



LAY HONG BERHAD (107129-H)
Incorporated in Malaysia

Condensed Consolidated Balance Sheet
as at 30 September 2006

| | As at 30 Sept 2006 Unaudited | As at 31 Mar 2006 Audited (restated) |
|--|------------------------------------|---|
| | RM' 000 | RM' 000 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 142,424 | 145,549 |
| Goodwill on consolidation | 1,919 | 1,919 |
| Other investments | 119 | 119 |
| Deferred tax assets | 11,495 | 10,344 |
| | 155,957 | 157,931 |
| Current assets | | |
| Inventories | 37,981 | 33,540 |
| Trade receivables | 28,541 | 25,272 |
| Other receivables | 3,202 | 2,344 |
| Cash and bank balances | 316 | 554 |
| | 70,040 | 61,710 |
| Total assets | 225,997 | 219,641 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the parent | | |
| Share capital | 42,000 | 42,000 |
| Reserves | 28,625 | 26,255 |
| | 70,625 | 68,255 |
| Minority interest | 6,686 | 7,146 |
| Total equity | 77,311 | 75,401 |
| Non-current liabilities | | |
| Long term borrowings | 31,947 | 36,146 |
| Long term payables | 507 | 1,024 |
| Due to corporate shareholders | 3,398 | 3,398 |
| Deferred tax liabilities | 21,704 | 20,069 |
| | 57,556 | 60,637 |
| Current liabilities | | |
| Short term borrowings | 49,973 | 41,463 |
| Trade payables | 31,776 | 29,537 |
| Other payables | 8,296 | 11,770 |
| Due to corporate shareholders | 566 | 833 |
| Taxation | 217 | - |
| Dividend payable | 302 | - |
| Total current liabilities | 91,130 | 83,603 |
| Total liabilities | 148,686 | 144,240 |
| Total equity and liabilities | 225,997 | 219,641 |

| | | |
|---|--------|--------|
| Net assets per share attributable to ordinary equity holders of the parent (RM) | 1.6815 | 1.6251 |
|---|--------|--------|

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to this interim financial statements.



LAY HONG BERHAD (107129-H)
Incorporated in Malaysia

Condensed Consolidated Income Statements
for the period ended 30 September 2006

| | 3 months ended | | 6 months ended | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 Sept 2006 Unaudited | 30 Sept 2005 Unaudited | 30 Sept 2006 Unaudited | 30 Sept 2005 Unaudited |
| | RM' 000 | RM' 000 | RM' 000 | RM' 000 |
| Revenue | 56,505 | 62,001 | 105,285 | 123,060 |
| Operating expenses | (54,091) | (55,836) | (99,725) | (111,124) |
| Other Income | 51 | 170 | 250 | 640 |
| Finance costs | (1,366) | (1,225) | (2,667) | (2,402) |
| Profit before tax | 1,099 | 5,110 | 3,143 | 10,174 |
| Income tax expense | (325) | (1,438) | (932) | (2,864) |
| Profit for the period | 774 | 3,672 | 2,211 | 7,310 |
| Attributable to: | | | | |
| Equity holders of the parent | 1,044 | 3,298 | 2,671 | 6,011 |
| Minority interest | (270) | 374 | (460) | 1,299 |
| | 774 | 3,672 | 2,211 | 7,310 |
| Earnings per share attributable to equity holders of the parent (sen): | | | | |
| Basic | 2.49 | 7.85 | 6.36 | 14.31 |
| Diluted | - | - | - | - |

The condensed consolidated income Statements should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to this interim financial statements.



LAY HONG BERHAD (107129-H)
Incorporated in Malaysia

Condensed Consolidated Statement of Changes in Equity
for the period ended 30 September 2006

| | Attributable to Equity Holders of the Parent | | | | Minority Interest | Total Equity |
|---|--|---------------------|------------------|---------|-------------------|--------------|
| | Share Capital | Revaluation Reserve | Retained Profits | Total | | |
| | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 |
| At 1 April 2006 | 42,000 | 11,888 | 14,000 | 67,888 | 7,146 | 75,034 |
| Effect of adopting FRS 3 | - | - | 368 | 368 | - | 368 |
| Transfer to distributable reserve on realisation of revaluation reserve | - | (159) | 159 | - | - | - |
| Profit/(loss) for the period | - | - | 2,671 | 2,671 | (460) | 2,211 |
| Dividend | - | - | (302) | (302) | - | (302) |
| At 30 September 2006 | 42,000 | 11,729 | 16,896 | 70,625 | 6,686 | 77,311 |
| At 1 April 2005 | 42,000 | 143 | 7,360 | 49,503 | 3,423 | 52,926 |
| Profit for the period | - | - | 6,011 | 6,011 | 1,299 | 7,310 |
| At 30 September 2005 | 42,000 | 143 | 13,371 | 55,514 | 4,722 | 60,236 |

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to the interim financial statements.



LAY HONG BERHAD (107129-H)
Incorporated in Malaysia

Condensed Consolidated Cash Flow Statement
for the period ended 30 September 2006

| | 6 months Ended 30 Sept 2006 Unaudited RM' 000 | 6 months Ended 30 Sept 2005 Unaudited RM' 000 |
|---|--|--|
| Net cash (used in)/generated from operating activities | (13,654) | 12,971 |
| Net cash generated from/(used in) investing activities | 10,397 | (12,192) |
| Net cash generated from/(used in) financing activities | 1,710 | (1,737) |
| Net decrease in cash and cash equivalents | (1,547) | (958) |
| Cash and cash equivalents at beginning of financial period | (2,591) | (3,750) |
| Cash and cash equivalents at end of financial period | (4,138) | (4,708) |
| | | |
| Cash and cash equivalents at the end of the financial period comprise the following: | | |
| Cash and bank balances | 316 | 1,041 |
| Bank overdrafts (included within the short term borrowings in Part B Note 9) | (4,454) | (5,749) |
| | (4,138) | (4,708) |
| | | |

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to this interim financial statements.



PART A : EXPLANATORY NOTES PURSUANT TO FRS 134₂₀₀₄

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134₂₀₀₄: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2006. 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 year ended 31 March 2006.

1.1 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2006 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2006:

| | |
|---------|---|
| FRS 2 | Share-based Payment |
| FRS 3 | Business Combinations |
| FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| FRS 101 | Presentation of Financial Statements |
| FRS 102 | Inventories |
| FRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| FRS 110 | Events after the Balance Sheet Date |
| FRS 116 | Property, Plant and Equipment |
| FRS 121 | The Effects of Changes In Foreign Exchange Rates |
| FRS 127 | Consolidation and Separate Financial Statements |
| FRS 128 | Investments in Associates |
| FRS 131 | Interests in Joint Ventures |
| FRS 132 | Financial Instruments : Disclosures and Presentation |
| FRS 133 | Earnings Per Share |
| FRS 136 | Impairment of Assets |
| FRS 138 | Intangible Assets |
| FRS 140 | Investment Property |

The adoption of FRS 2, 5, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133, 138 and 140 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

(a) FRS 3: Business Combinations and FRS 136: Impairment of Assets

The new FRS 3 has resulted in consequential amendments to accounting standard FRS 136.

The adoption of these new FRSs has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed.

Prior to 1 April 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 25 years. This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. The transitional provisions of FRS 3, however, have required the Group to eliminate at 1 April 2006 the carrying amount of the accumulated amortisation of RM745,000 against the carrying amount of goodwill. The carrying amount of goodwill as at 1 April 2006 of RM 1,919,000 ceased to be amortised. This has the effect of reducing the amortisation charges by RM54,000 for the six months ended 30 September 2006.

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in profit or loss. Prior to 1 April 2006, negative goodwill was net off against the carrying amount of goodwill. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 April 2006 of RM368,000 was derecognised with a corresponding increase in retained earnings.

(b) FRS 101 : Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

2. Comparatives

The following comparative amounts as at 31 March 2006 have been restated and reclassified due to adoption of new and revised FRS:

| | As previously stated RM'000 | FRS 3 RM'000 | As restated RM'000 |
|-----------------|-----------------------------------|-----------------|--------------------------|
| At 1 April 2006 | | | |
| Goodwill | 1,551 | 368 | 1,919 |
| Reserves | 25,888 | 368 | 26,256 |

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report of the previous annual financial year ended 31 March 2006 was not subject to any qualification.

4. Segmental Information

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

5. Unusual Items due to their Nature, Size or Incidence

There were no material unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 30 September 2006.

6. Changes in Estimates

The revised FRS 116: Property, Plant & Equipment ("PPE") requires a review of the residual value and remaining useful life of an item of PPE at least at each financial year end. The Group will do the necessary review and revision. For the current quarter, there are no major changes in accounting estimates.

7. Comments about Seasonality or Cyclical Factors

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

8. Dividends Paid

There were no dividends paid during the current quarter ended 30 September 2006.

9. Carrying Amount of Revalued Assets

The valuation of property, plant and equipment have been brought forward without any amendments from the financial statements for the year ended 31 March 2006.

10. Debt and Equity Securities

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

11. Changes In 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. Subsequent Events

There were no events subsequent to 30 September 2006 that would materially affect the interim financial statement for the current quarter.

13. Changes In Contingent Liabilities

Credit facilities amounting to RM38.09 million granted to subsidiaries by financial institutions are secured by corporate guarantees from Lay Hong Berhad.

14. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 September 2006 is as follows:

| | RM'000 |
|-----------------------------|--------------|
| Approved and contracted for | <u>2,293</u> |



LAY HONG BERHAD (107129-H)

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance

For the current quarter ended 30 September 2006, the Group recorded a lower turnover of RM56.51 million compared to RM62.00 million in the corresponding quarter of 2005. Resulting from this, profit before tax had accordingly declined from RM5.11 million to RM1.099 million. The higher cost of production plus the weakness in prices of poultry products have contributed to the lower profit.

2. Comparison with Immediate Preceding Quarter's Result

Group turnover for the quarter ended 30 September 2006 was higher at RM56.51 million compared to that of the immediate preceding quarter of RM48.78 million. The increase was contributed from higher production volume of eggs, broilers and processed chicken. However, due to lower selling prices and higher cost of feed, profit for the current quarter was much lower at RM1.099 million compared to that of RM2.04 million.

3. Current Year Prospects

Poultry prices traditionally always record an upward trend from October onwards due to festive seasons and year end school holidays. However, feed prices are expected to increase significantly in the coming quarters.

Barring any unforeseen circumstances, the Group performance for the remaining quarters is expected to be challenging.

4. Profit Forecast or Profit Guarantee

Not applicable.

5. Income Tax Expense

| | Current quarter RM'000 | Year-to- date RM'000 |
|--------------|------------------------------|----------------------------|
| Current Tax | 46 | 448 |
| Deferred Tax | 279 | 484 |
| | <u>325</u> | <u>932</u> |

The effective tax rate for the financial year-to-date is higher than statutory rate principally due to certain expenses which are not deductible for tax purposes.

6. Sale of Unquoted Investments and Properties

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

| | Current quarter RM'000 | Year-to- date RM'000 |
|------------------------|------------------------------|----------------------------|
| Sales Proceeds | - | 410 |
| Purchase Consideration | - | (451) |
| Loss on Disposal | <u>-</u> | <u>(41)</u> |

Other than the above, there was no other disposal of unquoted investments/properties for the current quarter and current financial year-to-date ended 30 September 2006.

7. Sale of Quoted Investments

There were no purchase or disposal of quoted securities during the quarter ended 30 September 2006.

Investment in quoted securities as at 30 September 2006

| | RM'000 |
|--------------------------------------|----------|
| At cost | <u>6</u> |
| At book value | <u>1</u> |
| Market value as at 30 September 2006 | <u>1</u> |

8. Corporate Proposals

(i) Proposed acquisition

On 30 August 2006, the Company announced its intention to acquire the remaining equity interest not already owned by Lay Hong Berhad in its subsidiary companies, namely Innobrid Sdn Bhd, Sri Tawau Farming Sdn Bhd, Innofarm (Klang) Sdn Bhd and Evergreen Organic Fertilisers Sdn Bhd ("proposed acquisition").

(ii) Proposed private placement

On 30 August 2006, the Company proposed a private placement of up to 4,200,000 new ordinary shares of RM1.00 each in Lay Hong Berhad ("placement shares"), representing up to ten percent (10%) of the issued and paid-up share capital of the company to investors to be identified ("proposed private placement").

On 4 October 2006, the Securities Commission ("SC") had, vide its letter dated 3 October 2006 approved the Proposed Private Placement and the listing of and quotation for the Placement Shares on the Second Board of Bursa Malaysia Securities Berhad, subject to condition that at least 30% of the placement shares be placed to Bumiputera investors. In addition thereto, the SC, on behalf of the Foreign Investment Committee ("FIC") had also approved the Proposed Private Placement pursuant to the Guideline on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests.

On 30 October 2006 Placement Share price has been fixed at RM1.00 per share representing a discount of approximately 3% over the five days weighted average market price of Lay Hong Berhad as at 27 October 2006 of RM1.03 per share.

The private placement was completed and the shares were listed on Bursa Malaysia Securities Berhad on 22 November 2006.

9. Borrowings

The Group's borrowings as at 30 September 2006 are as follows:

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|----------------------|-------------------|---------------------|-----------------|
| Short Term | | | |
| Overdraft | 3,127 | 1,327 | 4,454 |
| Bankers' Acceptances | 13,787 | 20,399 | 34,186 |
| Hire Purchase | 2,691 | - | 2,691 |
| Term Loan | 8,196 | 446 | 8,642 |
| Total | <u>27,801</u> | <u>22,172</u> | <u>49,973</u> |
| Long Term | | | |
| Hire Purchase | 4,725 | - | 4,725 |
| Term Loan | 24,789 | 2,433 | 27,222 |
| Total | <u>29,514</u> | <u>2,433</u> | <u>31,947</u> |
| Grand Total | <u>57,315</u> | <u>24,605</u> | <u>81,920</u> |

10. Off Balance Sheet Financial Instruments

Other than the operating lease as disclosed below, the Group did not enter into any contracts involving off balance sheet financial instruments during the financial year to-date ended 30 September 2006.

| | Future minimum lease payments RM'000 |
|--|--|
| Not later than 1 year | 55 |
| Later than 1 year and not later than 5 years | 42 |
| | <u>97</u> |

11. Changes in Material Litigation

There was no pending material litigation against the Group as at the date of this report.

12. Dividend

The first and final dividend for the financial year ended 31 March 2006 was approved by shareholders at the company's 22nd Annual General Meeting held on 28 September 2006 and was paid on 8 November 2006.

The board does not recommend any interim dividend for the current quarter under review.

13. Earnings Per Share

The basic earnings per share for the current financial quarter and cumulative quarter ended 30 September 2006 were computed by dividing the net profit for the respective periods by 42,000,000 (2006 : 42,000,000) ordinary shares in issue during those periods.

The fully diluted earnings per share for the Group assuming full conversion of the Executive Share Option Scheme (ESOS) is not presented as it is anti-dilutive.

14. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 November 2006.