



LAY HONG BERHAD (107129-H)  
Incorporated in Malaysia

Condensed Consolidated Income Statements  
for the year ended 31 March 2007

	3 months ended		12 months ended	
	31 Mar 2007 Unaudited	31 Mar 2006 Audited	31 Mar 2007 Unaudited	31 Mar 2006 Audited
	RM' 000	RM' 000	RM' 000	RM' 000
Revenue	64,203	50,496	232,746	226,597
Operating expenses	(64,980)	(53,182)	(226,409)	(213,195)
Other Income	1,050	915	1,567	1,623
Finance costs	(1,574)	(1,220)	(5,547)	(4,788)
Profit/(Loss) before tax	(1,301)	(2,991)	2,357	10,237
Income tax	732	680	(384)	(3,046)
Profit/(Loss) for the year	(569)	(2,311)	1,973	7,191
Attributable to:				
Equity holders of the parent	(1,414)	(1,166)	1,403	6,639
Minority interest	845	(1,145)	570	552
	(569)	(2,311)	1,973	7,191
Earnings/(loss) per share attributable to equity holders of the parent (sen):				
Basic	(3.06)	(2.78)	3.22	15.81
Diluted	(3.03)	N/A	N/A	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 March 2007

	As at 31 Mar 2007 Unaudited	As at 31 Mar 2006 Audited (restated)
	RM' 000	RM' 000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	141,080	145,549
Intangible assets	2,633	1,919
Other investments	2,119	119
Deferred tax assets	10,041	10,344
	<b>155,873</b>	<b>157,931</b>
<b>Current assets</b>		
Inventories	37,233	33,540
Trade receivables	34,132	25,272
Other receivables	4,930	2,344
Short term investments	9,549	-
Cash and bank balances	797	554
	<b>86,641</b>	<b>61,710</b>
<b>Total assets</b>	<b>242,514</b>	<b>219,641</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	46,240	42,000
Reserves	27,847	26,256
	<b>74,087</b>	<b>68,256</b>
Minority interest	7,819	7,146
<b>Total equity</b>	<b>81,906</b>	<b>75,402</b>
<b>Non-current liabilities</b>		
Long term borrowings	47,752	36,145
Long term payables	-	1,024
Due to corporate shareholders	2,898	3,398
Deferred tax liabilities	19,521	20,069
	<b>70,171</b>	<b>60,636</b>
<b>Current liabilities</b>		
Short term borrowings	49,013	41,463
Trade payables	30,632	29,537
Other payables	10,540	11,770
Due to corporate shareholders	215	833
Taxation	37	-
<b>Total current liabilities</b>	<b>90,437</b>	<b>83,603</b>
<b>Total liabilities</b>	<b>160,608</b>	<b>144,239</b>
<b>Total equity and liabilities</b>	<b>242,514</b>	<b>219,641</b>

Net assets per share attributable to ordinary equity holders of the parent (RM)	1.6022	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.



Condensed Consolidated Statement of Changes in Equity  
for the year ended 31 March 2007

	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
At 1 April 2006 (restated)	42,000	11,888	14,368	68,256	7,146	75,402
Transfer to distributable reserve on realisation of revaluation reserve	-	(322)	322	-	-	-
Transfer from deferred tax arising from changes in tax rates	-	133	-	133	68	201
Reversal of deferred tax arising from exemption on RPGT	-	357	-	357	35	392
Profit for the year	-	-	1,403	1,403	570	1,973
Dividend	-	-	(302)	(302)	-	(302)
Issue of ordinary shares	4,200	-	-	4,200	-	4,200
Issue of ordinary shares pursuant to ESOS	40	-	-	40	-	40
At 31 March 2007	46,240	12,056	15,791	74,087	7,819	81,906
At 1 April 2005	42,000	143	7,729	49,872	3,423	53,295
Revaluation surplus	-	11,745	-	11,745	3,171	14,916
Profit for the year	-	-	6,639	6,639	552	7,191
At 31 March 2006	42,000	11,888	14,368	68,256	7,146	75,402

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)  
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Condensed Consolidated Cash Flow Statement  
for the year ended 31 March 2007

	12 months Ended 31 Mar 2007 Unaudited RM' 000	12 months Ended 31 Mar 2006 Audited RM' 000
Net cash (used in)/generated from operating activities	(3,028)	22,311
Net cash used in investing activities	(8,506)	(15,038)
Net cash generated from/(used in) financing activities	17,536	(6,114)
Net increase in cash and cash equivalents	6,002	1,159
Cash and cash equivalents at beginning of financial period	(2,591)	(3,750)
Cash and cash equivalents at end of financial period	3,411	(2,591)
Cash and cash equivalents at the end of the financial period comprise the following:		
Deposit under REPO/short term investment	9,549	-
Deposits with licensed bank	400	-
Cash and bank balances	397	554
Bank overdrafts (included within the short term borrowings in Part B Note 9)	(6,935)	(3,145)
	3,411	(2,591)

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 134<sub>2004</sub>**

**1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134<sub>2004</sub> 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 RM0.745 million against the carrying amount of goodwill. The carrying amount of goodwill as at 1 April 2006 of RM1.919 million ceased to be amortised. This has the effect of reducing the amortisation charges by RM0.106 million for the twelve months ended 31 March 2007.

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 RM0.368 million 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 31 March 2007.

## 6. Changes in Estimates

As required under the revised FRS 116: Property, Plant & Equipment ("PPE"), the Group reviews the residual value and remaining useful life of PPE at least at each financial year end. 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 31 March 2007.

**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**

During the financial period ended 31 March 2007, the Company issued 40,000 ordinary shares of RM1 each for cash pursuant to the Company's ESOS at exercise price of RM1 per ordinary share.

There were no other 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 31 March 2007 that would materially affect the interim financial statement for the current quarter.



### 13. Changes In Contingent Liabilities

Credit facilities amounting to RM39.979 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 March 2007 is as follows:

	RM'000
Approved and contracted for	5,838
Approved but not contracted for	2,888
	<u>8,726</u>



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

**1. Review of Performance**

For the quarter ended 31 March 2007, the group recorded a revenue of RM64.203 million compared to that of RM50.496 million in the corresponding quarter ie an increase of RM13.707 million or 27.14% due to the higher quantity and selling prices of eggs, broilers, fertiliser and processed chicken meat.

Loss before tax for the quarter was lower at RM1.301 million compared to that of RM2.991 million in the corresponding quarter. The reduction was due to the similar reason as stated above.

**2. Comparison with Immediate Preceding Quarter's Result**

Group revenue for the quarter under review was RM64.203 million against RM63.258 million in the immediate preceding quarter. The minor increase in revenue was mainly attributed to higher sales quantity and selling price of eggs plus the new sales derived from the food processing operation.

The escalating raw material prices especially corn and soya bean have materially affected the cost of production. Therefore, a loss of RM1.301 million was recorded compared with that of a profit of RM0.516 million in the immediate preceding quarter.

**3. Current Year Prospects**

Grain prices are expected to remain high at the present level and the prices of eggs and broilers are not expected to be favourable due to the prevailing over-supply situation. To improve profitability, your board will step up efforts to control cost and efficiency and at the same time also to focus more on the downstream processed chicken products.

**4. Profit Forecast or Profit Guarantee**

Not applicable.

## 5. Income Tax

	Current quarter RM'000	Year-to- date RM'000
Current Tax	928	(37)
Deferred Tax	<u>(196)</u>	<u>(347)</u>
	<u>732</u>	<u>(384)</u>

The effective tax rate for the financial year-to-date is lower than statutory rate due to the following:-

- (i) utilisation of reinvestment allowance
- (ii) lower corporate tax rate of 20% in one of its subsidiary and
- (iii) different tax rates recognised in deferred tax.

## 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 March 2007.

## 7. Sale of Quoted Investments

There were no purchase or disposal of quoted securities during the quarter ended 31 March 2007.

Investment in quoted securities as at 31 March 2007

	RM'000
At cost	<u>6</u>
At book value	<u>1</u>
Market value as at 31 March 2007	<u>2</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 is 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 guidelines. 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 19 March 2007, the Securities Commission ("SC") had approved the proposed exemption of Innofarm Sdn Bhd and the parties acting-in-concert from having to extend a mandatory general offer for the remaining ordinary shares in LHB subject to certain conditions as follows:-

- Approval has to be obtained from the independent holders of voting shares of LHB on a poll in a general meeting in which interested parties are to abstain from voting. The result of the poll has to be confirmed by an independent auditor; and
- Provision of a competent independent adviser which is to be approved by SC.

On 5 April 2007, the Securities Commission ("SC") had approved the proposed acquisition subject to the conditions stated below:-

- (i) OSK Investment Bank Berhad ("OSK")/LHB should ensure that, at the point of the implementation of the acquisitions, the net tangible assets ("NTA")/adjusted NTA of the acquiree companies should not be less than their respective audited NTA/adjusted NTA as at 31 March 2006;
- (ii) justifications for acquiring the said companies
- (iii) LHB should increase its Bumiputera equity by 0.04% (representing 25,000 new LHB ordinary shares of RM1.00 each) of the new enlarged share capital within 2 years from the implementation date of the acquisitions
- (iv) OSK/LHB should inform the SC upon the completion of the acquisitions; and
- (v) OSK/LHB should comply with the relevant requirements pertaining to the implementation of the acquisitions under the SC's Policy and Guidelines on Issue/Offer of Securities.

## 9. Borrowings

The Group's borrowings as at 31 March 2007 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<b>Short Term</b>			
Overdraft	4,775	2,160	6,935
Bankers' Acceptances	13,697	16,779	30,476
Hire Purchase	2,648	-	2,648
Term Loan	8,490	464	8,954
Total	<u>29,610</u>	<u>19,403</u>	<u>49,013</u>
<b>Long Term</b>			
Hire Purchase	5,095	-	5,095
Term Loan	20,460	22,197	42,657
Total	<u>25,555</u>	<u>22,197</u>	<u>47,752</u>
Grand Total	<u>55,165</u>	<u>41,600</u>	<u>96,765</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 March 2007.

	Future minimum lease payments RM'000
Not later than 1 year	54
Later than 1 year and not later than 5 years	14
	<u>68</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		12 months ended	
	31/03/2007 RM'000	31/03/2006 RM'000	31/03/2007 RM'000	31/03/2006 RM'000
Profit/(loss) attributable to ordinary equity holders of the parent (RM'000)	(1,414)	(1,166)	1,403	6,639
Weighted average number of ordinary shares in issue ('000)	46,240	42,000	43,585	42,000
Basic earnings/(loss) per share (sen)	<u>(3.06)</u>	<u>(2.78)</u>	<u>3.22</u>	<u>15.81</u>

#### 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		12 months ended	
	31/03/2007	31/03/2006	31/03/2007	31/03/2006
Profit/(loss) attributable to ordinary equity holders of the parent (RM'000)	<u>(1,414)</u>	<u>(1,166)</u>	<u>1,403</u>	<u>6,639</u>
Weighted average number of ordinary shares in issue ('000)	46,240	42,000	43,585	42,000
Effect of dilution ('000) *	<u>410</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Adjusted weighted average number of ordinary share in issue and issuable ('000)	<u>46,650</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Diluted earnings/(loss) per share (sen)	<u>(3.03)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

\* Not applicable as the full conversion of the ESOS 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 31 May 2007.