

LAY HONG BERHAD (107129-H)
Incorporated in Malaysia

NOTES TO INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31/12/2005

1. Accounting policies

The interim financial statements have been prepared in accordance with Financial Reporting Standard (FRS) 134 : Interim Financial Reporting (previously known as MASB 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 audited annual financial report for the year ended 31 March 2005.

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 the 9 months ended 31 December 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 events subsequent to 31 December 2005 that would materially affect the interim financial statement for the 9 months ended 31 December 2005.

11. Changes in the composition of the Group

There were no other changes in the composition of the Group for the current financial quarter except:

On 1 October 2005 two wholly-owned subsidiary companies have increased their issued and fully paid-up share capital as follows:-

- i) Lay Hong Poultry Processing Sdn Bhd from 1,000,000 ordinary shares of RM1 each fully paid to 4,000,000 ordinary shares of RM1 each fully paid
- ii) Eminent Farm Sdn Bhd from 100,000 ordinary shares of RM1 each fully paid to 1,000,000 ordinary shares of RM1 each fully paid

12. Contingent liabilities or contingent assets

Credit facilities amounting to RM 39.42 million granted to subsidiaries by financial institutions are secured by corporate guarantees from Lay Hong Berhad.

13. Review of performance

The group recorded revenue of RM53.041 million and a pre-tax profit of RM3.053 million for the current quarter ended 31 December 2005 compared with RM40.399 million and a pre-tax loss of RM3.910 million respectively for the previous corresponding quarter. The significant turnaround was mainly attributed to higher sales volume and improved selling prices of all the group's products namely eggs, live broilers, processed chickens and liquid egg.

14. Comparison with immediate preceding quarter's results

For the 3rd quarter ended 31 December, 2005, the group recorded a lower revenue of RM53.041 million compared to the immediate preceding quarter of RM62.001 million i.e. a reduction of RM8.960 million. Likewise, the pre-tax profit for the quarter under review had also reduced accordingly from RM5.110 million to RM3.053 million. The above reductions were attributed to the lower volume of sales generated coupled with lower selling prices of all the group's products.

15. Current year prospects

Barring unforeseen circumstances, the board remains cautiously optimistic that the group performance for the remaining quarter will continue to be profitable.

16. Profit forecast / profit guarantee

Not applicable

17. Taxation

	Current quarter RM'000	Year to-date RM'000
Income tax	873	2,111
Deferred tax	(10)	1,615
	<u>863</u>	<u>3,726</u>

The effective tax rate of the group for the current financial quarter equates to that of the statutory rate due to certain subsidiaries having exhausted its reinvestment and capital allowances.

18. Sale of unquoted investments / properties

During the current financial quarter a subsidiary company had disposed off a piece of vacant land situated in Tawau, Sabah. The details of transaction stated as below :

	Current quarter RM'000	Year to-date RM'000
Sales Proceed	150	150
Purchase consideration	(68)	(68)
Gain on disposal	82	82

Other than the above, there was no other disposal of unquoted investments/properties for the current quarter and cumulative quarter ended 31 December 2005.

19. Quoted securities

There were no sales of investment in quoted securities during the current financial quarter ended 31 December 2005.

a) Investment in quoted securities as at 31 December 2005

	RM'000
At cost	<u>6</u>
At book value	<u>1</u>
Market value as at 31 December 2005	<u>1</u>

20. Status of Corporate Proposals

Not applicable

21. Group borrowings and debt securities

The Group's borrowings as at 31 December 2005 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term			
Overdraft	3,009	1,056	4,065
Banker Acceptance	11,397	14,165	25,562
Hire Purchase	3,548	-	3,548
Term Loan	7,561	434	7,995
Total	<u>25,515</u>	<u>15,655</u>	<u>41,170</u>
Long Term			
Hire Purchase	5,189	-	5,189
Term Loan	29,370	2,759	32,129
Total	<u>34,559</u>	<u>2,759</u>	<u>37,318</u>
Grand Total	<u>60,074</u>	<u>18,414</u>	<u>78,488</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 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 cumulative quarter ended 31 December 2005 were computed by dividing the net profit for the respective periods by 42,000,000 (2005:42,000,000) ordinary shares in issue during those periods.

By Order of the Board
LAY HONG BERHAD

LIM KING HUA (f), ACIS
Company Secretary (MAICSA 0798613)

Klang
22 February 2006