

LAY HONG BERHAD (107129-H)
Incorporated in Malaysia

NOTES TO INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31/12/2004

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

There were no material events subsequent to 31 December 2004 that have not been reflected in the interim financial statements for the period ended 31 December 2004.

11. Changes in the composition of the Group

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 31 December 2004 for credit facilities secured by subsidiaries amounted to RM37.856 million.

13. Review of performance

The group recorded revenue of RM40.399 million and a pre-tax loss of RM3.910 million for the current quarter ended 31 December 2004 compared with RM32.333 million and a pre-tax profit of RM0.216 million respectively for the previous corresponding quarter.

The improvement in revenue was attributed to the additional sales derived from the completion of the new breeder farm in Bukit Rotan and higher quantity of broiler/processed chicken sold.

The pre-tax loss for the quarter was primarily due to the depressed prices of poultry products and the inclusion for the first time the start-up cost of the new operating unit, Lay Hong Poultry Processing Sdn Bhd. The advertising and promotional expenditure incurred to create awareness of the new air-chilled chicken has also contributed to the effect.

14. Comparison with immediate preceding quarter's results

The group recorded revenue of RM40.399 million and a pre-tax loss of RM3.910 million for the current quarter ended 31 December 2004 compared with RM46.176 million and RM1.964 million respectively recorded in the immediate preceding quarter. The higher pre-tax loss recorded was attributed to the same reason as above note 13.

15. Current year prospects

The prices of eggs and broilers have been on an upward trend since late December 2004 and your board is of the opinion that this will continue due to the festive season and the Government curb on imports and smuggling activities. With this favourable development, your board expects an improvement for the coming quarter.

16. Profit forecast / profit guarantee

Not applicable

17. Taxation

	Current quarter RM'000	Year to-date RM'000
Provision for Taxation	0	0
Transfer to Deferred Taxation	1,350	2,603
	<u>1,350</u>	<u>2,603</u>

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

The Group sold certain of its investment in quoted securities during the last financial quarter and financial year ended 31 March 2005.

a) The sale proceeds, purchase consideration and results arising from the disposal :-

	Current quarter RM'000	Year to-date RM'000
Sales proceeds	0	590
Purchase consideration	0	(286)
Gain on disposal	0	304

Other than the above, there was neither purchase nor other disposal of quoted securities for the quarter and financial year ended 31 March 2005.

a) Investment in quoted securities as at 31 December 2004

	RM'000
At cost	<u>6</u>
At book value	<u>6</u>
Market value as at 31 December 2004	<u>1</u>

20. Status of Corporate Proposals

Not applicable

21. Group borrowings and debt securities

The Group's borrowings as at 31 December 2004 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term			
Overdraft	2,719	3,400	6,119
Banker Acceptance	13,284	19,119	32,403
Hire Purchase	3,550	-	3,550
Term Loan	3,731	364	4,095
Total	<u>23,284</u>	<u>22,883</u>	<u>46,167</u>
Long Term			
Hire Purchase	5,798	-	5,798
Term Loan	31,969	3,188	35,157
Total	<u>37,767</u>	<u>3,188</u>	<u>40,955</u>
Grand Total	<u>61,051</u>	<u>26,071</u>	<u>87,122</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
25 February 2005