

LAY HONG BERHAD (107129-H)
Incorporated in Malaysia

NOTES TO INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30/06/2005

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 2005. 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 2005.

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 2005 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

On 26th July, 2005, the company acquired 392,000 ordinary shares of RM1/- each in Innobrid Marketing Sdn Bhd, a company incorporated in Malaysia, from its minority shareholders for a total consideration of RM4/- (Ringgit Malaysia Four only). With this acquisition, the company now effectively owned 62.25% of the same.

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 2006.

12. Contingent liabilities or contingent assets

Corporate guarantee issued to financial institutions as at 30 June 2005 for credit facilities secured by subsidiaries amounted to RM 41.447million.

13. Review of performance

Group revenue increased by RM26.479 million or 76.57% i.e. from RM34.580 million in the corresponding quarter to RM61.059 million in the current quarter under review. Profit before tax for the current quarter had recorded a significant turnaround from a loss of RM1.798 million recorded in the previous corresponding quarter to a profit before tax of RM5.063 million in the current quarter under review.

This turnaround was primarily due to the improvement in the prices of eggs and broilers plus the increase in the sales of poultry feed and broilers to third parties particularly in East Malaysia.

14. Comparison with immediate preceding quarter's results

The group recorded revenue of RM61.059 million and a pre-tax profit of RM5.063 million for the current quarter ended 30 June 2005 compared with RM54.593 million and a pre-tax profit of RM3.852 million in the immediate preceding quarter. The improved performance for this quarter was attributed to higher contribution from the broiler division plus the commencement of contribution from the newly set-up operations i.e. liquid egg and chicken processing plant.

15. Current year prospects

The prices of eggs and broilers are expected to maintain at current levels. Additionally, with the commencement of contribution from the newly set-up chicken processing plant and operation of liquid egg, plus the near completion of new layer farm in Jeram, the board is of the view that barring unforeseen circumstances the performance for the remaining quarters would continue to improve.

16. Profit forecast / profit guarantee

Not applicable

17. Taxation

	Current quarter RM'000	Year to-date RM'000
Provision for Taxation	33	33
Transfer (to)/ from Deferred Taxation	(1,392)	(1,392)
	<u>(1,425)</u>	<u>(1,425)</u>

The Group effective tax rate approximates the statutory tax rate.

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 2006.

19. Quoted securities

There were no sales of investment in quoted securities during the current financial quarter ended 30 June 2005.

a) Investment in quoted securities as at 30 June 2006

	RM'000
At cost	<u>6</u>
At book value	<u>1</u>
Market value as at 30 June 2005	<u>1</u>

20. Status of Corporate Proposals

Not applicable

21. Group borrowings and debt securities

The Group's borrowings as at 30 June 2005 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term			
Overdraft	1,605	1,374	2,979
Banker Acceptance	12,074	17,094	29,168
Hire Purchase	3,729	-	3,729
Term Loan	6,247	405	6,652
Total	<u>23,655</u>	<u>18,873</u>	<u>42,528</u>
Long Term			
Hire Purchase	6,330	-	6,330
Term Loan	32,148	2,976	35,124
Total	<u>38,478</u>	<u>2,976</u>	<u>41,454</u>
Grand Total	<u>62,133</u>	<u>21,849</u>	<u>83,982</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 (previous corresponding periods: nil).

25. Earnings per share

The basic earnings per share for the current financial quarter and financial year ended 31 March 2006 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 (2005 : 42,000,000).

By Order of the Board
LAY HONG BERHAD

LIM KING HUA – ACIS
Company Secretary (MAICSA 0798613)

Klang
22 Aug 2005