G-Mart), a wholly owned subsidiary of the Group by capitalising the sum of RM32,000,000 being part of the total amount of RM32,048,312 owing by G-Mart and by way of assignment of debts from certain subsidiary companies to the Group.

#### (ii) Acquisition of new subsidiaries

During the financial year, Lay Hong Berhad acquired 100% interest in Takaso SC (Thailand) Limited with the subscription of 20,000,000 shares in Takaso SC (Thailand) Limited for a cash consideration of RM8,500,000. The acquisition had the following effect on the Group's assets and liabilities on acquisition date :

	2017 RM
<b>Group</b>	
Property, plant and equipment	<b>8,502,598</b>
Cash and cash equivalent	<b>22,628</b>
Trade and other receivables	<b>139,608</b>
Trade and other payables	<b>(68,067)</b>
Net asset acquired	<b>8,596,767</b>
Negative goodwill	<b>(96,767)</b>
Purchase consideration	<b>8,500,000</b>
Cash and cash equivalent acquired	<b>(22,628)</b>
Net cash outflow	<b>8,477,372</b>

# Notes to the Financial Statements

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## 5. INVESTMENTS (cont'd)

### (e) Acquisition of subsidiary companies (cont'd)

#### (ii) Acquisition of new subsidiaries (cont'd)

The effects of the acquisition of the subsidiary to the current year financial results of the Group are as follows :

	2017 RM
Revenue	-
Cost of sales	-
Gross profit	-
Other operating income	112
Administration expenses	(317,583)
Loss from operations/loss before tax	(317,471)

During the financial year, Lay Hong Berhad acquired 100% interest in Lay Hong Development Sdn Bhd with the subscription of 2 shares in Lay Hong Development Sdn Bhd for a cash consideration of RM2. The acquisition had the following effect on the Group's assets and liabilities on acquisition date :

	2017 RM
<b>Group</b>	
Cash and cash equivalent	2
Net asset acquired	2
Consideration paid	2
Cash and cash equivalent acquired	(2)
Net cash inflow	-

# Notes to the Financial Statements

31 March 2017

## 5. INVESTMENTS (cont'd)

### (e) Acquisition of subsidiary companies (cont'd)

#### (ii) Acquisition of new subsidiaries (cont'd)

The effects of the acquisition of the subsidiary to the current year financial results of the Group are as follows :

	<b>2017 RM</b>
Revenue	-
Cost of sales	-
Gross profit	-
Other operating income	-
Administration expenses	(4,829)
Loss from operations / loss before tax	(4,829)

### (f) Investment in associate

During the financial year, Lay Hong Berhad acquired a 49% equity interest in NHF Manufacturing (Malaysia) Sdn Bhd with the subscription of 3,000,000 shares in NHF Manufacturing (Malaysia) Sdn Bhd for a cash consideration of RM1,470,000.

Details of the associate is as follows:

Name of Company	Country of Incorporation	Effective Interest Held (%)		Principal Activities
		2017	2016	
NHF Manufacturing (Malaysia) Sdn Bhd #	Malaysia	49	-	Food manufacturing

# The financial statements of the associate company as at 31 March 2017 not audited by Ong Boon Bah & Co.

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## 6. INTANGIBLE ASSETS

	Goodwill RM	Development Costs RM	Total RM
<b>Group Cost</b>			
At 1 April 2015	3,448,923	138,904	3,587,827
Additions	-	2,500	2,500
Write off	(567,200)	-	(567,200)
Transferred from property, plant and equipment (Note 3)	-	6,150	6,150
At 31 March 2016/31 March 2017	2,881,723	147,554	3,029,277
<b>Accumulated impairment losses and amortisation</b>			
At 1 April 2015	322,800	71,975	394,775
Additions	-	28,654	28,654
Transferred from property, plant and equipment (Note 3)	-	5,777	5,777
At 31 March 2016	322,800	106,406	429,206
Additions	-	20,074	20,074
At 31 March 2017	<b>322,800</b>	<b>126,480</b>	<b>449,280</b>
<b>Net carrying amount</b>			
At 31 March 2017	<b>2,558,923</b>	<b>21,074</b>	<b>2,579,997</b>
At 31 March 2016	2,558,923	41,148	2,600,071

The goodwill arising on consolidation is attributable to the acquisition of Sri Tawau Farming Sdn Bhd, Innobrid Sdn Bhd, G- mart Borneo Retail Sdn Bhd, ST Food Sdn Bhd and JT Trading Sdn Bhd.

In the previous financial year, the Group had written off the goodwill amounting to RM567,200 arising from the acquisition of JT Trading Sdn Bhd.

Goodwill has been allocated to the Group's CGU according to the subsidiary companies concerned.

# Notes to the Financial Statements

31 March 2017

## 6. INTANGIBLE ASSETS (cont'd)

### Impairment Test for Goodwill

#### Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used for each of the CGU's value-in-use calculations are:

	2017	2016
Budgeted gross margin	4.5% - 5.5%	5.0%
Growth rate	6.0%	6.0%
Discount rate	7.5% - 7.9%	7.5%

#### (i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, adjusted for expected efficiency improvements or deficiency, market and economic conditions.

#### (ii) Growth rate

The weighted average growth rates used are consistent with the long-term average growth rate for the industry.

#### (iii) Discount rate

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

# Notes to the Financial Statements

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## 7. DEFERRED TAX (ASSETS)/LIABILITIES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At 1 April	<b>26,998,052</b>	22,007,174	<b>8,453,159</b>	7,356,292
Recognised in profit or loss (Note 29)	<b>2,639,702</b>	(1,075,022)	<b>915,016</b>	(2,041,179)
Recognised in equity	-	6,065,900	-	3,138,046
At 31 March	<b>29,637,754</b>	26,998,052	<b>9,368,175</b>	8,453,159
Presented after offsetting as follows:				
Deferred tax liabilities	<b>32,703,565</b>	30,275,055	<b>10,247,663</b>	8,597,876
Deferred tax assets	<b>(3,065,811)</b>	(3,277,003)	<b>(879,488)</b>	(144,717)
	<b>29,637,754</b>	26,998,052	<b>9,368,175</b>	8,453,159

	Accelerated Capital Allowances RM	Revaluation Reserve RM	Others RM	Total RM
<b>Deferred Tax Liabilities of the Group:</b>				
At 1 April 2015	18,610,160	6,832,620	61,078	25,503,858
Recognised in profit or loss	1,246,929	(3,047,640)	506,008	(1,294,703)
Recognised in equity	-	6,065,900	-	6,065,900
At 31 March 2016	19,857,089	9,850,880	567,086	30,275,055
Recognised in profit or loss	2,761,771	(320,819)	(12,442)	2,428,510
At 31 March 2017	<b>22,618,860</b>	<b>9,530,061</b>	<b>554,644</b>	<b>32,703,565</b>

# Notes to the Financial Statements

31 March 2017

## 7. DEFERRED TAX (ASSETS)/LIABILITIES (cont'd)

	Accelerated Capital Allowances RM	Revaluation Reserve RM	Others RM	Total RM
<b>Deferred Tax Liabilities of the Company:</b>				
At 1 April 2015	4,552,659	2,800,909	2,724	7,356,292
Recognised in profit or loss	(281,766)	(1,611,972)	(2,724)	(1,896,462)
Recognised in equity	-	3,138,046	-	3,138,046
At 31 March 2016	4,270,893	4,326,983	-	8,597,876
Recognised in profit or loss	1,794,811	(145,024)	-	1,649,787
At 31 March 2017	<b>6,065,704</b>	<b>4,181,959</b>	-	<b>10,247,663</b>

### Deferred Tax Assets of the Group:

	Unutilised Tax Losses and Unabsorbed Capital Allowances RM	Others RM	Total RM
At 1 April 2015	(2,914,593)	(582,091)	(3,496,684)
Recognised in profit or loss	227,210	(7,529)	219,681
At 31 March 2016	(2,687,383)	(589,620)	(3,277,003)
Recognised in profit or loss	910,285	(699,093)	211,192
At 31 March 2017	<b>(1,777,098)</b>	<b>(1,288,713)</b>	<b>(3,065,811)</b>

### Deferred Tax Assets of the Company:

At 1 April 2015	-	-	-
Recognised in profit or loss	-	(144,717)	(144,717)
At 31 March 2016	-	(144,717)	(144,717)
Recognised in profit or loss	-	(734,771)	(734,771)
At 31 March 2017	-	<b>(879,488)</b>	<b>(879,488)</b>

# Notes to the Financial Statements

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## 7. DEFERRED TAX (ASSETS)/LIABILITIES (cont'd)

Deferred tax assets not recognised are in respect of the following items:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unutilised tax losses	<b>5,206,400</b>	5,838,745	-	-

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Deferred tax assets have not been recognised in respect of unutilised tax losses as it is not probable that future taxable profit will be available against which they can be utilised based on the current plan of the respective companies.

## 8. BIOLOGICAL ASSETS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>At cost:</b>				
Layer breeders	<b>1,087,933</b>	793,966	<b>164,361</b>	-
Broiler breeders	<b>5,478,467</b>	4,131,654	-	-
Layers	<b>27,132,496</b>	21,146,551	<b>20,788,071</b>	16,472,800
	<b>33,698,896</b>	26,072,171	<b>20,952,432</b>	16,472,800

# Notes to the Financial Statements

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## 9. INVENTORIES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>At cost:</b>				
Livestocks	<b>8,263,203</b>	6,976,412	-	-
Eggs	<b>4,143,404</b>	3,044,678	<b>2,007,288</b>	1,445,331
Raw materials	<b>16,594,845</b>	12,854,731	<b>4,276,469</b>	4,305,062
Organic fertilisers	<b>811,240</b>	723,753	-	-
Processed and frozen products	<b>16,802,525</b>	14,463,233	-	-
Retail merchandise	<b>26,151,728</b>	21,110,569	-	-
Trading items	<b>1,052,350</b>	1,052,595	-	-
Consumables and packing materials	<b>8,383,466</b>	8,507,300	<b>3,278,165</b>	2,919,531
	<b>82,202,761</b>	68,733,271	<b>9,561,922</b>	8,669,924
Inventories recognised in profit or loss	<b>551,289,060</b>	533,362,225	<b>222,490,422</b>	208,533,955
Inventories written off	<b>89,203</b>	-	-	-

## 10. TRADE RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade receivables				
Third parties	<b>82,073,183</b>	74,767,230	<b>15,813,804</b>	13,990,128
Impairment losses	<b>(5,350,804)</b>	(4,997,740)	<b>(68,386)</b>	(68,554)
	<b>76,722,379</b>	69,769,490	<b>15,745,418</b>	13,921,574

The Group's normal credit term for trade receivables ranges from 45 days to 75 days after the month of invoicing (2016: 45 days to 75 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

# Notes to the Financial Statements

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## 10. TRADE RECEIVABLES (cont'd)

Ageing analysis of trade receivables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Neither past due nor impaired	<b>71,741,063</b>	65,141,062	<b>14,649,801</b>	13,321,641
Up to 90 days past due not impaired	<b>1,716,295</b>	1,356,758	<b>325,564</b>	245,923
More than 90 days past due not impaired	<b>3,265,021</b>	3,271,670	<b>770,053</b>	354,010
	<b>4,981,316</b>	4,628,428	<b>1,095,617</b>	599,933
Impaired	<b>5,350,804</b>	4,997,740	<b>68,386</b>	68,554
	<b>82,073,183</b>	74,767,230	<b>15,813,804</b>	13,990,128

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

The Group and the Company have trade receivables amounting to RM4,981,316 (2016: RM4,628,428) and RM1,095,617 (2016: RM599,933) respectively that are past due at the reporting date and not impaired. The analysis of secured and unsecured past due and not impaired trade receivables are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Secured past due and not impaired trade receivables	<b>272,157</b>	959,147	-	25,793
Unsecured past due and not impaired trade receivables	<b>4,709,159</b>	3,669,281	<b>1,095,617</b>	574,140
	<b>4,981,316</b>	4,628,428	<b>1,095,617</b>	599,933

# Notes to the Financial Statements

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## 10. TRADE RECEIVABLES (cont'd)

Ageing analysis of trade receivables (cont'd)

The movement in the impairment losses on trade receivables during the financial year were:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At 1 April	<b>4,997,740</b>	5,591,570	<b>68,554</b>	40,898
Charge for the financial year	<b>516,851</b>	408,789	<b>2,832</b>	29,156
Reversal of impairment losses	<b>(163,787)</b>	(1,002,619)	<b>(3,000)</b>	(1,500)
At 31 March	<b>5,350,804</b>	4,997,740	<b>68,386</b>	68,554

## 11. OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables				
Sundry receivables	<b>15,674,780</b>	5,221,306	<b>5,381,831</b>	4,014,753
Deposits	<b>10,758,729</b>	12,867,578	<b>7,114,159</b>	7,341,891
Prepayments	<b>2,732,240</b>	2,197,272	<b>1,004,259</b>	941,997
Tax recoverable	<b>3,184,147</b>	336,697	<b>2,339,621</b>	-
	<b>32,349,896</b>	20,622,853	<b>15,839,870</b>	12,298,641

Included in deposits is an amount of RM5,322,420 (2016: RM6,006,172) being deposits paid to suppliers in advance.

## 12. DUE FROM SUBSIDIARY COMPANIES

	Company	
	2017 RM	2016 RM
Subsidiary companies		
Trade	<b>22,765,244</b>	29,742,917
Non-trade	<b>61,267,223</b>	53,532,473
	<b>84,032,467</b>	83,275,390

# Notes to the Financial Statements

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## 12. DUE FROM SUBSIDIARY COMPANIES (cont'd)

The amounts due from subsidiary companies arose mainly from inter-company trade transactions, advances and payments made on behalf are unsecured, interest-free (2016: interest free) and are repayable in cash on demand except for trade transactions which are subject to normal trade credit terms.

Analysed by:

	Company	
	2017 RM	2016 RM
<u>Non-current assets</u>		
Non-trade	<b>20,094,834</b>	18,179,095
<u>Current assets</u>		
Trade	<b>22,765,244</b>	29,742,917
Non-trade	<b>41,172,389</b>	35,353,378
	<b>63,937,633</b>	65,096,295
Total	<b>84,032,467</b>	83,275,390

Amount due from subsidiary companies amounting to RM2.83 million (2016: RM5.61 million) are subordinated to financial institutions as securities for credit facilities granted to certain subsidiary companies as disclosed in Note 19.

## 13. DUE FROM/(TO) AN ASSOCIATE COMPANY

The amount due from/(to) an associate company which arose mainly from advances and payments made on behalf is unsecured, interest free and is repayable on demand.

## 14. SHORT TERM INVESTMENT

The amount represents investment in short-term fixed income unit trust fund which provides a stream of monthly income by investing in money market and fixed income instruments. Interest received from the investment is exempted from tax.

Short term investment is highly liquid which have an insignificant risk of changes in value which attracts a weighted average effective interest rate at the reporting date of 3.25% (2016: 5.03%).

# Notes to the Financial Statements

31 March 2017

## 14. SHORT TERM INVESTMENT (cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>(a) Other investments</b>				
Quoted shares at cost in Malaysia	150,000	-	150,000	-
<b>(b) Short term investment</b>				
Unit trust fund, at fair value	1,522,355	27,602,814	-	27,602,814
Total investments	1,672,355	27,602,814	150,000	27,602,814
Market value of shares, quoted in Malaysia	202,000	-	202,000	-

## 15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash on hand and at banks	7,502,408	23,111,467	3,812,961	18,983,037
Deposits with a licensed bank	481,814	466,415	-	-
Cash and bank balances	7,984,222	23,577,882	3,812,961	18,983,037
Short term investment (Note 14)	1,672,355	27,602,814	150,000	27,602,814
Less: Bank overdrafts (Note 19)	(9,626,042)	(18,646,882)	(2,182,734)	(4,435,106)
Deposits pledged to a licensed bank	30,535 (481,814)	32,533,814 (466,415)	1,780,227 -	42,150,745 -
Cash and cash equivalents	(451,279)	32,067,399	1,780,227	42,150,745

The deposits with a licensed bank of the Group amounting to RM481,814 (2016: RM466,415) have been pledged to a licensed bank for banking facilities used by a subsidiary company. This balance of the deposits as at reporting date has a weighted average effective interest rate of 3.30% (2016: 3.30%).

The deposits with a licensed bank as at the end of the financial year have a maturity of 365 days (2016: 365 days).

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## 16. SHARE CAPITAL

	Group and the Company			
	2017		2016	
	Number of shares	RM	Number of shares	RM
<b>Issued and fully paid</b>				
At 1 April	<b>57,750,000</b>	57,750,000	<b>50,830,000</b>	50,830,000
Issued during the financial year				
- Pursuant to SIS	<b>3,125,000</b>	3,125,000	-	-
- Pursuant to private placement*	-	-	<b>5,250,000</b>	5,250,000
- Pursuant to ESOS <sup>+</sup>	-	-	<b>1,670,000</b>	1,670,000
- Bonus issue	<b>60,875,000</b>	60,875,000	-	-
- Share split	<b>487,000,000</b>	-	-	-
At 31 March	<b>608,750,000</b>	121,750,000	<b>57,750,000</b>	57,750,000

The New Act, which came into operation on 31 January 2017 abolished the concepts of authorised share capital. The adoption of New Act is not expected to have any financial impact on the Company for the current financial year as any accounting implication will not only applied prospectively, if applicable, as disclosed in Note 2.2.

\* Private placement of 5,250,000 new shares to NH Foods Ltd at RM5.81 per share.

+ 1,670,000 shares to eligible staff under the ESOS scheme which expired on 10 November 2015.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

- (i) Increase its issued and paid-up share capital from 57,750,000 to 60,875,000 consisting of 57,750,000 ordinary shares of RM1.00 each with the allotment of 3,125,000 new ordinary shares under Share Issuance Scheme (SIS), subsequently increase its issued and paid-up share capital from 60,875,000 consisting of 60,875,000 ordinary shares to 121,750,000 consisting 121,750,000 ordinary shares, by the way of bonus issue of 60,875,000 new ordinary shares of RM1.00 each on the basis of one (1) bonus share for every one (1) existing ordinary share held by way of capitalisation of the Company's share premium and retained earnings.
- (ii) Subdivision of the issued and paid up share capital of 121,750,000 ordinary share into 608,750,000 new ordinary shares on the basis of every one (1) ordinary share held after the bonus issue into five (5) new ordinary shares.
- (iii) Issued of up to 304,375,000 free Warrants 2016/2021 on the basis of one (1) warrant for every two (2) subdivided shares held after the bonus issue of shares and the shares split.

# Notes to the Financial Statements

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## 16. SHARE CAPITAL (cont'd)

### Salient features of the Share Issuance Scheme ("SIS")

The Company's SIS is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 18 May 2015. The SIS was implemented on 12 January 2016 and is to be in force for a period of 5 years from the date of implementation.

The salient features of the SIS are as follows:

- (a) the maximum number of new ordinary shares which may be available under the SIS shall not exceed in aggregate fifteen percent (15%) of the total issued and paid-up share capital of the Company at any point of time during the existence of the SIS and subject always to the following:
  - (i) the allocation of new shares to the Directors of the Company under the SIS must have been approved by the shareholders of the Company in a general meeting; and
  - (ii) the number of new ordinary shares allotted to any individual Eligible Person must not exceed ten percent (10%) of the aggregate shares available under the scheme where the Eligible Person, either singly or collectively through persons connected with the Eligible Person, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company.
- (b) the SIS shall be in force for a period of five (5) years, unless terminated earlier or extended in accordance with the terms of By-Laws of the SIS. The Scheme may be extended for a further period of up to a maximum of five (5) years at the discretion of the Board upon the recommendation of the Option Committee.
- (c) the subscription price shall be the higher of the following:
  - (i) the volume weighted average market price of the shares for the five (5) market days immediately preceding the offer date, with a discount of not more than ten percent (10%) at the Option Committee's discretion; or
  - (ii) the par value of the shares.
- (d) the new ordinary shares to be issued and allotted upon the exercise of any SIS option will upon issue and ordinary allotment rank pari passu in all respects with the existing issued ordinary shares of the Company except that the new ordinary shares will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment.

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## 16. SHARE CAPITAL (cont'd)

### Salient features of the Share Issuance Scheme ("SIS") (cont'd)

Information with respect to the number of options granted under the SIS is as follows:

Grant date	Exercise price RM	Number of Options Over Ordinary Shares					At 31 March 2017
		At 1 April 2016	Granted	Bonus issue	Exercised	Lapsed	
12 Jan 2016	0.58	26,250,000	-	26,250,000	(31,250,000)	-	<b>21,250,000</b>

\* The SIS options were granted on 12 January 2016 and will expire on 11 January 2021.

### Fair value of the SIS options granted is as follow:

The fair value of the SIS options has been measured by an external valuer using the Black-Scholes formula. The inputs used in the measurement of the fair value at grant date of the SIS options were as follows:

	12 Jan 2016
Fair value at grant date (RM)	2.87
Share price at grant date (RM)	6.75
Exercise price (RM)	5.81
Expected volatility (%)	40.57
Expected life (years)	5.00
Risk free rate (%)	3.70
Expected dividend yield (%)	0.74

The expected life of the SIS options is based on historical experience and general option holder behaviour. The expected volatility has been based on an evaluation of the historical volatility of the Company's share price. No other features of the option grant were incorporated into the measurement of fair value.

### Warrants 2016/2021

The movements in these warrants during the financial year to take up new ordinary shares of RM0.20 each in the Company were as follows:

	Number of warrants
At 1 April 2016	-
Allotted during the year	304,375,000
At 31 March 2017	<b>304,375,000</b>

# Notes to the Financial Statements

31 March 2017

## 16. SHARE CAPITAL (cont'd)

### Warrants 2016/2021 (cont'd)

The salient terms of the warrants are as follows:

- (i) The warrants were issued in registered form and constituted by a Deed Poll executed on 28 September 2016. For the purpose of trading of the warrants on Bursa Securities, a board lot of warrants shall be 100 warrants carrying the right to subscribe for 100 ordinary shares of RM0.20 each in the Company;
- (ii) The exercise price is RM0.40 per ordinary share of RM0.20 each of the Company and each warrant will entitle the registered holder to subscribe for 1 new ordinary share in the Company during the exercise period;
- (iii) The exercise period is for a period of 5 years commencing on and including the date of allotment of this warrants. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid;
- (iv) The new ordinary shares to be issued pursuant to the exercise of this warrants will, upon allotment and issuance, rank pari passu in all respects with the existing ordinary shares of the Company, save and except that the olders of the new ordinary shares of the Company shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is on or before the date of allotment of the ordinary shares of the Company pursuant to the exercise of the warrants;
- (v) In the case of a members' voluntarily winding up, or a compromise or arrangement between the Company and its members or any class of them (whether or not in connection with a scheme for reconstruction or malgamation), every warrant holder as evidenced in the Record of Depositors shall be treated as having the right to subscribe for new ordinary shares of the Company in accordance with the terms and conditions of the Deed Poll, at any time within 6 weeks after passing of such resolution for a members' voluntarily winding up of the Company, or within 6 weeks after the granting of the court order in respect of the compromise or arrangement; and
- (vi) The warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such warrant holders exercise their warrants for new ordinary shares of the Company.

304,375,000 Warrants 2016/2021 were issued pursuant to the bonus issue of 1 Warrant 2016/2021 for every 2 existing ordinary shares held in the Company. The Warrants 2016/2021 were listed on the Bursa Securities on 14 October 2016.

# Notes to the Financial Statements

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## 17. OTHER RESERVES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Share premium	-	29,029,500	-	29,029,500
Share option reserve	<b>6,109,071</b>	15,093,000	<b>6,109,071</b>	15,093,000
Revaluation reserve	<b>65,602,629</b>	68,800,478	<b>41,854,003</b>	42,313,294
Foreign currency translation reserve	<b>1,100,746</b>	-	-	-
Fair value reserve	<b>(3,070)</b>	74,173	-	74,030
	<b>72,809,376</b>	112,997,151	<b>47,963,074</b>	86,509,824

The nature and purpose of each category of reserves are as follows:

### (i) Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. During the current financial year, the Company issue bonus issue by way of capitalisation of share premium and retained earnings.

### (ii) Share option reserve

Share option reserve comprises the share-based payment transaction under the SIS plan. The SIS was implemented on 12 January 2016 to grant share options to eligible Directors and employees of the Company.

The salient features and other terms of the SIS are disclosed in Note 16 to the financial statements.

### (iii) Revaluation reserve

Revaluation reserve of the Group arises from the revaluation surplus of land and buildings net of deferred taxation.

### (iv) Foreign currency translation reserve

Foreign currency translation reserve comprises exchange differences arising from the translation of the financial statement of a foreign operation whose functional currency is different from that of the Group's presentation currency, and exchange differences arising from monetary items which form part of the Group's net investment in a foreign operation, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

# Notes to the Financial Statements

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## 17. OTHER RESERVES (cont'd)

### (v) Fair value reserve

Fair value reserve represents the cumulative fair value changes for available-for-sale financial assets until they are disposed off or impaired.

## 18. RETAINED EARNINGS

Retained earnings represent distributable reserves and is distributable by way of dividends.

Under the single-tier system which is fully effective from 1 January 2014, the Company is allowed to distribute in full its retained earnings. Dividend paid under the single-tier system are tax exempt in the hands of the shareholders.

## 19. LOAN AND BORROWINGS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Current</b>				
Secured:				
Bank overdrafts	<b>7,443,308</b>	14,211,776	-	-
Bankers' acceptances	<b>43,963,000</b>	38,627,000	-	-
Onshore foreign currency loan	<b>1,469,512</b>	-	-	-
Term loans	<b>7,084,758</b>	6,662,610	<b>1,122,273</b>	974,380
Finance lease liabilities (Note 24)	<b>7,462,747</b>	6,834,325	<b>2,167,229</b>	1,816,363
	<b>67,423,325</b>	66,335,711	3,289,502	2,790,743
Unsecured:				
Bank overdrafts	<b>2,182,734</b>	4,435,106	<b>2,182,734</b>	4,435,106
Bankers' acceptances	<b>43,561,000</b>	45,106,000	<b>43,561,000</b>	45,106,000
Term loans	-	1,495,911	-	1,495,911
Revolving credit	<b>2,000,000</b>	10,000,000	<b>2,000,000</b>	10,000,000
	<b>47,743,734</b>	61,037,017	<b>47,743,734</b>	61,037,017
	<b>115,167,059</b>	127,372,728	<b>51,033,236</b>	63,827,760

# Notes to the Financial Statements

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## 19. LOAN AND BORROWINGS (cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Non-current</b>				
Secured:				
Term loans	<b>28,528,710</b>	17,579,772	<b>18,409,454</b>	1,754,035
Finance lease liabilities (Note 24)	<b>13,085,046</b>	12,973,354	<b>5,215,373</b>	5,057,799
	<b>41,613,756</b>	30,553,126	<b>23,624,827</b>	6,811,834
<b>Total Borrowings</b>				
Bank overdrafts (Note 15)	<b>9,626,042</b>	18,646,882	<b>2,182,734</b>	4,435,106
Bankers' acceptances	<b>87,524,000</b>	83,733,000	<b>43,561,000</b>	45,106,000
Onshore foreign currency loan	<b>1,469,512</b>	-	-	-
Term loans	<b>35,613,468</b>	25,738,293	<b>19,531,727</b>	4,224,326
Revolving credit	<b>2,000,000</b>	10,000,000	<b>2,000,000</b>	10,000,000
Finance lease liabilities (Note 24)	<b>20,547,793</b>	19,807,679	<b>7,382,602</b>	6,874,162
	<b>156,780,815</b>	157,925,854	<b>74,658,063</b>	70,639,594
<b>Maturity of borrowings (excluding finance lease liabilities):</b>				
Within one year	<b>107,704,312</b>	120,541,631	<b>48,866,007</b>	62,011,398
More than 1 year and less than 2 years	<b>7,803,768</b>	6,990,010	<b>4,646,392</b>	1,045,838
More than 2 years and less than 5 years	<b>11,326,181</b>	4,875,109	<b>8,056,225</b>	708,196
5 years or more	<b>9,398,761</b>	5,711,425	<b>5,706,837</b>	-
	<b>136,233,022</b>	138,118,175	<b>67,275,461</b>	63,765,432

# Notes to the Financial Statements

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## 19. LOAN AND BORROWINGS (cont'd)

The weighted average effective interest rate at the balance sheet date for borrowings, excluding finance lease liabilities were as follows:

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Bank overdrafts	<b>7.82</b>	7.91	<b>7.70</b>	7.80
Bankers' acceptances	<b>4.57</b>	4.89	<b>4.50</b>	4.90
Onshore foreign currency loan	<b>3.15</b>	-	-	-
Term loans	<b>6.00</b>	6.87	<b>5.56</b>	6.37
Revolving credit	<b>5.01</b>	5.14	<b>5.01</b>	5.14

The credit facilities of the Company are secured by way of negative pledge on the assets of the Company.

The credit facilities of the subsidiary companies are secured by way of corporate guarantees from the Company and a corporate shareholder, fixed charges on certain landed properties as disclosed in Note 3, deposits as disclosed in Note 15, and amount due from subsidiary companies of RM2.83 million (2016: RM5.61 million) as disclosed in Note 12.

## 20. LONG TERM PAYABLES

The long term payables of the Group represents the amount due to a related company and a corporate shareholder which arose mainly from advances and payments made on behalf is unsecured, interest free (2016: Nil) and repayable after the next twelve months.

## 21. TRADE PAYABLES

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 30 days to 90 days (2016: 30 days to 90 days).

# Notes to the Financial Statements

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## 22. OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables				
Sundry payables	<b>21,215,595</b>	15,790,339	<b>5,183,625</b>	3,746,230
Accruals	<b>14,920,501</b>	9,156,806	<b>8,128,364</b>	3,893,392
	<b>36,136,096</b>	24,947,145	<b>13,311,989</b>	7,639,622

The amount which arose mainly from advance and payment made on behalf is unsecured, non-interest bearing and repayable in cash on demand.

## 23. DUE TO SUBSIDIARY COMPANIES

	Company	
	2017 RM	2016 RM
Subsidiary companies		
Trade	<b>1,288,629</b>	3,642,891
Non-trade	<b>3,357,427</b>	4,861,963
	<b>4,646,056</b>	8,504,854

The amounts due to subsidiary companies arose mainly from inter-company trade transactions, advances and payments made on behalf are unsecured, interest-free (2016: interest free) and are repayable in cash on demand, except for trade transaction which are subject to normal trade credit terms and an amount of RM3,979,883 (2016: RM4,625,425) in non-trade transaction is subject to 3.75% to 5.00% (2016: 3.75% to 5.00%) interest per annum.

# Notes to the Financial Statements

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## 24. FINANCE LEASE LIABILITIES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Future minimum lease payments</b>				
Not later than 1 year	<b>8,492,707</b>	7,875,463	<b>2,539,871</b>	2,180,303
Later than 1 year and not later than 2 years	<b>6,148,272</b>	6,490,715	<b>2,272,526</b>	1,915,626
Later than 2 years and not later than 5 years	<b>7,999,207</b>	7,354,659	<b>3,346,654</b>	3,431,484
Later than 5 years	<b>26,238</b>	218,977	<b>26,238</b>	218,977
	<b>22,666,424</b>	21,939,814	<b>8,185,289</b>	7,746,390
Less: Future finance charges	<b>(2,118,631)</b>	(2,132,135)	<b>(802,687)</b>	(872,228)
Present value of finance leases (Note 19)	<b>20,547,793</b>	19,807,679	<b>7,382,602</b>	6,874,162
<b>Analysis of present value of finance lease liabilities:</b>				
Not later than 1 year	<b>7,462,747</b>	6,834,325	<b>2,167,229</b>	1,816,363
Later than 1 year and not later than 2 years	<b>5,543,909</b>	5,943,945	<b>2,034,952</b>	1,663,840
Later than 2 years and not later than 5 years	<b>7,515,064</b>	6,815,962	<b>3,154,348</b>	3,180,512
Later than 5 years	<b>26,073</b>	213,447	<b>26,073</b>	213,447
	<b>20,547,793</b>	19,807,679	<b>7,382,602</b>	6,874,162
<b>Analysed as:</b>				
Amount due within 12 months (Note 19)	<b>7,462,747</b>	6,834,325	<b>2,167,229</b>	1,816,363
Amount due after 12 months (Note 19)	<b>13,085,046</b>	12,973,354	<b>5,215,373</b>	5,057,799
	<b>20,547,793</b>	19,807,679	<b>7,382,602</b>	6,874,162

# Notes to the Financial Statements

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## 24. FINANCE LEASE LIABILITIES (cont'd)

Other information on financial risks of finance lease liabilities are disclosed as follows:

	Type	2017 %	2016 %	Maturity
<b>Group</b>				
Finance lease liabilities	Fixed	<b>2.43 - 4.05</b>	2.43 - 4.05	2017 to 2023
<b>Company</b>				
Finance lease liabilities	Fixed	<b>2.43 - 3.80</b>	2.43 - 3.80	2017 to 2023

## 25. REVENUE

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Eggs	<b>164,929,756</b>	151,048,412	<b>163,815,078</b>	150,509,602
Livestocks	<b>28,667,675</b>	25,221,638	<b>3,904,385</b>	5,623,257
Ready feed	<b>58,004</b>	631,490	<b>78,442,792</b>	76,216,423
Processed and frozen products	<b>302,841,197</b>	288,798,578	-	-
Trading	<b>24,291,992</b>	22,236,643	-	-
Others	<b>30,274,098</b>	23,936,883	<b>7,482,813</b>	5,341,545
Retail supermarket	<b>124,898,605</b>	133,952,727	-	-
	<b>675,961,327</b>	645,826,371	<b>253,645,068</b>	237,690,827

# Notes to the Financial Statements

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## 26. OTHER OPERATING INCOME

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Gain on disposal of property, plant and equipment	-	2,354,227	<b>75,402</b>	2,334,019
Rental income:				
- Subsidiary company	-	-	<b>3,600</b>	3,600
- Associate company	<b>61,720</b>	-	<b>61,720</b>	-
- Others	<b>1,016,017</b>	1,087,198	-	-
Dividend from unquoted investments	<b>333</b>	500	<b>333</b>	33,000,470
Dividend from quoted investments	<b>4,102</b>	319	<b>4,061</b>	160
Interest income	<b>80,278</b>	64,467	<b>1,241</b>	15,313
Insurance claim	<b>2,313</b>	268,250	<b>2,215</b>	188,250
Management fees from subsidiary companies	-	-	<b>1,186,000</b>	176,000
Reversal of impairment losses on trade receivables	<b>163,787</b>	1,002,619	<b>3,000</b>	1,500
Gain on disposal of unquoted investment	<b>215,018</b>	73,114	<b>215,018</b>	72,298
Gain on disposal of a subsidiary company	-	1,102,100	-	152,907
Changes in fair value of investment properties	-	111,306	-	-
Negative goodwill	<b>96,767</b>	-	-	-
Gain on foreign exchange:				
- Realised	<b>1,124,219</b>	250,293	<b>1,115,895</b>	181,906
- Unrealised	<b>387,823</b>	19,253	<b>343,771</b>	-

# Notes to the Financial Statements

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## 27. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging :

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors' fees:				
- Current year	<b>196,000</b>	200,000	<b>196,000</b>	200,000
- Under provision in prior years	<b>12,000</b>	4,000	<b>12,000</b>	4,000
Auditors' remuneration:				
- Current year	<b>146,256</b>	117,834	<b>35,000</b>	31,500
- Under provision in prior years	<b>5,500</b>	4,500	<b>3,500</b>	3,500
- Others	<b>6,000</b>	18,000	<b>6,000</b>	18,000
Internal auditors' remuneration	<b>57,715</b>	55,975	-	-
Amortisation of intangible assets	<b>20,074</b>	28,654	-	-
Depreciation of property, plant and equipment	<b>23,342,664</b>	21,210,642	<b>7,274,359</b>	6,227,424
Equity settled share-based payment transaction	-	15,093,000	-	15,093,000
Property, plant and equipment written off	<b>77,727</b>	144,356	-	128,193
Loss on disposal of property, plant and equipment	<b>387,427</b>	-	-	-
Hire of plant and machinery	<b>758,015</b>	633,566	<b>132,533</b>	73,130
Loss on foreign exchange:				
- Realised	<b>137,127</b>	77,763	-	-
- Unrealised	<b>4,859</b>	673,228	-	624,770
Impairment losses on trade receivables	<b>516,851</b>	408,789	<b>2,832</b>	29,156
Bad debts written off	<b>70,851</b>	480,337	-	-
Inventories written off	<b>89,203</b>	-	-	-
Rental expenses:				
- Third parties	<b>4,492,752</b>	3,308,207	<b>1,101,242</b>	739,276
Goodwill and other investment written off	-	567,200	-	-

# Notes to the Financial Statements

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## 28. FINANCE COSTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest expenses on:				
- Bank borrowings	<b>6,090,258</b>	6,375,797	<b>2,718,864</b>	2,728,581
- Finance lease liabilities	<b>1,248,781</b>	1,225,196	<b>414,643</b>	336,225
- Subsidiary company	-	-	<b>204,646</b>	235,101
- Others	<b>245,869</b>	58,909	-	-
	<b>7,584,908</b>	7,659,902	<b>3,338,153</b>	3,299,907

## 29. TAX EXPENSES/(INCOME)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Tax expenses for the financial year	<b>2,678,240</b>	7,066,676	-	3,614,482
(Over)/Under provision in prior years	<b>(2,780,482)</b>	128,220	<b>(2,206,713)</b>	457,902
	<b>(102,242)</b>	7,194,896	<b>(2,206,713)</b>	4,072,384
Deferred tax (Note 7):				
Relating to origination and reversal of deferred tax	<b>3,445,629</b>	1,203,345	<b>826,796</b>	-
Changes in tax rates	-	(701,409)	-	(193,728)
Derecognition of deferred tax asset	-	-	-	(729,751)
(Over)/Under provision of tax in prior year	<b>(805,927)</b>	(1,576,958)	<b>88,220</b>	(1,117,700)
	<b>2,639,702</b>	(1,075,022)	<b>915,016</b>	(2,041,179)
	<b>2,537,460</b>	6,119,874	<b>(1,291,697)</b>	2,031,205

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## 29. TAX EXPENSES/(INCOME) (cont'd)

A reconciliation of tax expenses/(income) applicable to profit before tax at the statutory income tax rate to income tax expenses at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax	<b>21,943,002</b>	9,935,541	<b>2,416,043</b>	22,532,445
Tax at statutory tax rate of 24% (2016 : 24%)	<b>5,266,321</b>	2,080,954	<b>579,850</b>	5,407,787
Income not subject to tax	<b>(23,224)</b>	-	-	(7,919,993)
Effect of changes in tax rates on opening balance of deferred tax	-	(701,409)	-	(193,728)
Expenses not deductible for tax purposes	<b>1,124,295</b>	7,238,150	<b>246,946</b>	5,396,937
Under/(Over) provision in prior years :				
- Income tax	<b>(2,780,482)</b>	128,220	<b>(2,206,713)</b>	457,902
- Deferred tax	<b>(714,304)</b>	(1,576,958)	<b>88,220</b>	(1,117,700)
Utilisation of reinvestment allowance	<b>(368,614)</b>	(287,058)	-	-
Utilisation of previously unrecognised deferred tax asset	<b>(91,624)</b>	(762,025)	-	-
Share of results of associate	<b>125,092</b>	-	-	-
Tax expenses/(income) for the financial year	<b>2,537,460</b>	6,119,874	<b>(1,291,697)</b>	2,031,205

## 30. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares assuming full conversion of outstanding SIS/ESOS and Warrants.

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## 30. EARNINGS PER SHARE (cont'd)

	Group	
	2017 RM	2016 RM
Profit attributable to ordinary equity holders of the Company	18,255,179	2,727,225
Weighted average number of ordinary shares in issue after effect of bonus issue and share split (basic)	604,888,681	529,051,717
Effect of conversion of outstanding SIS/ESOS	16,352,913	2,107,404
Effect of conversion of outstanding Warrants	136,464,106	-
Weighted average number of ordinary shares in issue (diluted)	757,705,700	531,159,121
Basic earnings per share (sen)	3.02	0.52
Diluted earnings per share (sen)	2.41	0.51

The average market value of the Company's shares for the purpose of calculating the dilutive effects of the SIS/ESOS was based on quoted market prices during which the options were outstanding.

The basic earnings per share (sen) and diluted earnings per share (sen) as at 31 March 2016 were recalculated to conform with the changes in bonus issue of 60,875,000 new ordinary shares and the subsequent share split into 487,000,000 new ordinary shares on 14 October 2016.

## 31. DIVIDEND

	Group and Company	
	2017 RM	2016 RM
<b>Recognised during the financial year:</b>		
Dividend on ordinary shares:		
Final single tier dividend of 5 sen (2016: Nil) per ordinary share	3,043,750	-

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## 32. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, wages and bonus	<b>51,493,730</b>	41,938,841	<b>14,238,105</b>	9,479,538
Defined contribution plans	<b>5,057,168</b>	4,033,376	<b>1,529,437</b>	970,034
Other employee benefits	<b>14,651,931</b>	12,777,155	<b>4,391,860</b>	3,844,240
	<b>71,202,829</b>	58,749,372	<b>20,159,402</b>	14,293,812

Included in employee benefits expense are Directors' remuneration (excluding Directors' fees and benefits-in-kind) as follows (further disclosed in Note 33):

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors' remuneration	<b>2,810,587</b>	2,810,343	<b>2,810,587</b>	2,810,343

## 33. DIRECTORS' REMUNERATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	<b>2,810,587</b>	2,810,343	<b>2,810,587</b>	2,810,343
Fees	<b>98,333</b>	96,000	<b>98,333</b>	96,000
Benefits-in-kind	<b>45,400</b>	43,242	<b>45,400</b>	43,242
	<b>2,954,320</b>	2,949,585	<b>2,954,320</b>	2,949,585

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## 33. DIRECTORS' REMUNERATION (cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-executive:				
Fees	<b>113,667</b>	108,000	<b>113,667</b>	108,000
Other emoluments	-	32,500	-	32,500
	<b>113,667</b>	140,500	<b>113,667</b>	140,500
Total	<b>3,067,987</b>	3,090,085	<b>3,067,987</b>	3,090,085

### Analysis of Directors' remuneration excluding benefits-in-kind:

Executive Directors	<b>2,908,920</b>	2,906,343	<b>2,908,920</b>	2,906,343
Non-executive Directors	<b>113,667</b>	140,500	<b>113,667</b>	140,500
Total	<b>3,022,587</b>	3,046,843	<b>3,022,587</b>	3,046,843

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

	Number of Directors	
	2017	2016
<b>Executive Directors:</b>		
RM1,000,001 - RM1,100,000	-	-
RM900,001 - RM1,000,000	<b>1</b>	1
RM600,001 - RM900,000	-	-
RM500,001 - RM600,000	<b>2</b>	2
RM400,001 - RM500,000	<b>1</b>	1
<b>Non-Executive Directors:</b>		
RM50,001 - RM110,000	-	1
RM1 to RM50,000	<b>6</b>	4

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## 34. OPERATING LEASE ARRANGEMENTS

The lease commitment as at reporting date is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Future minimum rentals payments:				
Not later than 1 year	<b>7,628,178</b>	6,255,470	<b>730,900</b>	91,621
Later than 1 year and not later than 5 years	<b>11,732,984</b>	7,643,793	<b>595,500</b>	173,050
Later than 5 years	<b>1,978,264</b>	369,858	<b>86,250</b>	122,250
	<b>21,339,426</b>	14,269,121	<b>1,412,650</b>	386,921

## 35. CAPITAL COMMITMENTS

The Group and the Company have the following commitments:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Approved and contracted for				
- Property, plant and equipment	<b>23,405,000</b>	22,990,000	<b>8,816,000</b>	12,899,000
Approved but not contracted for				
- Property, plant and equipment	<b>33,337,000</b>	19,798,000	<b>21,897,000</b>	18,398,000

## 36. CONTINGENT LIABILITIES

Unsecured	Company	
	2017 RM	2016 RM
Corporate guarantee issued to financial institutions for credit facilities granted to subsidiary companies	<b>78,664,553</b>	85,902,938

# Notes to the Financial Statements

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## 37. SEGMENT INFORMATION

### Group

The primary reporting format is based on business segments.

The Group is organised into two major business segments, namely:

- (i) Integrated livestock farming; and
- (ii) Retail supermarket

No segment information by geographic area is presented as the Group operates predominantly in Malaysia.

2017	Integrated livestock farming	Retail supermarket	Elimination	Consolidated
<b>Revenue</b>				
External sales	551,062,722	124,898,605	-	675,961,327
Inter-segment sales	19,553,761	-	(19,553,761)	-
	<b>570,616,483</b>	<b>124,898,605</b>	<b>(19,553,761)</b>	<b>675,961,327</b>
<b>Results</b>				
Profit / (Loss) from operations	31,443,328	(1,394,200)	-	30,049,128
Finance costs				(7,584,908)
Share of loss of associate				(521,218)
				<b>21,943,002</b>
Tax expense				(2,537,460)
				<b>19,405,542</b>
<b>Other information</b>				
Total segment assets	540,338,063	58,061,994	-	598,400,057
Unallocated corporate assets				15,497,857
				<b>613,897,914</b>

# Notes to the Financial Statements

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## 37. SEGMENT INFORMATION (cont'd)

2017	Integrated livestock farming	Retail supermarket	Elimination	Consolidated
Total segment liabilities	287,782,248	22,215,099	-	309,997,347
Unallocated corporate liabilities				1,743,679
Total liabilities				311,741,026
Depreciation and amortisation	21,476,287	1,886,451	-	23,362,738
Capital expenditure	72,641,845	4,127,081	-	76,768,926
Non-cash expenses other than depreciation and amortisation	18,698	-	-	18,698
<b>2016</b>				
<b>Revenue</b>				
External sales	511,873,644	133,952,727	-	645,826,371
Inter-segment sales	17,219,905	-	(17,219,905)	-
	529,093,549	133,952,727	(17,219,905)	645,826,371
<b>Results</b>				
Profit from operations	17,449,322	146,121	-	17,595,443
Finance costs				(7,659,902)
				9,935,541
Tax expense				(6,119,874)
Profit for the financial year				3,815,667
<b>Other information</b>				
Total segment assets	490,038,478	49,950,077	-	539,988,555
Unallocated corporate assets				12,400,000
Total assets				552,388,555

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## 37. SEGMENT INFORMATION (cont'd)

2016	Integrated livestock farming	Retail supermarket	Elimination	Consolidated
Total segment liabilities	237,915,295	44,800,420	-	282,715,715
Unallocated corporate liabilities				2,728,415
Total liabilities				285,444,130
Depreciation and amortisation	19,264,183	1,975,113	-	21,239,296
Capital expenditure	27,896,379	2,739,315	-	30,635,694
Non-cash expenses other than depreciation and amortisation	16,419,068	-	-	16,419,068

## 38. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2017 RM	2016 RM
Purchases from subsidiary companies:		
- Innofarm (Klang) Sdn Bhd	<b>14,860,067</b>	15,498,102
- Hing Hong Sdn Berhad	<b>3,917,255</b>	3,768,223
- JT Trading Sdn Bhd	<b>8,931</b>	-
Sales to subsidiary companies:		
- Innofarm (Klang) Sdn Bhd	<b>12,092,357</b>	13,101,704
- Innobrid Sdn Bhd	<b>26,850,398</b>	25,317,488
- Evergreen Organic Fertilisers Sdn Berhad	<b>360,000</b>	360,000
- Eminent Farm Sdn Bhd	<b>39,029,840</b>	38,664,478
- Hing Hong Sdn Berhad	<b>1,583,489</b>	1,197,452
- Lay Hong Liquid Egg Sdn Bhd	<b>19,843,420</b>	16,079,495
- Lay Hong Food Corporation Sdn Bhd	<b>1,780,579</b>	2,275,695
- STF Agriculture Sdn Bhd	<b>1,124,668</b>	901,719
- JT Trading Sdn Bhd	<b>8,515,959</b>	7,821,761

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## 38. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

	Company	
	2017 RM	2016 RM
Management fees receivable from subsidiary companies:		
- Innofarm (Klang) Sdn Bhd	<b>220,000</b>	20,000
- Evergreen Organic Fertilisers Sdn Berhad	<b>36,000</b>	6,000
- Hing Hong Sdn Berhad	<b>30,000</b>	30,000
- Eminent Farm Sdn Bhd	<b>180,000</b>	30,000
- Lay Hong Food Corporation Sdn Bhd	<b>360,000</b>	30,000
- STF Agriculture Sdn Bhd	<b>180,000</b>	30,000
- Lay Hong Liquid Egg Sdn Bhd	<b>180,000</b>	30,000
Rental income receivable from a subsidiary company:		
- Evergreen Organic Fertilisers Sdn Berhad	<b>3,600</b>	3,600
Rental income receivable from an associate:		
- NHF Manufacturing (Malaysia) Sdn Bhd	<b>61,720</b>	-
Corporate guarantee fee:		
- STF Agriculture Sdn Bhd	<b>817,040</b>	-
Dividend income receivable from subsidiary companies:		
- Hing Hong Sdn Berhad	-	4,000,000
- Eminent Farm Sdn Bhd	-	5,000,000
- Lay Hong Food Corporation Sdn Bhd	-	15,500,000
- Lay Hong Liquid Egg Sdn Bhd	-	7,499,970
- Sri Tawau Farming Sdn Bhd	-	1,000,000

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.

Information regarding outstanding balances arising from related party transactions as at 31 March 2017/2016 are disclosed in Note 12, 13, and Note 23.

### (a) Compensation of key management personnel

The members of key management are also the Directors of the Company. Directors remuneration is disclosed in Note 33.

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## 39. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources reavailable for the development of the Group's businesses whilst managing its interest rate risk, foreign currency risk, liquidity risk, credit risk and market risk. 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. The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:

### (a) 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 2017. The investments in financial assets, if any are mainly short term in nature and they are not held for speculative purposes.

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

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

### Interest rate sensitivity analysis

The Group's exposure to interest rates on financial liabilities are detailed below. The sensitivity analysis below have been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period. For floating rates liabilities, the analysis is prepared assuming the amount of the liabilities at the end of the reporting period will remain unchanged for the whole year.

The table below demonstrates the sensitivity to a reasonably possible change in interest rate with all other variables held constant, of the Group's and the Company's profit or loss net of tax. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment.

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## 39. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)

### (a) Interest rate risk (cont'd)

#### Interest rate sensitivity analysis (cont'd)

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's and the Company's profit or loss for the year ended 31 March 2017 and 2016 would increase/decrease as follows:

	Group		Company	
	2017 RM Increase/ (Decrease)	2016 RM Increase/ (Decrease)	2017 RM Increase/ (Decrease)	2016 RM Increase/ (Decrease)
<b>Effects on profit after taxation</b>				
(i) 10 basis points higher				
Bank overdrafts	<b>(847)</b>	(2,845)	<b>(177)</b>	(67)
Bankers' acceptances	<b>(81,513)</b>	(386,393)	<b>(106,445)</b>	(20,721)
Revolving credit	<b>(76)</b>	(1,254)	<b>(398)</b>	(233)
Term loans	<b>(16,774)</b>	(105,426)	<b>(7,982)</b>	(600)
(ii) 10 basis points lower				
Bank overdrafts	<b>847</b>	2,845	<b>177</b>	67
Bankers' acceptances	<b>81,513</b>	386,393	<b>106,445</b>	20,721
Revolving credit	<b>76</b>	1,254	<b>398</b>	233
Term loans	<b>16,774</b>	105,426	<b>7,982</b>	600

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31 March 2017

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)

### (b) Foreign exchange risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Euro (EUR), United States Dollars (USD), Singapore Dollars (SGD), Renminbi (CNY) and Brunei Dollars (BRD). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptance level.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

Net Financial Assets/(Liabilities) held in Non- Functional Currencies	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Euro	<b>208,629</b>	1,741,205	<b>(29,654)</b>	1,629,580
United States Dollars	<b>3,724,179</b>	258,897	<b>2,780,745</b>	325,731
Singapore Dollars	<b>820,537</b>	1,215,988	<b>834,045</b>	855,061
Renminbi	<b>929,910</b>	1,441,653	<b>929,910</b>	1,441,653
Brunei Dollars	<b>5,451</b>	-	-	-
Total	<b>5,688,706</b>	4,657,743	<b>4,515,046</b>	4,252,025

The Group and the Company are mainly exposed to the foreign currency of United States Dollar, Singapore Dollar, Renminbi and Euro Dollar.

The following table details the sensitivity of the Group's and the Company's profit or loss after tax to a 5% increase and decrease in the Ringgit Malaysia against the relevant foreign currencies, with all other variables held constant.

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## 39. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)

### (b) Foreign exchange risk (cont'd)

Effects on profit after taxation		Group		Company	
		2017 RM Increase/ (Decrease)	2016 RM Increase/ (Decrease)	2017 RM Increase/ (Decrease)	2016 RM Increase/ (Decrease)
EUR/RM	- strengthened 5% (2016: 5%)	<b>7,928</b>	66,166	<b>(1,127)</b>	61,924
	- weakened 5% (2016: 5%)	<b>(7,928)</b>	(66,166)	<b>1,127</b>	(61,924)
USD/RM	- strengthened 5% (2016: 5%)	<b>141,519</b>	9,838	<b>105,668</b>	12,378
	- weakened 5% (2016: 6%)	<b>(141,519)</b>	(9,838)	<b>(105,668)</b>	(12,378)
SGD/RM	- strengthened 5% (2016: 5%)	<b>31,180</b>	46,208	<b>31,694</b>	32,492
	- weakened 5% (2016: 5%)	<b>(31,180)</b>	(46,208)	<b>(31,694)</b>	(32,492)
CNY/RM	- strengthened 5% (2016: 5%)	<b>35,337</b>	54,783	<b>35,337</b>	54,783
	- weakened 5% (2016: 5%)	<b>(35,337)</b>	(54,783)	<b>(35,337)</b>	(54,783)
BRD/RM	- strengthened 5% (2016: Nil)	<b>207</b>	-	-	-
	- weakened 5% (2016: Nil)	<b>(207)</b>	-	-	-

### (c) 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 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 at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital market and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

#### **Analysis of financial instruments by remaining contractual maturities**

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on undiscounted contractual repayment obligations.

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## 39. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)

### (c) Liquidity risk (cont'd)

#### Analysis of financial instruments by remaining contractual maturities (cont'd)

	Carrying amount RM	Contractual cash flow RM	Within one year RM	From two to five years RM	More than five years RM
<b>Group</b>					
<b>2017</b>					
<b>Financial liabilities:</b>					
Trade payables	84,662,941	84,662,941	84,662,941	-	-
Other payables	36,136,096	21,685,149	21,685,149	-	-
Due to an associate company	94,958	94,958	94,958	-	-
Bank overdrafts	9,626,042	9,626,042	9,626,042	-	-
Bankers' acceptances	87,524,000	87,524,000	87,524,000	-	-
Onshore foreign currency loan	1,469,512	1,469,512	1,469,512	-	-
Finance lease liabilities	20,547,793	22,666,424	8,492,707	14,147,479	26,238
Term loans	35,613,468	41,688,154	7,860,942	27,621,390	6,205,822
Revolving credit	2,000,000	2,000,000	2,000,000	-	-
Total undiscounted financial liabilities	277,674,810	271,417,180	223,416,251	41,768,869	6,232,060
<b>2016</b>					
<b>Financial liabilities:</b>					
Trade payables	69,003,441	69,003,441	69,003,441	-	-
Other payables	24,947,145	16,310,852	16,310,852	-	-
Bank overdrafts	18,646,882	18,646,882	18,646,882	-	-
Bankers' acceptances	83,733,000	83,733,000	83,733,000	-	-
Finance lease liabilities	19,807,679	21,939,814	7,875,463	13,845,374	218,977
Term loans	25,738,293	30,161,637	9,622,332	16,096,733	4,442,571
Revolving credit	10,000,000	10,000,000	10,000,000	-	-
Total undiscounted financial liabilities	251,876,440	249,795,626	215,191,970	29,942,107	4,661,548

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## 39. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)

### (c) Liquidity risk (cont'd)

#### Analysis of financial instruments by remaining contractual maturities (cont'd)

	Carrying amount RM	Contractual cash flow RM	On demand or within one year RM	From two to five years RM	More than five years RM
<b>Company</b>					
<b>2017</b>					
<b>Financial liabilities:</b>					
Trade payables	37,729,788	37,729,788	37,729,788	-	-
Other payables	13,311,989	5,206,770	5,206,770	-	-
Due to subsidiary companies	4,646,056	1,288,629	1,288,629	-	-
Bank overdrafts	2,182,734	2,182,734	2,182,734	-	-
Bankers' acceptances	43,561,000	43,561,000	43,561,000	-	-
Finance lease liabilities	7,382,602	8,185,289	2,539,871	5,619,180	26,238
Term loans	19,531,727	21,932,322	1,116,420	19,066,382	1,749,521
Revolving credit	2,000,000	2,000,000	2,000,000	-	-
Corporate guarantee	-	78,664,553	78,664,553	-	-
Total undiscounted financial liabilities	130,345,896	200,751,085	174,289,765	24,685,562	1,775,759
<b>2016</b>					
<b>Financial liabilities:</b>					
Trade payables	30,159,447	30,159,447	30,159,447	-	-
Other payables	7,639,622	7,639,622	7,639,622	-	-
Due to subsidiary companies	8,504,854	3,642,891	3,642,891	-	-
Bank overdrafts	4,435,106	4,435,106	4,435,106	-	-
Bankers' acceptances	45,106,000	45,106,000	45,106,000	-	-
Finance lease liabilities	6,874,162	7,746,390	2,180,303	5,347,110	218,977
Term loans	4,224,326	4,512,433	2,668,889	1,843,544	-
Revolving credit	10,000,000	10,000,000	10,000,000	-	-
Corporate guarantee	-	85,902,938	85,902,938	-	-
Total undiscounted financial liabilities	116,943,517	199,144,827	191,735,196	7,190,654	218,977

# Notes to the Financial Statements

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## 39. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)

### (d) 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.

### (e) Market risks

Market risk is the risk that changes in market price (other than interest rates) that will affect the Group's financial position and cash flows.

The Group has no significant exposure to other market risk.

## 40. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R");
- (b) Fair value through profit or loss ("FVTPL"):
  - Held for trading ("HFT"); and
- (c) Financial liabilities measured at amortised cost ("FL")

	Carrying amount RM	L&R/ (FL) RM	FVTPL - HFT RM
<b>2017</b>			
<b>Financial Assets</b>			
<b>Group</b>			
Short term investment	1,672,355	-	1,672,355
Trade and other receivables	105,888,128	105,888,128	-
Amount due from an associate company	10,257	10,257	-
Cash and cash equivalents	7,984,222	7,984,222	-
	<b>115,554,962</b>	<b>113,882,607</b>	<b>1,672,355</b>

# Notes to the Financial Statements

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## 40. FINANCIAL INSTRUMENTS (cont'd)

### Categories of Financial Instruments (cont'd)

	Carrying amount RM	L&R/ (FL) RM	FVTPL - HFT RM
<b>2017</b>			
<b>Financial Assets</b>			
<b>Company</b>			
Short term investment	150,000	-	150,000
Trade and other receivables	29,245,667	29,245,667	-
Amount due from subsidiary companies	84,032,467	84,032,467	-
Amount due from an associate company	3,317	3,317	-
Cash and cash equivalents	3,812,961	3,812,961	-
	<b>117,244,412</b>	<b>117,094,412</b>	<b>150,000</b>
<b>Financial Liabilities</b>			
<b>Group</b>			
Trade and other payables	(120,799,037)	(120,799,037)	-
Loans and borrowings	(156,780,815)	(156,780,815)	-
Amount due to an associate company	(94,958)	(94,958)	-
Long term payables	(1,128,020)	(1,128,020)	-
	<b>(278,802,830)</b>	<b>(278,802,830)</b>	<b>-</b>
<b>Company</b>			
Trade and other payables	(51,041,777)	(51,041,777)	-
Amount due to subsidiary companies	(4,646,056)	(4,646,056)	-
Loans and borrowings	(74,658,063)	(74,658,063)	-
	<b>(130,345,896)</b>	<b>(130,345,896)</b>	<b>-</b>

# Notes to the Financial Statements

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## 40. FINANCIAL INSTRUMENTS (cont'd)

### Categories of Financial Instruments (cont'd)

	Carrying amount RM	L&R/ (FL) RM	FVTPL - HFT RM
<b>2016</b>			
<b>Financial Assets</b>			
<b>Group</b>			
Short term investment	27,602,814	-	27,602,814
Trade and other receivables	90,055,646	90,055,646	-
Cash and cash equivalents	23,577,882	23,577,882	-
	141,236,342	113,633,528	27,602,814
<b>Company</b>			
Short term investment	27,602,814	-	27,602,814
Trade and other receivables	26,220,215	26,220,215	-
Amount due from subsidiary companies	83,275,390	83,275,390	-
Cash and cash equivalents	18,983,037	18,983,037	-
	156,081,456	128,478,642	27,602,814
<b>Financial Liabilities</b>			
<b>Group</b>			
Trade and other payables	(93,950,586)	(93,950,586)	-
Loans and borrowings	(157,925,854)	(157,925,854)	-
	(251,876,440)	(251,876,440)	-
<b>Company</b>			
Trade and other payables	(37,799,069)	(37,799,069)	-
Amount due to subsidiary companies	(8,504,854)	(8,504,854)	-
Loans and borrowings	(70,639,594)	(70,639,594)	-
	(116,943,517)	(116,943,517)	-

# Notes to the Financial Statements

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## 40. FINANCIAL INSTRUMENTS (cont'd)

### Determination of fair values

#### (a) Financial instruments carried at amortised cost

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

		Group		Company	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
<b>31 March 2017</b>					
<b>Financial assets</b>					
Quoted shares in Malaysia	5	1,075	3,480 <sup>+</sup>	395	1,740 <sup>+</sup>
Due from subsidiary companies	12	-	-	84,032,467	*
Due from an associate company	13	10,257	-	3,317	-
<b>Financial liabilities</b>					
Due to subsidiary companies	23	-	-	4,646,056	*
Due to an associate company	13	94,958	-	-	-
Term loans	19	35,613,468	35,654,953	19,531,727	19,531,727
Finance lease liabilities	24	20,547,793	20,457,649	7,382,602	7,369,213
		56,161,261	56,112,602	31,560,385	26,900,940

# Notes to the Financial Statements

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## 40. FINANCIAL INSTRUMENTS (cont'd)

### Determination of fair values (cont'd)

#### (a) Financial instruments carried at amortised cost (cont'd)

		Group		Company	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
<b>31 March 2016</b>					
<b>Financial assets</b>					
Quoted shares in Malaysia	5	1,075	2,912 <sup>+</sup>	395	1,456 <sup>+</sup>
Due from subsidiary companies	12	-	-	83,275,390	*
<b>Financial liabilities</b>					
Due to subsidiary companies	23	-	-	8,504,854	*
Term loans	19	25,738,293	25,919,283	4,224,326	4,366,221
Finance lease liabilities	24	19,807,679	19,906,236	6,874,162	6,868,396
		45,545,972	45,825,519	19,603,342	11,234,617

<sup>+</sup> Market value as at financial year end

<sup>\*</sup> It is not practical to estimate the fair values of amounts due from/(to) subsidiary companies and associate company due principally to a lack of fixed repayment terms entered into by the parties involved.

No disclosure is made for unquoted shares because of lack of market information and the assumptions used in valuation models to value these investments cannot be reasonably determined.

# Notes to the Financial Statements

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## 40. FINANCIAL INSTRUMENTS (cont'd)

### Determination of fair values (cont'd)

#### (a) Financial instruments carried at amortised cost (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 of trade receivables and payables subject to normal trade credit terms approximate fair values.

The carrying amounts of cash and cash equivalents, other receivables/payables and short term borrowings approximate 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 reporting 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.

# Notes to the Financial Statements

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## 40. FINANCIAL INSTRUMENTS (cont'd)

### (b) Financial instruments carried at fair value

The following table shows an analysis of the financial instruments carried at fair value by level of fair value hierarchy:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>Group</b>				
<b>As at 31 March 2017</b>				
Financial assets:				
Investment properties	-	1,700,000	-	1,700,000
Quoted investment	202,000	-	-	202,000
Marketable securities	1,522,355	-	-	1,522,355
<b>Group</b>				
<b>As at 31 March 2016</b>				
Financial assets:				
Investment properties	-	2,000,000	-	2,000,000
Marketable securities	27,602,814	-	-	27,602,814
<b>Company</b>				
<b>As at 31 March 2017</b>				
Financial assets:				
Quoted investment	202,000	-	-	202,000
<b>Company</b>				
<b>As at 31 March 2016</b>				
Financial assets:				
Marketable securities	27,602,814	-	-	27,602,814

# Notes to the Financial Statements

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31 March 2017

## 40. FINANCIAL INSTRUMENTS (cont'd)

### (b) Financial instruments carried at fair value (cont'd)

The fair value measurement hierarchies used to measure financial assets carried at fair value in the statements of financial position as at 31 March 2017 are as follows:

- (i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);
- (iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unabsorbed inputs).

The Group and the Company do not have any financial liabilities carried at fair value nor any instruments classified as Level 1, Level 2 and Level 3 as at 31 March 2017.

## 41. CAPITAL MANAGEMENT

The Group's primary objective in managing its capital is to maximise the Group's value by optimising its capital structure and enhancing capital efficiency while maintaining a sufficient level of liquidity. The Group targets a capital structure of an optimal mix of debts and equity in order to achieve an efficient cost of capital while maintaining financial flexibility for its business requirement and investing for future growth. The Group regularly reviews and manage its capital structure in accordance to the changes in economic conditions and its future business plan.

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Total loans and borrowings (Note 19)	<b>156,780,815</b>	157,925,854	<b>74,658,063</b>	70,639,594
Less : Cash and bank balances (Note 15)	<b>(7,502,408)</b>	(23,111,467)	<b>(3,812,961)</b>	(18,983,037)
Net debt	<b>149,278,407</b>	134,814,387	<b>70,845,102</b>	51,656,557
Total equity	<b>276,046,636</b>	241,984,536	<b>205,385,969</b>	186,968,841
Debt-to-equity ratio	<b>0.54</b>	0.56	<b>0.34</b>	0.28

The Group did not breach any gearing requirements during the financial years ended 31 March 2017 and 31 March 2016.

No changes were made in the objectives, policies or processes in regards to the Group's management of its capital structure during the year ended 31 March 2017 and 31 March 2016.

# Notes to the Financial Statements

31 March 2017

## 42. CONTINGENCIES

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economics benefits will be required or the amount is not capable of reliable measurement.

A subsidiary company is defending an action brought by a transporter. A full trial was carried out and the Honorable Judge from the Shah Alam High Court has on 27 April 2016 delivered the decision to allow the Plaintiff's claim amounting to RM3.7 million in total. Based on legal advice, the subsidiary company has filed a Notice of Appeal on 23 May 2016 to appeal against the decision of the High Court. As a provision of RM1.7 million had been made for the amount claimed in the previous financial year, the Directors do not expect the outcome of the action to have a material impact on the Group's financial position.

Based on the advice of the legal counsel, Lay Hong Food has filed a Memorandum of Appeal on 14 July 2016 to appeal against the decision of the High Court and hearing was held on 17 January 2017.

The Court of Appeal has on the above date allowed Lay Hong Food as follows:- 1) Tiong Nam Logistics was ordered to refund to Lay Hong Food the sum of RM2,626,426.61 together with the interest thereon at 5% p.a from 7 June 2016 until the date of settlement. 2) Tiong Nam Logistics was ordered to pay RM20,000.00 as costs to the company.

There is no material financial effect to the Group as the amount claimed of RM1,596,574.89 by Tiong Nam Logistics had been provided for in the Audited Financial Statements for the financial year ended 31 March 2015. In addition, there is no operational impact to the Company and the Group.

On 15<sup>th</sup> February 2017 Tiong Nam Logistics has filed a notice of motion for leave.

## 43. SIGNIFICANT EVENTS

On 15 May 2016, a retail supermarket store of a subsidiary company located in Ranau, Sabah was destroyed by fire. The total loss made up of assets and inventories amounting to RM806,501 and RM2,086,737 respectively. The subsidiary company had on 12 October 2016 received a claim for assests and inventories destroyed during fire amounting to RM272,825 and RM1,981,734 respectively from the insurance company.

## 44. SUBSEQUENT EVENTS

On 8 May 2017, the Company announced that it has entered into a Shares Sale Agreement with PanPages Berhad to dispose of 11,400,000 ordinary shares representing 30% equity interest in G-Mart Borneo Retail Sdn Bhd for a total cash consideration of RM10,750,000. The Proposed Disposal has been completed on 20 June 2017 on receipt of full payment of the remaining balance sum amounting to RM9,750,000.00 from Panpages Berhad.

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## 45. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

The breakdown of the retained earnings of the Group and of the Company as at 31 March 2017, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group RM	Company RM
Total retained earnings of the Company and its subsidiaries:		
- Realised	<b>136,893,987</b>	45,109,456
- Unrealised	<b>(34,991,628)</b>	(9,436,561)
Consolidation adjustments	<b>101,902,359</b> <b>(20,415,099)</b>	35,672,895 -
Retained earnings as per statement of financial position	<b>81,487,260</b>	35,672,895

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010. The disclosure of realised and unrealised profits is solely for complying with the disclosure requirements as stipulated by Bursa Malaysia and should not be applied for any other purpose.

# Analysis of Shareholdings

As at 30 June 2017

Issued & Fully Paid-up Capital : RM121,750,000 divided into 608,750,000 ordinary shares  
 Class of Shares : Ordinary Shares  
 Voting Rights : One vote per ordinary share

## THIRTY LARGEST SECURITIES HOLDERS (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME PERSON)

NAME OF ACCOUNTS HOLDERS	NO. OF SHARE	(%)
1. MAYBANK SECURITIES NOMINEES (ASING) SDN BHD PLEGGED SECURITIES ACCOUNT FOR NH FOODS LTD	132,500,000	21.77
2. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD (001 THIRD PARTY)	65,000,000	10.68
3. RHB NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD	50,000,000	8.21
4. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD	47,400,000	7.79
5. KENANGA INVESTMENT BANK BERHAD IVT-(EDSP-OTC/ESH)	30,000,000	4.93
6. SMART WISDOM SDN BHD	21,944,000	3.60
7. TA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD	15,000,000	2.46
8. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR KON TEK YOONG	13,550,600	2.23
9. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR CHENG YING YING (CHE3060M)	11,628,090	1.91
10. MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD (MARGIN)	11,600,000	1.91
11. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR LIM SOON PENG	11,000,000	1.81
12. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR CHEOK KUANG YI	10,616,000	1.74
13. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR TAN CHONG SWEE	10,255,000	1.68
14. CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	10,000,000	1.64
15. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR PRIMAL CASH SDN BHD	9,317,200	1.53
16. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR CHENG YING YING (6000665)	8,000,000	1.31
17. MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR KON TEK YOONG	7,436,200	1.22
18. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR YAP HOONG CHAI (YAP2110M)	6,000,000	0.99

# Analysis of Shareholdings

As at 30 June 2017

NAME OF ACCOUNTS HOLDERS	NO. OF SHARE	(%)
19. CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHIN BOON LONG (MY2296)	5,005,000	0.82
20. KENANGA NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GREEN PACKET HOLDINGS LTD	4,500,000	0.74
21. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP CHOR HOW (YAP2107M)	4,248,000	0.70
22. BEH YONG HOCK	3,718,700	0.61
23. MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHONG SWEE	3,606,800	0.59
24. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SYED MOHD YUSOF BIN TUN SYED NASIR	3,500,000	0.57
25. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD HDM CAPITAL SDN BHD FOR EXTREME LIFESTYLE (M) SDN BHD	3,241,000	0.53
26. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH LEE YIN	3,105,000	0.51
27. YEN LAI PENG	3,000,000	0.49
28. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOO SWEE WENG	2,480,100	0.41
29. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP SHOR YEE	2,394,000	0.39
30. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH YONG HUAT	2,329,000	0.38
<b>TOTAL</b>	<b>512,374,690</b>	<b>84.15</b>

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF HOLDERS	%
1-99 (*)	123	6.50	3,090	0.00
100 - 1,000	235	12.41	154,070	0.03
1,001 - 10,000	746	39.41	4,498,220	0.74
10,001 - 100,000	642	33.91	20,820,830	3.42
100,001 - 30,437,499 (**)	143	7.55	288,373,790	47.37
30,437,500 AND ABOVE (***)	4	0.21	294,900,000	48.44
<b>TOTAL</b>	<b>1,893</b>	<b>100</b>	<b>608,750,000</b>	<b>100</b>

Remark : \* less than 0.01%

: \*\* less than 5% of issued holdings

: \*\*\* 5% and above of issued holdings

# Analysis of Shareholdings

As at 30 June 2017

## LIST OF SUBSTANTIAL SHAREHOLDERS

NAME OF SUBSTANTIAL SHAREHOLDER	NO. OF SHARES HELD			
	DIRECT NO. OF SHARES HELD	%	INDIRECT NO. OF SHARES HELD	%
1. Innofarm Sdn Bhd	189,000,000	31.05	-	-
2. NH Foods Ltd	132,500,000	21.77	-	-

## LIST OF DIRECTORS' SHAREHOLDINGS

NAME OF DIRECTOR	NO. OF SHARES HELD			
	DIRECT NO. OF SHARES HELD	%	INDIRECT NO. OF SHARES HELD	%
1. Yap Hoong Chai	6,000,000	0.99	215,137,660	35.33(*)
2. Yap Chor How	4,597,000	0.76	-	-
3. Yeap Weng Hong	4,072,000	0.67	-	-
4. Ng Kim Tian	-	-	-	-
5. Yeap Fock Hoong	120,000	0.02	-	-
6. Hideki Fujii	-	-	-	-
7. Ryuichi Nitta (Alternate to Hideki Fujii)	-	-	-	-
8. Gan Lian Peng	-	-	-	-
9. Tan Ooi Jin	-	-	-	-
10. Tan Chee Hau	-	-	-	-

Remark : (\*) Deemed interested in 26,137,660 shares held by his spouse, children, siblings and spouse of sibling and 189,000,000 shares by virtue of Innofarm Sdn Bhd which holds 31.05% equity interest in Lay Hong Berhad.

# Analysis of Warrant Holdings

As at 30 June 2017

No. of Warrant	:	304,375,000
Exercise Price of Warrants	:	RM0.40
Exercise Period of Warrants	:	14 October 2016 to 13 October 2021
Voting Rights in the Meeting of Warrant Holders	:	One vote per warrant holder on a show of hands One vote per warrant on a poll
No. of Warrant Holders	:	891

## THIRTY LARGEST SECURITIES HOLDERS (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME PERSON)

NAME OF ACCOUNTS HOLDERS	NO. OF WARRANTS	(%)
1. MAYBANK SECURITIES NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NH FOODS LTD	66,250,000	21.77
2. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD (001 THIRD PARTY)	32,500,000	10.68
3. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD	23,700,000	7.79
4. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD (6000830)	20,000,000	6.57
5. MARINA TEGUH SDN BHD	19,718,800	6.48
6. KENANGA NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GREEN PACKET HOLDINGS LTD	19,335,000	6.35
7. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHONG SWEE	11,750,000	3.86
8. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG LOONG MEN	8,601,500	2.83
9. TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD	7,500,000	2.46
10. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHENG YING YING (CHE3060M)	5,814,045	1.91
11. MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD (MARGIN)	5,800,000	1.91
12. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SOON PENG	5,500,000	1.81
13. RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD	5,000,000	1.64
14. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ENG MOK HOCK (08E00033Q-008)	4,330,400	1.42
15. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PRIMAL CASH SDN BHD	4,170,000	1.37
16. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHENG YING YING (6000665)	4,000,000	1.31
17. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOY SEN @ CHIN KIM SANG	3,992,200	1.31

# Analysis of Warrant Holdings

As at 30 June 2017

NAME OF ACCOUNTS HOLDERS	NO. OF WARRANTS	(%)
18. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR YONG MONG HUAY	3,175,000	1.04
19. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR ANG LIN CHU	3,041,500	1.00
20. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR YAP HOONG CHAI (YAP2110M)	3,000,000	0.99
21. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR YAP CHOR HOW (YAP2107M)	2,124,000	0.70
22. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR LIN PEI WEN	2,120,900	0.70
23. BEH YONG HOCK	1,954,600	0.64
24. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR SYED MOHD YUSOF BIN TUN SYED NASIR	1,750,000	0.57
25. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR LIM BEE WAN	1,621,000	0.53
26. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD HDM CAPITAL SDN BHD FOR EXTREME LIFESTYLE (M) SDN BHD	1,620,500	0.53
27. YEN LAI PENG	1,520,000	0.50
28. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR YAP SHOR YEE	1,197,000	0.39
29. LIM YOKE SIM	1,150,500	0.38
30. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR KOMBINASI EMAS SDN BHD	1,101,500	0.36
<b>TOTAL</b>	<b>273,338,445</b>	<b>89.80</b>

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF HOLDERS	%
1-99 (*)	135	15.15	2,945	0.00
100 - 1,000	72	8.08	32,900	0.01
1,001 - 10,000	317	35.58	2,126,240	0.70
10,001 - 100,000	291	32.66	8,498,770	2.79
100,001 - 15,218,749 (**)	70	7.86	112,210,345	36.87
15,218,750 AND ABOVE (***)	6	0.67	181,503,800	59.63
<b>TOTAL</b>	<b>891</b>	<b>100</b>	<b>304,375,000</b>	<b>100</b>

Remark : \* less than 0.01%

: \*\* less than 5% of issued holdings

: \*\*\* 5% and above of issued holdings

# Analysis of Warrant Holdings

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As at 30 June 2017

## LIST OF DIRECTORS' WARRANT HOLDINGS

NAME OF DIRECTOR	NO. OF WARRANTS HELD		INDIRECT	
	DIRECT NO. OF WARRANTS HELD	%	NO. OF WARRANTS HELD	%
1. Yap Hoong Chai	3,000,000	0.99	107,654,830	35.36(*)
2. Yap Chor How	2,298,500	0.76	-	-
3. Yeap Weng Hong	2,036,000	0.67	-	-
4. Ng Kim Tian	-	-	-	-
5. Yeap Fock Hoong	60,000	0.02	-	-
6. Hideki Fujii	-	-	-	-
7. Ryuichi Nitta (Alternate to Hideki Fujii)	-	-	-	-
8. Gan Lian Peng	-	-	-	-
9. Tan Ooi Jin	-	-	-	-
10. Tan Chee Hau	-	-	-	-

Remark : (\*) Deemed interested in 13,154,830 warrants held by his spouse, children, siblings and spouse of sibling and 94,500,000 warrants by virtue of Innofarm Sdn Bhd which holds 31.05% equity interest in Lay Hong Berhad.

# Properties Owned by Lay Hong Berhad Group of Companies

As at 31 March 2017

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV of (RM'000)	Date of Acquisition/ Revaluation
<b>SELANGOR</b>						
Lot No. 4857 Mukim of Jeram Kuala Selangor	Layer Farm & Feedmill	25	Freehold	1-33	8,941	1/3/2016
Lot No. 559 Mukim of Ijok Kuala Selangor	Vacant	34	Freehold	-	31,353	1/3/2016
Lot No. 1640 Mukim of Ijok Kuala Selangor	Breeder Farm & Hatchery	5	Freehold	1-25	1,970	1/3/2016
Lot No. 1954 Mukim of Jeram Kuala Selangor	Layer Farm	5	Freehold	15	3,852	1/3/2016
Lot No. 3095 Mukim of Jeram Kuala Selangor	Pullet Farm	5	Freehold	6-15	2,889	1/3/2016
Lot No. 1555 Mukim of Jeram Kuala Selangor	Layer Farm	6	Freehold	13	4,607	1/3/2016
Lot No. 1868 Mukim of Jeram Kuala Selangor	Layer Farm	5	Freehold	9-12	3,311	1/3/2016
No. 2, Level 10-12 Wisma Lay Hong Jalan Empayar Off Persiaran Sultan Ibrahim/KU1 41150 Klang	Office Building	31,212 sq. ft.	Freehold	8	12,107	1/3/2016
GM2040, Lot No. 1847 Mukim of Jeram Kuala Selangor	Layer Farm	5	Freehold	5-8	6,009	1/3/2016
GM1134, Lot No. 2809 Mukim of Jeram Kuala Selangor	Layer Farm	5	Freehold	1	6,824	29/5/2014 SPA date
GM1706, Lot No. 1822 Mukim of Jeram Kuala Selangor	Layer Farm WIP	5	Freehold	-	1,396	10/9/2015 SPA date

# Properties Owned by Lay Hong Berhad Group of Companies

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As at 31 March 2017

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV of (RM'000)	Date of Acquisition/ Revaluation
GM1318 Lot No. 1836 Mukim of Jeram Kuala Selangor	Vacant Land	3	Freehold	-	1,061	3/11/2016 SPA date
GM2999 Lot No. 1821 Mukim of Jeram Kuala Selangor	Vacant Land	5	Freehold	-	2,138	3/11/2016 SPA date
Lot Nos. 16468/69/70 & 16471 Mukim Tanjung Karang Kuala Selangor	Vacant Land	4	Leasehold	-	1,208	15/3/2016 SPA date
Lot Nos. 1632/3 Mukim of Ijok Kuala Selangor	Breeder Farm & Hatchery	10	Freehold	1-25	3,535	1/3/2016
Lot No. 807 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	7-22	1,668	1/3/2016
Lot No. 681 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	7-22	1,759	1/3/2016
Lot Nos. 708/9 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	10	Freehold	3-21	3,505	1/3/2016
Lot No. 969 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	1-20	4,628	1/3/2016
Lot Nos. 1475/6 Lot Nos. 253 & 244 Mukim Pasangan Kuala Selangor	Breeder Farm & Hatchery	19	Freehold	1-19	7,740	1/3/2016
Lot No. 1011 Mukim Pasangan Kuala Selangor	Vacant Land	3	Freehold	-	890	1/3/2016
Lot Nos. 16456/7 & 16486 Mukim Tanjong Karang Kuala Selangor	Processing Plant	3	Leasehold Nov 2080 (16456/7) July 2080 (16486)	1-13	4,940  -	1/3/2016

# Properties Owned by Lay Hong Berhad Group of Companies

As at 31 March 2017

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV of (RM'000)	Date of Acquisition/ Revaluation
Lot Nos. 16458/9 Mukim of Tanjung Karang Kuala Selangor	Processing Plant	2	Leasehold Aug 2080	1-3	5,898	1/3/2016
Lot Nos. 739/40 & 741 Mukim Api-Api Kuala Selangor	Breeder Farm	15	Freehold	1-14	11,026	1/3/2016
Lot Nos 832 & 841 Mukim Hujung Permatang Kuala Selangor	Broiler Farm WIP	10	Freehold	-	3,107	21/10/2016 8/11/2016 SPA date
No. 29, Jalan Perindustrian 5 Off Jalan Haji Abdul Manan Batu 5 1/2, Jalan Meru 41050 Klang Selangor	Manufacturing Liquid Egg Plant	1158 m2	Freehold	1-14	2,169	1/3/2016
Lot No. 16465 Mukim Tanjong Karang Kuala Selangor	Vacant Land	1	Leasehold Nov 2080	-	207	1/3/2016
<b>PERAK</b>						
Lot Nos. 2394/2554 Mukim Hulu Bernam Timor Batang Padang, Perak	Broiler Farm	9	Freehold	1-9	3,721	1/3/2016
Lot Nos. 2356/1677 Mukim Hulu Bernam Timor Batang Padang, Behrang	Broiler Farm	11	Freehold	1-6	6,314	1/3/2016
<b>MELAKA</b>						
Lot Nos. 1717/8/9 & 1720 Mukim of Ayer Panas Jasin, Melaka	Layer Farm & Fertiliser Plant & Building	40	Freehold	1-32	7,722	1/3/2016
<b>SABAH</b>						
CL No. 045169248 Kampung Indai Tuaran, Sabah	Broiler Farm	11	Leasehold Jan 2060	6-20	1,737	1/3/2016
NT No. 043171651 Kampung Serusup Tuaran, Sabah	Vacant Land	9	Leasehold June 2094	-	282	1/3/2016

# Properties Owned by Lay Hong Berhad Group of Companies

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As at 31 March 2017

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV of (RM'000)	Date of Acquisition/ Revaluation
CL No. 045115928 Tuaran, Sabah	Layer Farm	89	Leasehold Jan 2938	6-25	5,347	1/3/2016
CL No. 025308043 Papar, Sabah	Breeder Farm	19	Leasehold Jan 2063	9-19	4,128	1/3/2016
CL No. 025166714 Papar, Sabah	Vacant Land	19	Leasehold Jan 2056	-	1,190	1/3/2016
CL No. 025166705 Papar, Sabah	Vacant Land	20	Leasehold Jan 2056	-	1,247	1/3/2016
NT No. 043176030 Lubok Bagiang Tuaran, Sabah	Broiler Farm	6	Leasehold June 2094	20	1,454	1/3/2016
NT No. 043140905 Kampung Serusup Tuaran, Sabah	Broiler Farm	5	Leasehold Feb 2099	8-14	1,138	1/3/2016
NT No. 043140914 Kampung Lok Bagiang Tuaran, Sabah	Broiler Farm	3	Leasehold Aug 2098	8-14	618	1/3/2016
NT. No. 044018224 Tuaran, Sabah	Broiler Farm	4	Leasehold Jul 2031	8-14	867	1/3/2016
NT. No. 043197726 Kampung Serusup Tuaran, Sabah	Broiler Farm	5	Leasehold Jun 2038	20	1,258	1/3/2016
CL No. 015580104 (KKIP) Kota Kinabalu, Sabah	Corporate office & Feedmill	3	Leasehold Dec 2096	6-14	6,517	1/3/2016
NT. No. 043081625 Tamparuli, Sabah	Layer Farm	9	Leasehold Feb 2037	5	10,738	1/3/2016
CL No. 015083812 Tamparuli, Sabah	Vacant Land	4	Leasehold 2928	-	288	1/3/2016

# Properties Owned by Lay Hong Berhad Group of Companies

As at 31 March 2017

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV of (RM'000)	Date of Acquisition/ Revaluation
CL No. 045086600 Tamparuli, Sabah	Vacant Land	5	Leasehold 2938	-	360	1/3/2016
CL No. 015074352 Tamparuli, Sabah	Broiler Farm	7	Leasehold 2927	4	3,176	1/3/2016
NT No. 043198018 Kg Kiwatu, Sabah	Processing Plant	1	Leasehold 2038	12-14	1,873	1/3/2016
NT No. 04309843 Kg. Kauluan, Tamparuli	Vacant Land	0.2	Leasehold 2042	-	50	1/3/2016
NT No. 9549 Kg. Kauluan, Tamparuli	Vacant Land	0.2	Leasehold 2042	-	44	1/3/2016
CL No. 105400217 Kg. Kinabutan, Tawau	Broiler Farm	4	Long term leasehold	2-4	1,477	1/3/2016
NT No. 133049724 Kg. Linggawon, Keningau	Vacant Land	11	Leasehold 2043	-	660	1/3/2016
NT No. 043130114 Kg. Bubuk Tuaran	Vacant Land	6	Leasehold 2943	-	250	1/3/2016
CL No. 075320795 Jln Labuk, Miles 12 Sungai Manila, Sandakan	Processing Plant & farm	12	Longterm leasehold 2908	4-9	4,095	1/3/2016
NT No. 043096288 Kg Kauluan, Tamparuli	Vacant Land	7	Leasehold 2044	-	425	1/3/2016
CL No. 0152821038 Tamparuli	Vacant land	5	Leasehold 2062	-	421	1/3/2016

# Properties Owned by Lay Hong Berhad Group of Companies

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As at 31 March 2017

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV of (RM'000)	Date of Acquisition/ Revaluation
1 unit Shoplot Lot No S2, Rose Garden Plaza, Kinarut, Papar, Sabah	For rental income	2666 sq ft	Leasehold	1 yr 4 mths	850	1/3/2016
1 unit Shoplot Lot No S3, Rose Garden Plaza, Kinarut, Papar, Sabah	For rental income	2666 sq ft	Leasehold	1 yr 4 mths	850	1/3/2016
3 Storey Shoplots, Intermediate Lot No. 26, The Palm Square, Phase 2 Kinarut, Papar, Sabah	For rental income	3550 sq ft	Leasehold	9 months	1,020	2/10/2014 SPA date
3 Storey Shoplots, Intermediate Lot No. 25, The Palm Square, Phase 2 Kinarut, Papar, Sabah	For rental income	3770 sq ft	Leasehold	9 months	1,419	2/10/2014 SPA date
No 88, Moo 4, Kanjanawanich Road (Highway 4) Phangla Sub - District, Sadao District, Songkhla Province	Office building & warehouse	6.4	Freehold	2-21 yrs	3,915	14/5/2014

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT The Thirty-Third Annual General Meeting ("33<sup>rd</sup> AGM") of LAY HONG BERHAD will be held at The Ballroom III, Ground Floor, Premiere Hotel, Bandar Bukit Tinggi 1/KS6, Jalan Langat, 41200 Klang, Selangor Darul Ehsan on Thursday, 28 September 2017 at 11.30 a.m. for the following purposes:-**

## **ORDINARY BUSINESS**

1. To receive the Audited Financial Statements for the financial year ended 31 March 2017 together with the Reports of the Directors and Auditors thereon. **(Please refer to the Explanatory Note 7)**
2. To approve the payment of a Final Single Tier Dividend of 0.5 sen per ordinary share for the financial year ended 31 March 2017. **Ordinary Resolution 1**
3. To approve the payment of Directors' Fees of RM305,500.00 for the financial year ended 31 March 2017. **Ordinary Resolution 2**
4. To re-elect the following Directors who are retiring under Article 71 of the Company's Articles of Association:-
  - (i) Yeap Weng Hong **Ordinary Resolution 3**
  - (ii) Tan Ooi Jin **Ordinary Resolution 4**
  - (iii) Gan Lian Peng **Ordinary Resolution 5**
5. To re-elect Mr Tan Chee Hau who is retiring under Article 72 of the Company's Articles of Association. **Ordinary Resolution 6**
6. To re-appoint Messrs Ong Boon Bah & Co. as Auditors to hold office until the conclusion of the next Annual General Meeting ("AGM") of the Company at a remuneration to be fixed by the Directors. **Ordinary Resolution 7**

# Notice of Annual General Meeting

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## SPECIAL BUSINESS

To consider and, if thought fit, pass the following Ordinary Resolutions with or without modifications or amendments:-

7. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("Proposed Renewal of Existing Shareholders' Mandate")** **Ordinary Resolution 8**

"**THAT** pursuant to Paragraph 10.09 of the Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") approval be and is hereby given to the Company and/or its subsidiary companies ("Lay Hong Group") to enter into and give effect to specified Recurrent Related Party Transactions of a revenue or trading nature and with classes of those related parties as specified in Section 2.3(a) of the Circular to Shareholders dated 31 July 2017 subject further to the following:-

- i. 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 detrimental to the minority shareholders of the Company;
- ii. That the transactions are made on an arm's length basis and on normal commercial terms; and
- iii. That disclosure shall be made in the Annual Report of a breakdown of the aggregate value of all transactions conducted pursuant to the Proposed Renewal of Existing Shareholders' Mandate during the financial year, based on the following information:-
  - the type of the Recurrent Related Party Transactions made; and
  - the names of the Related Parties involved in each type of the Recurrent Related Party Transactions entered into and their relationships with the Company.
- iv. That such approvals shall only continue to be in force until:-
  - the conclusion of the next 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;
  - the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340 of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of Companies Act 2016); or
  - revoked or varied by resolution passed by the shareholders in general meeting;whichever is earlier.

**AND THAT** the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to this Ordinary Resolution."

# Notice of Annual General Meeting

## 8. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("Proposed New Shareholders' Mandate") Ordinary Resolution 9

"**THAT** pursuant to Paragraph 10.09 of the MMLR of Bursa Securities approval be and is hereby given to the Company and/or Lay Hong Group to enter into and give effect to specified Recurrent Related Party Transactions of a revenue or trading nature and with classes of those related parties as specified in Section 2.3(b) of the Circular to Shareholders dated 31 July 2017 subject further to the following:-

- i. 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 detrimental to the minority shareholders of the Company;
- ii. That the transactions are made on an arm's length basis and on normal commercial terms; and
- iii. That disclosure shall be made in the Annual Report of a breakdown of the aggregate value of all transactions conducted pursuant to the Proposed New Shareholders' Mandate during the financial year, based on the following information:-
  - the type of the Recurrent Related Party Transactions made; and
  - the names of the Related Parties involved in each type of the Recurrent Related Party Transactions entered into and their relationships with the Company.
- iv. That such approvals shall only continue to be in force until:-
  - the conclusion of the next 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;
  - the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340 of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of Companies Act 2016); or
  - revoked or varied by resolution passed by the shareholders in general meeting;

whichever is earlier.

**AND THAT** the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to this Ordinary Resolution."

# Notice of Annual General Meeting

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9. **Proposed Renewal of Authority for Directors to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** **Ordinary Resolution 10**

"**THAT** subject always to the Companies Act 2016, and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Companies Act 2016, 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 to be in force until the conclusion of the next AGM of the Company."

10. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and/or the Companies Act 2016.

**BY ORDER OF THE BOARD**

**LEE WEE HEE (MAICSA 0773340)**  
**WONG YUET CHYN (MAICSA 7047163)**  
Company Secretaries

Selangor Darul Ehsan  
Date: 31 July 2017

**NOTES**

1. Every member entitled to attend and vote at the Meeting is entitled to appoint a proxy or attorney (or in the case of a corporation, to appoint a representative) to attend and vote in his/her stead. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
2. A member may appoint up to two (2) proxies to attend the same meeting provided that he specifies the proportion of his shareholding to be represented by each proxy.
3. The instrument appointing a proxy will not be treated as valid unless the instrument and the power of attorney or other authority (if any) under which the instrument is signed or a notarially certified copy of that power or authority, is or are deposited at the registered office of the Company at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.

# Notice of Annual General Meeting

4. Where a member is an exempt authorised nominee which holds ordinary shares on the Company for multiple beneficial owners in one securities account ("Omnibus Account") there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. In respect of deposited securities, only members whose names appear on the Record of Depositors on 20 September 2017, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all resolutions set out in this Notice will be put to vote by way of poll.

## EXPLANATORY NOTES ON ORDINARY BUSINESS

7. The audited financial statements are laid in accordance with Section 340(1) (a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.
8. **Notice of Dividend Entitlement and Payment**

**Notice is also hereby given that** subject to the approval of the shareholders at the forthcoming 33<sup>rd</sup> AGM, a Final Single Tier Dividend of 0.5 sen per ordinary share will be paid on 8 November 2017 to the shareholders whose names appear in the Record of Depositors at the close of business on 17 October 2017.

A depositor shall qualify for entitlement only in respect of:-

- a) shares transferred to the Depositors' Securities Account before 4.00 p.m. on 17 October 2017 in respect of ordinary transfers; and
- b) shares bought on Bursa Securities on a cum entitlement basis according to the Paragraphs of Bursa Securities.

## EXPLANATORY NOTES ON SPECIAL BUSINESS

9. **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions**

The proposed Resolution 8, if passed, will authorize 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 AGM of the Company. Please refer to the Section 2.3(a) of the Circular to Shareholders dated 31 July 2017, which is dispatched together with the Company's Annual Report 2017, for more information.

# Notice of Annual General Meeting

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## 10. **Proposed New Shareholders' Mandate for Recurrent Related Party Transactions**

The Proposed Resolution 9, if passed, will allow the Company and/or Lay Hong Group to enter into a new Recurrent Related Party Transactions of a revenue or trading nature with related parties in compliance with the MMLR of Bursa Securities. Please refer to the Section 2.3(b) of the Circular to Shareholders dated 31 July 2017, which is dispatched together with the Company's Annual Report 2017, for more information.

## 11. **Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016**

The proposed Resolution 10, is proposed for the purpose of granting a renewed general mandate for issuance of shares by the Company under Sections 75 and 76 of the Companies Act 2016. The Ordinary Resolution 10, if passed, will give the Directors of the Company authority to issue ordinary shares in the Company at any time in their absolute discretion without convening a General Meeting. The authorisation, unless revoked or varied by the Company at a General Meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no shares had been issued and allotted since the general mandate granted to the Directors at the last AGM held on 28 September 2016 and this authority will lapse at the conclusion of the 33<sup>rd</sup> AGM of the Company.

The general mandate if granted will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s).

# Statement Accompanying Notice of AGM

Pursuant to Paragraph 8.27 of the Main Market Listing Requirements of Bursa Securities ("MMLR")

**1. Details of individuals who are standing for election as Directors (excluding Directors standing for re-election)**

No individual is seeking election as a Director at the 33<sup>rd</sup> AGM of the Company.

**2. General mandate for issue of securities in accordance with Paragraph 6.03(3) of MMLR**

The details of the proposed authority for Directors of the Company to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 11 of the Notice of AGM.

# Form of Proxy

I/We \_\_\_\_\_ (NRIC No./Co. No./Passport No. \_\_\_\_\_)  
of \_\_\_\_\_ (FULL NAME IN BLOCK LETTERS)  
of \_\_\_\_\_ (ADDRESS)  
being a member/members of **LAY HONG BERHAD (107129-H)**, hereby appoint \_\_\_\_\_  
(Passport No./NRIC No. \_\_\_\_\_)  
of \_\_\_\_\_ (FULL NAME IN BLOCK LETTERS)  
of \_\_\_\_\_ (ADDRESS)  
or failing him \_\_\_\_\_ (Passport No./NRIC No. \_\_\_\_\_)  
of \_\_\_\_\_ (FULL NAME IN BLOCK LETTERS)  
of \_\_\_\_\_ (ADDRESS)

As my/our proxy to vote for me/us on my/our behalf at the Thirty-Third Annual General Meeting ("33<sup>rd</sup> AGM") of the Company to be held at The Ballroom III, Ground Floor, Premiere Hotel, Bandar Bukit Tinggi 1/KS6, Jalan Langat, 41200 Klang, Selangor Darul Ehsan on Thursday, 28 September 2017 at 11.30 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:

ORDINARY RESOLUTION		FOR	AGAINST
1.	Payment of Final Single Tier Dividend		
2.	Payment of Directors' Fees		
3.	Re-election of Mr Yeap Weng Hong		
4.	Re-election of Mr Tan Ooi Jin		
5.	Re-election of Mr Gan Lian Peng		
6.	Re-election of Mr Tan Chee Hau		
7.	Re-appointment of Auditors.		
8.	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions.		
9.	Proposed New Shareholders' Mandate for Recurrent Related Party Transactions		
10.	Authority to Issue Shares Pursuant to Sections 75 & 76 of The Companies Act 2016.		

(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.)

(Where two (2) proxies are appointed, please indicate below the proportion of your shareholdings to be represented by each proxy. In case of a vote taken by show of hands, the First Named Proxy shall vote on your behalf).

First named proxy %  
Second named proxy % .....  
100%

Signature of Shareholder Or  
Common Seal of Corporate Shareholder

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017

## MEMBERS ENTITLED TO ATTEND

For purpose of determining a member who shall be entitled to attend the Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 52(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 20 September 2017. Only a depositor whose name appears on the General Meeting Record of Depositors as at 20 September 2017 shall be entitled to attend the said meeting or appoint a proxy(ies) to attend and vote on such depositor's behalf.

## NOTES

- Every member entitled to attend and vote at the Meeting is entitled to appoint a proxy or attorney (or in the case of a corporation, to appoint a representative) to attend and vote in his/her stead. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
- A member may appoint up to two (2) proxies to attend the same meeting provided that he specifies the proportion of his shareholding to be represented by each proxy.
- The instrument appointing a proxy will not be treated as valid unless the instrument and the power of attorney or other authority (if any) under which the instrument is signed or a notarially certified copy of that power or authority, is or are deposited at the registered office of the Company at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.
- Where a member is an exempt authorised nominee which holds ordinary shares on the Company for multiple beneficial owners in one securities account ("Omnibus Account") there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- In respect of deposited securities, only members whose names appear on the Record of Depositors on 20 September 2017, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

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STAMP

The Company Secretaries  
**LAY HONG BERHAD**  
No. 2-1, Jalan Sri Hartamas 8,  
Sri Hartamas,  
50480 Kuala Lumpur

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[www.layhong.com.my](http://www.layhong.com.my)



**LAY HONG  
BERHAD**

(107129-H) Incorporated in Malaysia

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