



LAY HONG BERHAD (107129-H)
Incorporated in Malaysia

Condensed Consolidated Income Statements
for the period ended 31 December 2006

	3 months ended		9 months ended	
	31 Dec 2006 Unaudited	31 Dec 2005 Unaudited	31 Dec 2006 Unaudited	31 Dec 2005 Unaudited
	RM' 000	RM' 000	RM' 000	RM' 000
Revenue	63,258	53,041	168,543	176,101
Operating expenses	(61,704)	(48,890)	(161,429)	(160,013)
Other Income	268	68	517	708
Finance costs	(1,306)	(1,166)	(3,973)	(3,568)
Profit before tax	516	3,053	3,658	13,228
Income tax expense	(184)	(863)	(1,116)	(3,726)
Profit for the period	332	2,190	2,542	9,502
Attributable to:				
Equity holders of the parent	147	1,792	2,817	7,805
Minority interest	185	398	(275)	1,697
	332	2,190	2,542	9,502
Earnings per share attributable to equity holders of the parent (sen):				
Basic	0.33	4.27	6.60	18.58
Diluted	0.33	N/A	6.52	N/A

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)
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Condensed Consolidated Balance Sheet
as at 31 December 2006

	As at 31 Dec 2006 Unaudited	As at 31 Mar 2006 Audited (restated)
	RM' 000	RM' 000
ASSETS		
Non-current assets		
Property, plant and equipment	141,557	145,549
Goodwill on consolidation	1,919	1,919
Other investments	119	119
Deferred tax assets	11,690	10,344
	155,285	157,931
Current assets		
Inventories	35,152	33,540
Trade receivables	33,623	25,272
Other receivables	3,608	2,344
Cash and bank balances	1,101	554
	73,484	61,710
Total assets	228,769	219,641
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	46,200	42,000
Reserves	28,770	26,255
	74,970	68,255
Minority interest	6,871	7,146
Total equity	81,841	75,401
Non-current liabilities		
Long term borrowings	29,609	36,146
Long term payables	-	1,024
Due to corporate shareholders	3,398	3,398
Deferred tax liabilities	21,567	20,069
	54,574	60,637
Current liabilities		
Short term borrowings	48,722	41,463
Trade payables	33,779	29,537
Other payables	8,907	11,770
Due to corporate shareholders	338	833
Taxation	608	-
Total current liabilities	92,354	83,603
Total liabilities	146,928	144,240
Total equity and liabilities	228,769	219,641

Net assets per share attributable to ordinary equity holders of the parent (RM)	1.6227	1.6251
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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 Statement of Changes in Equity
for the period ended 31 December 2006

	Attributable to Equity Holders of the Parent				Minority Interest RM '000	Total Equity RM '000
	Share Capital RM '000	Revaluation Reserve RM '000	Retained Profits RM '000	Total RM '000		
At 1 April 2006	42,000	11,887	14,000	67,887	7,146	75,033
Effect of adopting FRS 3	-	-	368	368	-	368
At 1 April 2006 (restated)	42,000	11,887	14,368	68,255	7,146	75,401
Transfer to distributable reserve on realisation of revaluation reserve	-	(240)	240	-	-	-
Profit/(loss) for the period	-	-	2,817	2,817	(275)	2,542
Dividend	-	-	(302)	(302)	-	(302)
Issue of ordinary shares	4,200	-	-	4,200	-	4,200
At 31 December 2006	46,200	11,647	17,123	74,970	6,871	81,841
At 1 April 2005	42,000	143	7,360	49,503	3,423	52,926
Profit for the period	-	-	7,805	7,805	1,697	9,502
At 31 December 2005	42,000	143	15,165	57,308	5,120	62,428

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 31 December 2006

	9 months Ended 31 Dec 2006 Unaudited RM' 000	9 months Ended 31 Dec 2005 Unaudited RM' 000
Net cash generated from operating activities	812	18,522
Net cash generated used in investing activities	(3,116)	(12,395)
Net cash generated from/(used in) financing activities	732	(5,912)
Net (decrease)/increase in cash and cash equivalents	(1,572)	215
Cash and cash equivalents at beginning of financial period	(2,591)	(3,750)
Cash and cash equivalents at end of financial period	(4,163)	(3,535)
Cash and cash equivalents at the end of the financial period comprise the following:		
Deposits with licensed bank	400	-
Cash and bank balances	701	530
Bank overdrafts (included within the short term borrowings in Part B Note 9)	(5,264)	(4,065)
	(4,163)	(3,535)

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 RM81,000 for the nine months ended 31 December 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	25,887	368	26,255

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 31 December 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

The final dividend of 1.0 sen per share less 28% income tax, amounting to a net dividend of RM302,400 for the financial year ended 31 March 2006 was paid on 8 November 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 except that a private placement of 4,200,000 new ordinary shares at a price of RM1 par per share was completed on 17 November 2006.

11. Changes In Composition of the Group

There were no changes in the composition of the Group for the current financial period ended 31 December 2006 except for :

Acquisition of a subsidiary

On 1 December 2006, the Company acquired 2 ordinary shares of RM1 each in STF Agriculture Sdn Bhd representing 100% of the issued and paid up share capital for a consideration of RM2.

12. Subsequent Events

There were no events subsequent to 31 December 2006 that would materially affect the interim financial statement for the current quarter.

13. Changes In Contingent Liabilities

Credit facilities amounting to RM37.593 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 31 December 2006 is as follows:

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



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

1. Review of Performance

Revenue for the 3rd quarter under review was higher at RM63.258 million compared to the corresponding quarter of RM53.041 million. The higher revenue achieved was primarily attributed to higher production of poultry products.

However, due to sharp increases in the price of feed ingredients and lower sales prices, the profit margins have been materially eroded. As a result, profit before tax had recorded a sharp reduction from RM3.053 million in the corresponding quarter to RM0.516 million. Higher financing cost had also contributed to the reduced profit.

2. Comparison with Immediate Preceding Quarter's Result

Revenue for the 3rd quarter under review was higher at RM63.258 million compared to the preceding quarter of RM56.505 million. Reason for the higher revenue was attributed to higher production and sales.

Profit before tax was also lower for the 3rd quarter at RM0.516 million compared to that of RM1.099 million recorded in preceding quarter. The decrease in profit was due to similar reasons as stated above paragraph 1.

3. Current Year Prospects

Grain prices have been escalating causing the Group's production cost to rise. Prices of poultry products are not rising in tandem. The Board will strive to maintain profitability in the remaining quarter.

4. Profit Forecast or Profit Guarantee

Not applicable.

5. Income Tax Expense

	Current quarter RM'000	Year-to- date RM'000
Current Tax	517	965
Deferred Tax	<u>(333)</u> <u>184</u>	<u>151</u> <u>1,116</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 31 December 2006.

7. Sale of Quoted Investments

There were no purchase or disposal of quoted securities during the quarter ended 31 December 2006.

Investment in quoted securities as at 31 December 2006

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

8. Status of Corporate Proposals

Proposed acquisitions

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

On 8 January 2007, a further announcement was made that six (6) Sale and Purchase Agreements of Shares were executed with the vendors to acquire the remaining equity interest not already own by LHB for a total purchase consideration of RM6,709,000 to be satisfied entirely by the issuance of 6,709,000 new ordinary shares of RM1.00 each in LHB at an issue price of RM1.00 each.

On 19 January 2007, the Company revised the issue price of LHB shares from RM1 to RM1.09 the pricing of the consideration shares will be based on the five days weighted average market price of LHB shares, as traded on Bursa Malaysia up to 5 January 2007 being the last trading day prior to the date on which the terms of the transaction were agreed upon in accordance with the Securities Commission's guideline. As a result of this revision, the number of new LHB ordinary shares to be issued has been reduced from 6,709,000 to 6,155,000 shares.

On 14 February 2007, the Company has submitted the application for the above revision to the Securities Commission and the Foreign Investment Committee for approval.

9. Borrowings

The Group's borrowings as at 31 December 2006 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term			
Overdraft	4,144	1,120	5,264
Bankers' Acceptances	13,418	18,741	32,159
Hire Purchase	2,499	-	2,499
Term Loan	8,345	455	8,800
Total	<u>28,406</u>	<u>20,316</u>	<u>48,722</u>
Long Term			
Hire Purchase	4,644	-	4,644
Term Loan	22,649	2,316	24,965
Total	<u>27,293</u>	<u>2,316</u>	<u>29,609</u>
Grand Total	<u>55,699</u>	<u>22,632</u>	<u>78,331</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 31 December 2006.

	Future minimum lease payments RM'000
Not later than 1 year	55
Later than 1 year and not later than 5 years	<u>28</u>
	<u>83</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 board does not recommend any interim dividend for the current quarter under review.

13. Earnings Per Share

a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the period.

	3 months ended		9 months ended	
	31/12/2006 RM'000	31/12/2005 RM'000	31/12/2006 RM'000	31/12/2005 RM'000
Profit attributable to ordinary equity holders of the parent (RM'000)	147	1,792	2,817	7,805
Weighted average number of ordinary shares in issue ('000)	44,100	42,000	42,700	42,000
Basic earnings per share (sen)	<u>0.33</u>	<u>4.27</u>	<u>6.60</u>	<u>18.58</u>

13. Earnings Per Share (Cont'd.)

b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares ie share option granted to employees.

	3 months ended		9 months ended	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Profit attributable to ordinary equity holders of the parent (RM'000)	<u>147</u>	<u>1,792</u>	<u>2,817</u>	<u>7,805</u>
Weighted average number of ordinary shares in issue ('000)	44,100	42,000	42,700	42,000
Effect of dilution ('000)	<u>520</u>	<u>-</u>	<u>520</u>	<u>-</u>
Adjusted weighted average number of ordinary share in issue and issuable ('000)	<u>44,620</u>	<u>42,000</u>	<u>43,220</u>	<u>42,000</u>
Diluted earnings per share (sen)	<u>0.33</u>	<u>N/A</u>	<u>6.52</u>	<u>N/A</u>

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 27 February 2007.