

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

**NOTES TO INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30/6/2004**

**1. Accounting policies**

The interim financial statements have been prepared in accordance with MASB No 26 issued by the Malaysian Accounting Standards Board ("MASB") and the Revised Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB")

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2004. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2004.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with the most recent audited annual financial report.

**2. Audit report of preceding annual financial report**

The audit report of the preceding annual financial report for the year ended 31 March 2004 was not subjected to any qualification.

**3. Seasonal/ cyclical factors**

The Group's business operations were not affected by any seasonal and cyclical factors.

**4. Nature and amount of unusual items**

There were no unusual items in the quarterly financial statement under review.

**5. Change in accounting estimates**

There were no changes in accounting estimates used in the preparation of the interim financial statements in the current financial quarter as compared with the previous financial quarters or previous financial year.

**6. Debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the current financial quarter and financial year ended 31 March 2005.

**7. Dividend paid**

There was no dividend paid in this current financial quarter.

## **8. Segmental reporting**

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

## **9. Valuations of property, plant and equipment**

The valuations of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

## **10. Subsequent events**

In July 2004, the company's subsidiary Sri Tawau Farming Sdn. Bhd. (STFSB) invested livestock valued at RM600,000 as consideration in kind for 600,000 ordinary shares of RM1 each fully paid in an associate company, Evergrowth Poultry Farm (KK) Sdn. Bhd. (EPKKS).

## **11. Changes in the composition of the Group**

Apart for note 10 above, there were no changes in the composition of the Group which includes business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing of operations for the current financial quarter and financial year ended 31 March 2005.

## **12. Contingent liabilities or contingent assets**

Corporate guarantee issued to financial institutions as at 30 June 2004 for credit facilities secured by subsidiaries amounted to RM23.830 million.

## **13. Review of performance**

The group recorded revenue of RM34.580 million and a pre-tax loss of RM1.798 million for the current quarter ended 30 June 2004 compared with RM26.787 million and a pre-tax profit of RM0.080 million respectively for the previous corresponding quarter.

The improvement in revenue was attributed to the increase in the quantity of eggs and broilers sold. However, the higher cost of raw materials resulted in a pre-tax loss.

## **14. Comparison with immediate preceding quarter's results**

The group recorded revenue of RM34.580 million and a pre-tax loss of RM1.798 million for the current quarter ended 30 June 2004 compared with RM34.212 million and RM4.495 million respectively recorded in the immediate preceding quarter. The results of the two periods are not comparable due to the provision of bad and doubtful debts totaling to RM1.655 million in the immediate preceding quarter.

## 15. Current year prospects

The new broiler processing plant equipped with the state-of-art air chilled technology located in Sg Tengkorak has commenced operation in August 2004.

The worldwide prices of corn and soya bean which are main ingredients of poultry feed has eased. With this favourable development, the poultry industry outlook is more stable. Barring any unforeseen circumstances, the board is looking towards an improved performance for the group in the current year.

## 16. Profit forecast / profit guarantee

Not applicable

## 17. Taxation

	<b>Current quarter RM'000</b>	<b>Year to-date RM'000</b>
Provision for Taxation	0	0
Transfer to Deferred Taxation	522	522
	522	522

There was no provision for tax required for the current financial quarter and financial year ended 31 March 2005 as the Group has sufficient capital allowances, unutilized reinvestment allowances and unabsorbed tax losses.

## 18. Sale of unquoted investments / properties

There were no sales of unquoted investments and/or properties for the current financial quarter and financial year ended 31 March 2005.

## 19. Quoted securities

There were no sales of investment in quoted securities during the current financial quarter ended 30 June 2004.

a) Investment in quoted securities as at 30 June 2004

	RM'000
At cost	<u>292</u>
At book value	<u>292</u>
Market value as at 30 June 2004	<u>585</u>

## 20. Status of Corporate Proposals

Not applicable

## 21. Group borrowings and debt securities

The Group's borrowings as at 30 June 2004 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term			
Overdraft	2,860	3,400	6,260
Banker Acceptance	11,243	17,156	28,399
Hire Purchase	3,121	-	3,121
Term Loan	2,808	198	3,006
Total	<u>20,032</u>	<u>20,754</u>	<u>40,786</u>
Long Term			
Hire Purchase	3,451	0	3,451
Term Loan	25,085	2,820	27,905
Total	<u>28,536</u>	<u>2,820</u>	<u>31,356</u>
Grand Total	<u>48,568</u>	<u>23,574</u>	<u>72,142</u>

## 22. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk at the date of this quarterly report.

## 23. Material litigation

There were no pending material litigations against the Group as at the date of this report.

## **24. Dividend**

The board does not recommend any interim dividend for the current financial quarter and financial year ended 31 March 2005 (previous corresponding periods: nil)

## **25. Earnings per share**

The basic earnings per share for the current financial quarter and financial year ended 31 March 2005 were computed by dividing the net profit for the respective periods by the number of ordinary shares in issue during the year of 42,000,000 ( 2004 : 42,000,000 ).

By Order of the Board  
LAY HONG BERHAD

LIM KING HUA – ACIS  
Company Secretary ( MAICSA 0798613 )

Klang  
**30 August 2004**