

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

**NOTES TO INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31/03/2006**

**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 12 months ended 31 March 2006.

**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 March 2006 that would materially affect the interim financial statement for the 12 months ended 31 March 2006.

## **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.

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

Credit facilities amounting to RM38.3 million granted to subsidiaries by financial institutions are secured by corporate guarantees from Lay Hong Berhad.

## **13. Review of performance**

The outbreak of Avian Influenza H5N1 (AI) in Malaysia in February 2006 had severely affected the overall poultry industry. As a result of this AI, group turnover for the current quarter ended 31 March 2006 had reduced to RM50.496 million from RM54.593 million recorded in the previous corresponding quarter. Likewise, the profit of RM3.861 million dropped to pre-tax loss of RM2.990 million.

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

Similar to the reasons in item 13, for the 4<sup>th</sup> quarter ended 31 March 2006, group turnover was lower at RM50.496 million compared to the immediate preceding quarter of RM53.041 million. Likewise, the profit of RM3.053 million dropped to a pre-tax loss of RM2.990 million.

## 15. Current year prospects

To date, no new H5N1 cases have been detected by the government authorities and consumers' confidence has since returned to normal. Prices of poultry products have been rising steadily. Barring any unforeseen circumstances, the board is confident that the poultry demand and prices will return to the pre-crisis level soon.

## 16. Profit forecast / profit guarantee

Not applicable

## 17. Taxation

	<b>Current quarter RM'000</b>	<b>Year to-date RM'000</b>
Income tax	(1,948)	163
Deferred tax	1,302	2,917
	<u>(646)</u>	<u>3,080</u>

The effective tax rate of the group for the current financial quarter is lower than the statutory rate due to lower tax rate payable by certain subsidiary companies within the group.

## 18. Sale of unquoted investments / properties

The sales proceeds, purchase consideration and results arising from the disposal:

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

Other than the above, there was no other disposal of unquoted investments/properties for the current quarter and cumulative quarter ended 31 March 2006.

## 19. Quoted securities

There were no sales of investment in quoted securities during the current financial quarter ended 31 March 2006.

a) Investment in quoted securities as at 31 March 2006

	RM'000
At cost	<u>6</u>
At book value	<u>1</u>
Market value as at 31 March 2006	<u>1</u>

## 20. Status of Corporate Proposals

Not applicable

## 21. Group borrowings and debt securities

The Group's borrowings as at 31 March 2006 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term			
Overdraft	2,865	280	3,145
Banker Acceptance	11,260	15,476	26,736
Hire Purchase	3,222	-	3,222
Term Loan	7,925	435	8,360
Total	<u>25,272</u>	<u>16,191</u>	<u>41,463</u>
Long Term			
Hire Purchase	4,816	-	4,816
Term Loan	28,676	2,653	31,329
Total	<u>33,492</u>	<u>2,653</u>	<u>36,145</u>
Grand Total	<u>58,764</u>	<u>18,844</u>	<u>77,608</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 of directors has recommended a first and final dividend of 1 sen (less 28% tax) per share of RM1 each in respect of the financial year ended 31 March 2006 (previous corresponding periods : nil) subject to the shareholders' approval at the forthcoming Annual General Meeting. The entitlement date and payment date will be announced later.

## **25. Earnings per share**

The basic earnings per share for the current financial quarter and cumulative quarter ended 31 March 2006 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  
**30 May 2006**