



LAY HONG BERHAD (107129-H)  
Incorporated in Malaysia

Condensed Consolidated Income Statements  
for the period ended 30 September 2007

	3 months ended		6 months ended	
	30 Sept 2007 Unaudited	30 Sept 2006 Unaudited	30 Sept 2007 Unaudited	30 Sept 2006 Unaudited
	RM' 000	RM' 000	RM' 000	RM' 000
Revenue	74,495	56,505	138,830	105,285
Operating expenses	(71,718)	(54,091)	(136,186)	(99,725)
Other Income	227	51	514	250
Finance costs	(1,729)	(1,366)	(3,409)	(2,667)
Profit/(Loss) before tax	1,275	1,099	(251)	3,143
Income tax expense	(455)	(325)	(63)	(932)
Profit/(Loss) for the period	820	774	(314)	2,211
Attributable to:				
Equity holders of the parent	1,109	1,044	(1,486)	2,671
Minority interest	(289)	(270)	1,172	(460)
	820	774	(314)	2,211
Earnings/(loss) per share attributable to equity holders of the parent (sen):				
Basic	2.40	2.49	(3.21)	6.36
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)  
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Condensed Consolidated Balance Sheet  
as at 30 September 2007

	As at 30 Sept 2007 Unaudited	As at 31 Mar 2007 Audited
	RM' 000	RM' 000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	137,089	134,363
Prepaid lease payments	7,067	6,717
Intangible assets	2,590	2,633
Other investments	2,119	2,119
Deferred tax assets	11,702	10,041
	<b>160,567</b>	<b>155,873</b>
<b>Current assets</b>		
Biological assets	19,470	19,282
Inventories	21,237	17,951
Trade receivables	39,705	34,132
Other receivables	6,756	4,959
Short term investment	4,650	9,549
Cash and bank balances	795	797
	<b>92,613</b>	<b>86,670</b>
<b>Total assets</b>	<b>253,180</b>	<b>242,543</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	46,240	46,240
Reserves	26,360	27,846
	<b>72,600</b>	<b>74,086</b>
Minority interests	8,990	7,818
<b>Total equity</b>	<b>81,590</b>	<b>81,904</b>
<b>Non-current liabilities</b>		
Long term borrowings	44,267	47,752
Due to corporate shareholders	2,649	2,898
Deferred tax liabilities	21,209	19,522
	<b>68,125</b>	<b>70,172</b>
<b>Current liabilities</b>		
Short term borrowings	56,974	49,013
Trade payables	37,184	30,632
Other payables	9,161	10,570
Due to corporate shareholders	115	215
Income tax payable	31	37
<b>Total current liabilities</b>	<b>103,465</b>	<b>90,467</b>
<b>Total liabilities</b>	<b>171,590</b>	<b>160,639</b>
<b>Total equity and liabilities</b>	<b>253,180</b>	<b>242,543</b>

Net assets per share attributable to ordinary equity holders of the parent (RM)	1.5701	1.6022
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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 2007 and the accompanying explanatory notes attached to this interim financial statements.



Condensed Consolidated Statement of Changes in Equity  
for the period ended 30 September 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 2007	46,240	12,056	15,790	74,086	7,818	81,904
Transfer to distributable reserve on realisation of revaluation reserve	-	(159)	159	-	-	-
Profit/(loss) for the period	-	-	(1,486)	(1,486)	1,172	(314)
At 30 September 2007	46,240	11,897	14,463	72,600	8,990	81,590
At 1 April 2006	42,000	11,888	14,000	67,888	7,146	75,034
Effects of adopting FRS 3	-	-	368	368	-	368
	42,000	11,888	14,368	68,256	7,146	75,402
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

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)  
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Condensed Consolidated Cash Flow Statement  
for the period ended 30 September 2007

	6 months Ended 30 Sept 2007 Unaudited RM' 000	6 months Ended 30 Sept 2006 Unaudited RM' 000
Net cash used in operating activities	(215)	(13,654)
Net cash (used in)/generating from investing activities	(5,943)	10,397
Net cash generated from financing activities	1,019	1,710
Net decrease in cash and cash equivalents	(5,139)	(1,547)
Cash and cash equivalents at beginning of financial period	3,412	(2,591)
Cash and cash equivalents at end of financial period	(1,727)	(4,138)
Cash and cash equivalents at the end of the financial period comprise the following:		
Short term investment	4,650	-
Deposits with licensed bank	400	-
Cash and bank balances	395	316
Bank overdrafts (included within the short term borrowings in Part B Note 9)	(7,172)	(4,454)
	(1,727)	(4,138)

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 134**

**1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: 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 second financial quarter ended 30 September 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 September 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 September 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 September 2007 that would materially affect the interim financial statement for the current quarter.

## 12. Changes In Contingent Liabilities

Credit facilities amounting to RM34.44 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 September 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**

Group's turnover for the quarter ended 30 September 2007 increased by 31.8% ie from RM56.505 million to RM74.495 million in the same period last year. The increase was attributed to higher sales quantity and better prices of group's products.

Profit before tax of RM1.275 million was slightly higher compared to that of RM1.099 million recorded in the last corresponding quarter. The profit did not increase in tandem with the growth in turnover because of the significant increase in the feed cost.

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

Turnover was higher at RM74.495 million compared to that of RM64.335 million recorded in the preceding quarter. Reason for the increase was attributed to similar reasons stated above.

Profitability of the group has been reversed from a loss of RM1.526 million in the preceeding quarter to profit of RM1.275 million in the current quarter.

**3. Current Year Prospects**

The third quarter ie from October to December 2007 has traditionally been a favourable period for poultry industry due to festival demand. The board will take steps to mitigate the impact of rising cost of feed to maintain profitability.

**4. Profit Forecast or Profit Guarantee**

Not applicable.



**5. Income Tax Expense**

	Current quarter RM'000	Year-to- date RM'000
Current Tax	(207)	36
Deferred Tax	<u>662</u>	<u>27</u>
	<u>455</u>	<u>63</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**

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

**7. Sale of Quoted Investments**

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

Investment in quoted securities as at 30 September 2007

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

On 5 October 2007, the approval from SC had lapsed. The board has decided not to pursue the proposal further.

## 9. Borrowings

The Group's borrowings as at 30 September 2007 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<b>Short Term</b>			
Overdraft	4,966	2,206	7,172
Bankers' Acceptances	17,816	19,551	37,367
Hire Purchase	3,195	-	3,195
Term Loan	8,757	483	9,240
Total	<u>34,734</u>	<u>22,240</u>	<u>56,974</u>
<b>Long Term</b>			
Hire Purchase	6,297	-	6,297
Term Loan	16,020	21,950	37,970
Total	<u>22,317</u>	<u>21,950</u>	<u>44,267</u>
Grand Total	<u>57,051</u>	<u>44,190</u>	<u>101,241</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 2007.

	Future minimum lease payments RM'000
Not later than 1 year	42
Later than 1 year and not later than 5 years	-
	<u>42</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		6 months ended	
	30/09/2007	30/09/2006	30/09/2007	30/09/2006
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) attributable to ordinary equity holders of the parent (RM'000)	1,109	1,044	(1,486)	2,671
Weighted average number of ordinary shares in issue ('000)	46,240	42,000	46,240	42,000
Basic earnings/(loss) per share (sen)	<u>2.40</u>	<u>2.49</u>	<u>(3.21)</u>	<u>6.36</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 16 November 2007.