



LAY HONG BERHAD (107129-H)  
Incorporated in Malaysia

Condensed Consolidated Income Statements

	3 months ended		12 months ended	
	31 Mar 2008 Unaudited	31 Mar 2007 Unaudited	31 Mar 2008 Unaudited	31 Mar 2007 Audited
	RM' 000	RM' 000	RM' 000	RM' 000
Revenue	83,734	64,203	317,523	232,746
Operating expenses	(83,159)	(64,980)	(307,203)	(226,412)
Other Income	759	1,050	1,580	1,568
Finance costs	(1,614)	(1,574)	(6,780)	(5,546)
Profit before tax	(280)	(1,301)	5,120	2,356
Income tax	886	732	(418)	(384)
Profit for the period	606	(569)	4,702	1,972
Attributable to:				
Equity holders of the parent	348	(1,414)	1,388	1,402
Minority interest	258	845	3,314	570
	606	(569)	4,702	1,972
Earnings/(loss) per share attributable to equity holders of the parent (sen):				
Basic	0.75	(3.06)	3.00	3.22
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.



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Condensed Consolidated Balance Sheets

	As at 31 Mar 2008 Unaudited	As at 31 Mar 2007 Audited
	RM' 000	RM' 000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	140,615	134,363
Prepaid lease payments	7,030	6,717
Intangible assets	2,863	2,633
Other investments	2,119	2,119
Deferred tax assets	4,028	10,041
	<b>156,655</b>	<b>155,873</b>
<b>Current assets</b>		
Biological assets	20,797	19,282
Inventories	28,652	17,951
Trade receivables	47,841	34,132
Other receivables	4,528	4,959
Short term investment	4,214	9,549
Cash and bank balances	2,252	797
	<b>108,284</b>	<b>86,670</b>
<b>TOTAL ASSETS</b>	<b>264,939</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	29,301	27,846
	<b>75,541</b>	<b>74,086</b>
<b>Minority interests</b>	<b>11,442</b>	<b>7,818</b>
<b>Total equity</b>	<b>86,983</b>	<b>81,904</b>
<b>Non-current liabilities</b>		
Long term borrowings	42,270	47,752
Due to corporate shareholders	2,309	2,898
Deferred tax liabilities	13,512	19,522
	<b>58,091</b>	<b>70,172</b>
<b>Current liabilities</b>		
Short term borrowings	52,665	49,013
Trade payables	56,283	30,632
Other payables	10,804	10,570
Due to corporate shareholders	113	215
Income tax payable	-	37
	<b>119,865</b>	<b>90,467</b>
<b>Total liabilities</b>	<b>177,956</b>	<b>160,639</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>264,939</b>	<b>242,543</b>

Net assets per share attributable to ordinary equity holders of the parent (RM)	1.6337	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

	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	-	(323)	323	-	-	-
Deferred tax recognised directly into equity	-	67	-	67	29	96
Arising from increased investment in subsidiaries	-	-	-	-	1,295	1,295
Dividend paid to minority shareholders	-	-	-	-	(1,014)	(1,014)
Profit for the period	-	-	1,388	1,388	3,314	4,702
At 31 March 2008	46,240	11,800	17,501	75,541	11,442	86,983
At 1 April 2006	42,000	11,887	14,000	67,887	7,146	75,033
Effects of adopting FRS 3	-	-	368	368	-	368
Transfer to distributable reserve on realisation of revaluation reserve	42,000	11,887	14,368	68,255	7,146	75,401
Transfer from deferred tax arising from changes in tax rate	-	(322)	322	-	-	-
Reversal of deferred tax arising from exemption from RPGT	-	134	-	134	67	201
Profit for the period	-	357	1,403	357	35	392
Dividends	-	-	(303)	(303)	-	(303)
Issue of ordinary shares	4,240	-	-	4,240	-	4,240
At 31 March 2007	46,240	12,056	15,790	74,086	7,818	81,904

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.



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Condensed Consolidated Cash Flow Statements

	12 months Ended 31 Mar 2008 Unaudited RM' 000	12 months Ended 31 Mar 2007 Audited RM' 000
Net cash generated from/(used in) operating activities	17,681	(3,028)
Net cash used in investing activities	(10,518)	(8,506)
Net cash (used in)/generated from financing activities	(10,571)	17,537
Net (decrease)/increase in cash and cash equivalents	(3,408)	6,003
Cash and cash equivalents at beginning of year	3,412	(2,591)
Cash and cash equivalents at end of year	4	3,412
<b>Cash and cash equivalents at the end of the year comprises :</b>		
Short term investment	4,214	9,549
Cash and bank balances	2,252	797
Bank overdrafts (included within the short term borrowings in Part B Note 9)	(6,462)	(6,935)
	4	3,412

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

- 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. With the adoption of the revised FRS 117, 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. This change has no effect on the consolidated income statement for the current quarter and year to date ended 31 March 2008.

Restatement of comparatives:-

	As previously stated RM'000	Increase/ (Decrease) RM'000	As 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 31 March 2008.

**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 31 March 2008.

**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**

During the current quarter, the Group subscribed for 1,999,999 new ordinary shares of RM1/- in Innobrid Sdn Bhd, a subsidiary company, for a cash consideration of RM1,999,999. With this investment, the Group’s effective interest in Innobrid Sdn Bhd increased from 50% plus one share to 75%.

During the current quarter, the Group also subscribed for 1,019,998 new ordinary shares of RM1/- each representing 51% interest in the enlarged issued and paid-up share capital of STF Agriculture Sdn Bhd for a total cash price of RM1,019,998.

Other than the above, there were no other changes in the composition of the Group in the current quarter.

**11. Subsequent Events**

There were no events subsequent to 31 March 2008 that would have a material effect on the interim financial statement of the current quarter.

**12. Changes In Contingent Liabilities**

Credit facilities amounting to RM32.2 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 31 March 2008 is as follows:

	<b>RM’000</b>
Approved and contracted for	6,083
Approved but not contracted for	<u>0</u>
	<u>6,083</u>



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

**1. Review of Performance**

The Group's revenue increased 30.2% from RM64.2 million in the corresponding quarter last year to RM83.7 million in the current quarter ended 31 March 2008 due to higher sales of further processed products.

The Group suffered a loss before tax of RM280,000 in the current quarter compared to a loss of RM1.3 million in the corresponding quarter last year. The lower loss is largely attributed to the higher sales of further processed products.

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

The Group's revenue of RM83.6 million in the current quarter is 11.9% lower than the RM94.9 million recorded in the immediate preceding quarter. The lower sales is attributed to the lower sales volume and lower selling prices of eggs in the currency quarter.

The Group recorded a loss before tax of RM280,000 compared with a profit before tax of RM5.65 million in the immediate preceding quarter due mainly to the lower sales and rise in prices of raw materials for chicken feed which resulted in higher production costs.

**3. Current Year Prospects**

The Group' profitability in the coming financial year will be challenging due to the continued high prices of raw materials used in chicken feed. In order to mitigate the effects of the higher production costs, management will step up its efforts to increase production efficiency and source for alternative supplies of raw materials. The Group also plans to further expand its downstream processed food operations.

**4. Profit Forecast or Profit Guarantee**

Not applicable.

**5. Income Tax**

	Current quarter RM'000	Year-to- date RM'000
Income tax expense	(539)	317
Deferred tax overprovided	(347)	101
	<u>(886)</u>	<u>418</u>

The effective tax rate for the current quarter and financial year-to-date is lower than statutory tax rate due mainly to the effects of tax incentives enjoyed by certain subsidiaries of the Group.

**6. Sale of Unquoted Investments and Properties**

There were no sales of unquoted investments and properties for the current quarter ended 31 March 2008.

**7. Sale of Quoted Investments**

There were no purchase or disposal of quoted securities during the quarter ended 31 March 2008.

Investment in quoted securities as at 31 March 2008 :

	RM'000
At cost	<u>6</u>
At book value	<u>1</u>
Market value as at 31 March 2008	<u>1</u>

**8. Status of Corporate Proposals**

Not applicable

**9. Borrowings**

The Group's borrowings as at 31 March 2008 are as follows:

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<b>Short Term</b>			
Overdraft	4,235	2,226	6,462
Bankers' Acceptances	15,538	18,123	33,661
Term Loan	7,766	718	8,484
Hire Purchase	4,058	-	4,058
Total	<u>31,597</u>	<u>21,068</u>	<u>52,665</u>
<b>Long Term</b>			
Term Loan	11,956	22,781	34,737
Hire Purchase	7,533	-	7,533
Total	<u>19,489</u>	<u>22,781</u>	<u>42,270</u>
Grand Total	<u>51,086</u>	<u>43,849</u>	<u>94,935</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 2008 :

	Future minimum lease payments RM'000
Not later than 1 year	14
Later than 1 year and not later than 5 years	-
	<u>14</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 did 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.

	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>31/03/2008 RM'000</b>	<b>31/03/2007 RM'000</b>	<b>31/03/2008 RM'000</b>	<b>31/03/2007 RM'000</b>
Profit/(loss) attributable to ordinary equity holders of the parent (RM'000)	<u>348</u>	<u>(1,414)</u>	<u>1,388</u>	<u>1,402</u>
Weighted average number of ordinary shares in issue ('000)	<u>46,240</u>	<u>46,240</u>	<u>46,240</u>	<u>43,585</u>
Basic earnings/(loss) per share (sen)	<u>0.75</u>	<u>(3.06)</u>	<u>3.00</u>	<u>3.22</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 28 May 2008.