

**LAY HONG BERHAD (107129-H)**  
**Incorporated in Malaysia**

**NOTES TO INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30/9/2004**

**1. Accounting policies**

The interim financial statements have been prepared in accordance with MASB No 26 issued by the Malaysian Accounting Standards Board ("MASB") and the Revised Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB")

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2004. 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 financial year ended 31 March 2004.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with the most recent audited annual financial report.

**2. Audit report of preceding annual financial report**

The audit report of the preceding annual financial report for the year ended 31 March 2004 was not subjected to any qualification.

**3. Seasonal/ cyclical factors**

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

**4. Nature and amount of unusual items**

There were no unusual items in the quarterly financial statement under review.

**5. Change in accounting estimates**

There were no changes in accounting estimates used in the preparation of the interim financial statements in the current financial quarter as compared with the previous financial quarters or previous financial year.

**6. Debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the current financial quarter and financial year ended 31 March 2005.

**7. Dividend paid**

There was no dividend paid in this current financial quarter.

## **8. Segmental reporting**

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

## **9. Valuations of property, plant and equipment**

The valuations of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

## **10. Subsequent events**

There were no material events subsequent to 30 September 2004 that have not been reflected in the interim financial statements for the period ended 30 September 2004.

## **11. Changes in the composition of the Group**

In July 2004, the company's subsidiary Sri Tawau Farming Sdn. Bhd. (STFSB) invested livestock valued at RM600,000 as consideration in kind for 600,000 ordinary shares of RM1 each fully paid in an associate company, Evergrowth Marketing Sdn Bhd.

## **12. Contingent liabilities or contingent assets**

Corporate guarantee issued to financial institutions as at 30 September 2004 for credit facilities secured by subsidiaries amounted to RM27.75 million.

## **13. Review of performance**

The group recorded revenue of RM46.176 million and a pre-tax loss of RM1.964 million for the current quarter ended 30 Sept 2004 compared with RM34.327 million and a pre-tax profit of RM0.910 million respectively for the previous corresponding quarter.

The improvement in revenue was attributed to the increase in the quantity of broiler day-old-chicks sold to third parties and the commencement of revenue streams from the newly incorporated company, Evergrowth Marketing Sdn Bhd in Sabah.

The pre-tax loss was attributed to the sudden emergence of suspected bird flu in the state of Kelantan that subsequently led to the ban of export to Singapore and the strict curtailment of inter state movements of the poultry products. This has seriously depressed the prices of eggs & broilers in Peninsular Malaysia. Such developments have caused the group's products to be traded below its production costs.

## **14. Comparison with immediate preceding quarter's results**

The group recorded revenue of RM46.176 million and a pre-tax loss of RM1.964 million for the current quarter ended 30 Sept 2004 compared with RM34.580 million and RM1.798 million respectively recorded in the immediate preceding quarter. The higher pre-tax loss recorded was mainly attributed to the same reason as above note 13.

## 15. Current year prospects

With the Government's efforts to contain bird flu in Malaysia, the company expects that its performance would improve.

## 16. Profit forecast / profit guarantee

Not applicable

## 17. Taxation

	<b>Current quarter RM'000</b>	<b>Year to-date RM'000</b>
Provision for Taxation	0	0
Transfer to Deferred Taxation	731	1,253
	731	1,253

There was no provision for tax required for the current financial quarter and financial year ended 31 March 2005 as the Group has sufficient capital allowances, unutilized reinvestment allowances and unabsorbed tax losses.

## 18. Sale of unquoted investments / properties

There were no sales of unquoted investments and/or properties for the current financial quarter and financial year ended 31 March 2005.

## 19. Quoted securities

The Group sold certain of its investment in quoted securities during the current financial quarter and financial year ended 31 March 2005.

a) The sale proceeds, purchase consideration and results arising from the disposal :-

	<b>Current quarter RM'000</b>	<b>Year to-date RM'000</b>
Sales proceeds	590	590
Purchase consideration	(286)	(286)
Gain on disposal	304	304

Other than the above, there was neither purchase nor other disposal of quoted securities for the quarter and financial year ended 31 March 2005.

a) Investment in quoted securities as at 30 Sept 2004

	RM'000
At cost	<u>6</u>
At book value	<u>6</u>
Market value as at 30 Sept 2004	<u>2</u>

## 20. Status of Corporate Proposals

Not applicable

## 21. Group borrowings and debt securities

The Group's borrowings as at 30 Sept 2004 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term			
Overdraft	2,647	2,352	4,999
Banker Acceptance	12,345	18,819	31,164
Hire Purchase	3,452	-	3,452
Term Loan	4,141	286	4,427
Total	<u>22,585</u>	<u>21,457</u>	<u>44,042</u>
Long Term			
Hire Purchase	3,863	0	3,863
Term Loan	29,020	2,733	31,753
Total	<u>32,883</u>	<u>2,733</u>	<u>35,616</u>
Grand Total	<u>55,468</u>	<u>24,190</u>	<u>79,658</u>

## 22. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk at the date of this quarterly report.

## 23. Material litigation

There were no pending material litigations against the Group as at the date of this report.

## 24. Dividend

The board does not recommend any interim dividend for the current financial quarter and financial year ended 31 March 2005 (previous corresponding periods: nil)

## **25. Earnings per share**

The basic earnings per share for the current financial quarter and financial year ended 31 March 2005 were computed by dividing the net profit for the respective periods by the number of ordinary shares in issue during the year of 42,000,000 ( 2004 : 42,000,000 ).

By Order of the Board  
LAY HONG BERHAD

LIM KING HUA – ACIS  
Company Secretary ( MAICSA 0798613 )

Klang  
**26 November 2004**