



LAY HONG BERHAD (107129-H)
Incorporated in Malaysia

Condensed Consolidated Income Statements
for the period ended 30 June 2007

	3 months ended		3 months ended	
	30 June 2007 Unaudited	30 June 2006 Unaudited	30 June 2007 Unaudited	30 June 2006 Unaudited
	RM' 000	RM' 000	RM' 000	RM' 000
Revenue	64,335	48,780	64,335	48,780
Operating expenses	(64,468)	(45,634)	(64,468)	(45,634)
Other Income	287	199	287	199
Finance costs	(1,680)	(1,301)	(1,680)	(1,301)
Profit/(loss) before tax	(1,526)	2,044	(1,526)	2,044
Income tax expense	392	(607)	392	(607)
Profit/(loss) for the period	(1,134)	1,437	(1,134)	1,437
Attributable to:				
Equity holders of the parent	(2,595)	1,627	(2,595)	1,627
Minority interest	1,461	(190)	1,461	(190)
	(1,134)	1,437	(1,134)	1,437
Earnings/(loss) per share attributable to equity holders of the parent (sen):				
Basic	(5.61)	3.87	(5.61)	3.87
Diluted	N/A	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 2007 and the accompanying explanatory notes attached to this interim financial statements.



LAY HONG BERHAD (107129-H)
Incorporated in Malaysia

Condensed Consolidated Balance Sheet
as at 30 June 2007

	As at 30 June 2007 Unaudited	As at 31 Mar 2007 Audited
	RM' 000	RM' 000
ASSETS		
Non-current assets		
Property, plant and equipment	134,885	134,363
Prepaid lease payments	7,083	6,717
Intangible assets	2,612	2,633
Other investments	2,119	2,119
Deferred tax assets	11,308	10,041
	158,007	155,873
Current assets		
Biological assets	20,143	19,282
Inventories	20,077	17,951
Trade receivables	34,644	34,132
Other receivables	5,855	4,959
Short term investment	7,407	9,549
Cash and bank balances	3,167	797
	91,293	86,670
Total assets	249,300	242,543
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	46,240	46,240
Reserves	25,251	27,846
	71,491	74,086
Minority interests	9,279	7,818
Total equity	80,770	81,904
Non-current liabilities		
Long term borrowings	44,797	47,752
Due to corporate shareholders	2,825	2,898
Deferred tax liabilities	20,153	19,522
	67,775	70,172
Current liabilities		
Short term borrowings	54,455	49,013
Trade payables	35,129	30,632
Other payables	10,784	10,570
Due to corporate shareholders	113	215
Income tax payable	274	37
Total current liabilities	100,755	90,467
Total liabilities	168,530	160,639
Total equity and liabilities	249,300	242,543

Net assets per share attributable to ordinary equity holders of the parent (RM)	1.5461	1.6022
---	--------	--------

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 March 2007 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 June 2007

	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 2007	46,240	12,056	15,790	74,086	7,818	81,904
Transfer to distributable reserve on realisation of revaluation reserve	-	(79)	79	-	-	-
Profit/(loss) for the period	-	-	(2,595)	(2,595)	1,461	(1,134)
At 30 June 2007	46,240	11,977	13,274	71,491	9,279	80,770
At 1 April 2006	42,000	11,888	14,368	68,256	7,146	75,402
Effects of adopting FRS 3	-	-	368	368	-	368
Transfer to distributable reserve on realisation of revaluation reserve	42,000	11,888	14,736	68,624	7,146	75,770
Profit/(loss) for the period	-	(79)	79	-	-	-
	-	-	1,627	1,627	(190)	1,437
At 30 June 2006	42,000	11,809	16,442	70,251	6,956	77,207

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2007 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 June 2007

	3 months Ended 30 June 2007 Unaudited RM' 000	3 months Ended 30 June 2006 Unaudited RM' 000
Net cash generated from/(used in) operating activities	1,642	(3,718)
Net cash used in investing activities	(3,831)	(276)
Net cash generated from financing activities	1,355	1,955
Net decrease in cash and cash equivalents	(834)	(2,039)
Cash and cash equivalents at beginning of financial period	3,412	(2,591)
Cash and cash equivalents at end of financial period	2,578	(4,630)
Cash and cash equivalents at the end of the financial period comprise the following:		
Short term investment	7,407	-
Deposits with licensed bank	2,920	-
Cash and bank balances	247	379
Bank overdrafts (included within the short term borrowings in Part B Note 9)	(7,996)	(5,009)
	2,578	(4,630)

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 March 2007 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 2007. 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 2007.

The same accounting policies and method of computation are followed in the interim financial report as compared with the annual financial statements for the financial year ended 31 March 2007 except that additionally, the following new/revised Financial Reporting Standards ("FRS") have been adopted:

FRS 117 Leases
FRS 124 Related Party Disclosures

The adoption of FRS 124 does not have significant impact on the Group. The principal effect of the changes in accounting policies resulting from the adoption of FRS 117 is discussed below:

FRS 117: Leases

Leasehold land held for own use

Prior to 1 April 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost/valuation less accumulated depreciation and any accumulated impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land. Leases of land are classified as operating leases or finance leases in the same way as leases of other assets and the land element of a lease of land is considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 April 2007, the unamortised amount of leasehold land of RM6,717,000 is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and comparatives have been restated. There were no effects on the consolidated income statement for the first financial quarter ended 30 June 2007.

Restatement of comparatives:-

	Previously stated RM'000	Increase/ (Decrease) RM'000	Restated RM'000
Property, plant and equipment	141,080	(6,717)	134,363
Prepaid lease payments	-	6,717	6,717

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report of the previous annual financial year ended 31 March 2007 was not subject to any qualification.

3. Segmental Information

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

4. 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 June 2007.

5. 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.

6. Comments about Seasonality or Cyclical Factors

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

7. Dividends Paid

There were no dividends paid during the current quarter ended 30 June 2007.

8. 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 2007.

9. Debt and Equity Securities

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

10. 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.

11. Subsequent Events

There were no events subsequent to 30 June 2007 that would materially affect the interim financial statement for the current quarter.

12. Changes In Contingent Liabilities

Credit facilities amounting to RM33.705 million granted to subsidiaries by financial institutions are secured by corporate guarantees from Lay Hong Berhad.

13. 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 June 2007 is as follows:

	RM'000
Approved and contracted for	14,526
Approved but not contracted for	<u>2,888</u>
	<u>17,414</u>



**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 June 2007, the Group recorded a higher turnover of RM64.335 million compared to RM48.78 million in the corresponding quarter of 2007 i.e. an increase of RM15.555 million or 31.89%. This was mainly attributed to the higher production of the group's poultry products.

Higher cost of production plus increase in interest expense caused the group to record a pre-tax loss of RM1.526 million for the current quarter compared to that of a pre-tax profit of RM2.044 million in the previous corresponding quarter.

The higher cost of production was mainly due to increased feed prices.

2. Comparison with Immediate Preceding Quarter's Result

Group turnover for the current quarter was higher at RM64.335 million compared to that of the immediate preceding quarter of RM64.203 million. The marginal increase in turnover was derived from the higher selling prices of live broilers and processed poultry products.

A slightly higher loss of RM1.526 million was recorded in the current quarter compared to that of RM1.301 million in the previous preceding quarter due to higher interest expense.

3. Current Year Prospects

The downstream business embarked by the group on the manufacturing of pre-cooked chicken products has been recording increasing sales. To further increase market share, your board will step up effort to widen the existing product range and at the same time to implement an appropriate advertising and promotional campaign to create further customers' awareness.

4. Profit Forecast or Profit Guarantee

Not applicable.

5. Income Tax Expense

	Current quarter RM'000	Year-to- date RM'000
Current Tax	243	243
Deferred Tax	<u>(635)</u>	<u>(635)</u>
	<u>(392)</u>	<u>(392)</u>

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

- (i) utilisation of business losses brought forward
- (ii) lower corporate tax rate of 20% in its subsidiary companies

6. Sale of Unquoted Investments and Properties

There were no sales of unquoted investments and properties for the current quarter ended 30 June 2007.

7. Sale of Quoted Investments

There were no purchase or disposal of quoted securities during the quarter ended 30 June 2007.

Investment in quoted securities as at 30 June 2007

	RM'000
At cost	<u>6</u>
At book value	<u>1</u>
Market value as at 30 June 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 for the acquisitions from RM1 to RM1.09. The pricing of the consideration shares was 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 is reduced from 6,709,000 to 6,155,000 shares.

On 19 March 2007, the Securities Commission ("SC") 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 who is to be approved by SC.

On 5 April 2007, SC approved the proposed acquisitions 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 30 June 2007 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term			
Overdraft	4,695	3,301	7,996
Bankers' Acceptances	15,056	19,660	34,716
Hire Purchase	2,625	-	2,625
Term Loan	8,645	473	9,118
Total	<u>31,021</u>	<u>23,434</u>	<u>54,455</u>
Long Term			
Hire Purchase	4,488	-	4,488
Term Loan	18,235	22,074	40,309
Total	<u>22,723</u>	<u>22,074</u>	<u>44,797</u>
Grand Total	<u>53,744</u>	<u>45,508</u>	<u>99,252</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 June 2007.

	Future minimum lease payments RM'000
Not later than 1 year	55
Later than 1 year and not later than 5 years	<u>1</u>
	<u>56</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		3 months ended	
	30/06/2007	30/06/2006	30/06/2007	30/06/2006
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) attributable to ordinary equity holders of the parent (RM'000)	(2,595)	1,627	(2,595)	1,627
Weighted average number of ordinary shares in issue ('000)	46,240	42,000	46,240	42,000
Basic earnings/(loss) per share (sen)	<u>(5.61)</u>	<u>3.87</u>	<u>(5.61)</u>	<u>3.87</u>

b) Diluted earnings per share

The fully diluted earnings per share for the Group assuming full conversion of the 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 27 August 2007.