

12. VALUATION CERTIFICATE

COLLIERS
JORDAN LEE & JAAFAR

VALUATION CERTIFICATE

(Prepared for inclusion in this Prospectus)

13th May, 2002

The Board of Directors
Huat Lai Resources Berhad
Unit 12A, 12th Floor
Bangunan Yayasan Melaka
Jalan Hang Tuah
75300 Melaka

COLLIERS, JORDAN LEE &
JAAFAR (M'CCA) SDN. BHD.
(136815-K)

No. 669 & 669A,
Jalan Melaka Raya 8,
Taman Melaka Raya,
75000 Melaka.
Tel No. 06-2835522 (4 lines)
Fax No. 06-2837635, 2846972

Dear Sirs

**RE : VALUATION OF PROPERTIES BELONGING TO
HUAT LAI RESOURCES BERHAD ("HLRB")**

This letter is prepared for inclusion in the Prospectus to be dated 20th May, 2002 in connection with the Public Issue of 7,580,000 new ordinary shares of RM1.00 each at an issue price of RM1.40 per new ordinary share payable in full upon application and the offer for sale of 15,000,000 ordinary shares of RM1.00 each at an offer price of RM1.40 per ordinary share by Offerors to the Bumiputra investors.

We were instructed by HLRB to value and determine the present market value of the properties listed below. The term market value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

We confirm that we have valued the properties based on the valuation methods stated below, which have been carried out in accordance with the Guidelines on Asset Valuations for submission to the Securities Commission (1995) issued by the SC, in compliance with the Manual of Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and with the necessary professional responsibility and due diligence.

We have valued the properties listed below with titles free from all legal encumbrances and are of the opinion that the Market Values of these properties are as follows :-

International Property Consultants • Chartered Valuation Surveyors • Registered Valuers & Real Estate Agents •
Project & Property Managers • Plant & Machinery Valuers • Auctioneers

Managing Director JORDAN LEE, KMN, Fsm, Frics, Apeps, Inv, Msiav, Sov. Chairman JAAFAR ISMAIL, Fsm, Frics, Director LEETHIAM SING, Mism.

THOO SING CHON, Fava, Inv, Ag Arb, Fpcc, Amax, P. TANGGA PERAGASAM, Mism, Frics. CHIN LAI SITT, Fc (M), Frics, Inv, LLB (Hons). TH' NG KIM KOK, Mism, Frics

Headquarter: Kuala Lumpur, Ground & Level 6, Block G North, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur. Tel: 03-2555811 (12 lines) Fax No: 03-2555843

Other Offices:

Selangor : 31, Jalan Kapar, 41400 Klang, Selangor Darul Ehsan. Tel: 03-33420860 (3 Lines) Fax: 03-33417888

N. Sembilan : 9A, Kompleks Negeri, Jalan Dr. Krishnan, 70000 Seremban, Negeri Sembilan Darul Khusus, Malaysia. Tel: 06-7638890 & 7638890 Fax No: 06-7637936

Perak : Suite 3 & 5, Tingkat Kedua, Labrooy House, Jalan Dato Sagor, 30000 Ipoh, Perak Darul Ridzuan. Tel: 05-2414826 (3 Lines) Fax No: 05-2566363

Johor : Suite 326, 3rd Floor, PanGlobal Plaza, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Darul Takzim. Tel: 07-2232299 Fax: 07-2245899

Pahang : 17, Jalan Gambut 2, 25000 Kuantan, Pahang Darul Makmur. Tel: 09-555588 Fax No: 09-5142148

Penang : Lot 2.01, 2nd Floor, Southern Bank Building, 21, Lebuh Pantai, 10300 Pulau Pinang. Tel: 04-2637749 & 2637750 Fax No: 04-2637644

Kuching : Lot 216 (2/F), Jalan Haji Taha, 93400 Kuching, Sarawak. Tel: 082-418200 & 418222 Fax No: 082-429315

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Other Colliers Offices : Australia, China, Hong Kong, India, Indonesia, Japan, New Zealand, Philippines, Singapore, Taiwan, Thailand, Vietnam, Austria,
Belgium, Czech Republic, France, Germany, Greece, Hungary, Italy, Netherlands, Poland, Portugal, Republic of Ireland, Russia, Scotland,
Slovenia, South Africa, Spain, Turkey, United Kingdoms, The Americas Argentina, Canada, Mexico, Venezuela and United States Of America.

12. VALUATION CERTIFICATE (Cont'd)

COLLIERS

JORDAN LEE & JAAFAR

Registered/ Beneficial owner and Location/Ref No.	Existing Use/ Description	Land Area and Tenure	Date of Valuation	Valuation Methods	Market Value (RM)
HLRB					
Lot No. 16 Mukim of Serkam District of Jasin State of Melaka MK/SC288/01/J132	Poultry farm land presently used as a Layer Poultry Farm	10.59375 acres Freehold	29.03.01	Comparison and Cost Methods	1,595,000
Lot Nos. 28,29,99 & 100 Mukim of Serkam District of Jasin State of Melaka MK/SC289/01/J132	Poultry farm land presently used as a Breeder Chicken Farm	5.9230 acres Freehold	29.03.01	Comparison and Cost Methods	1,120,000
Lot Nos. 34,35,93 & 94 Mukim of Serkam District of Jasin State of Melaka MK/SC290/01/J132	Poultry farm land, Lot Nos. 93 & 94 are presently used as Breeder Chicken Farm whilst Lot Nos. 34 & 35 are presently vacant	5.2316 acres Freehold	29.03.01	Comparison and Cost Methods	1,020,000
Lot Nos. 45,46,80 & 81 Mukim of Serkam District of Jasin State of Melaka MK/SC291/01/J132	Poultry farm land presently used as a Breeder Chicken Farm	3.7619 acres Freehold	29.03.01	Comparison and Cost Methods	560,000
Lot Nos. 60,61 & 62 Mukim of Serkam District of Jasin State of Melaka MK/SC292/01/J132	Poultry farm land, being used as Hatchery cum Office Building	1.006 acres Freehold	29.03.01	Comparison and Cost Methods	405,000
Lot Nos. 63, 64 & 65 Mukim of Serkam District of Jasin State of Melaka MK/SC293/01/J132	Poultry farm land presently used as a Breeder Chicken Farm	3.3690 acres Freehold	29.03.01	Comparison and Cost Methods	675,000
Lot No. 1811 (formerly PT 628) Mukim of Serkam District of Jasin State of Melaka MK/SC294/01/J132	Poultry farm land, being used as a Closed Layer Poultry Farm	4.5961 acres Leasehold interest expiring on 17.02.2021	29.03.01	Comparison and Cost Methods	1,500,000
Lot PT No. 764 (new lot no. 1813) Mukim of Serkam District of Jasin State of Melaka MK/SC295/01/J132	Poultry farm land, being used as a Closed Layer Poultry Farm	5.600 acres Leasehold interest expiring on 22.01.2055	29.03.01	Comparison and Cost Methods	1,890,000
Lot No. 1819 (formerly PT 629) Mukim of Serkam District of Jasin State of Melaka MK/SC296/01/J132	Agricultural land presently used as a Feedmill together with ancillary buildings	4.70735 acres Leasehold interest expiring on 18.02.2021	29.03.01	Comparison and Cost Methods	1,125,000
Lot Nos. 1879 & 1880 Mukim of Serkam District of Jasin State of Melaka MK/SC297/01/J132	Poultry farm land presently used as a Layer Poultry Farm	14.8875 acres Freehold	29.03.01	Comparison and Cost Methods	2,565,000
Lot PT No. 1678 Mukim of Serkam District of Jasin State of Melaka MK/SC299/01/J132	Commercial land presently used as Office cum Egg Grading Store	8,636 sq.m Leasehold interest expiring on 22.01.2055	29.03.01	Comparison and Cost Methods	1,425,000

12. VALUATION CERTIFICATE (Cont'd)

COLLIERS

JORDAN LEE & JAAFAR

Registered/ Beneficial owner and Location/Ref No.	Existing Use/ Description	Land Area and Tenure	Date of Valuation	Date of Inspection	Valuation Methods	Market Value (RM)
Properties held for Owner Occupation						
HLRB						
Lot Nos. 751 to 754 & 759 to 762 Mukim of Selandar District of Jasin State of Melaka MK/SC307/01/J129	Poultry farm land presently used as a Closed Layer Poultry Farm (Hi-tech)	40.1510 acres Freehold	29.03.01	23.02.01	Comparison and Cost Methods	13,950,000
Lot Nos. 2145 & 2149 Mukim of Bukit Lintang District of Melaka Tengah State of Melaka MK/SC302/01/J56	Agricultural land used as a Layer Poultry farm	15.6370 acres Freehold	29.03.01	23.02.01	Comparison and Cost Methods	1,995,000
Lot No. 732 Mukim of Ayer Molek District of Melaka Tengah State of Melaka MK/SC303/01/J44	Agriculture land used as a Pullet/Grower Poultry Farm	11.2280 acres Freehold	29.03.01	23.02.01	Comparison and Cost Methods	2,530,000
Lot Nos. 427 & 428 Mukim of Chohong District of Jasin State of Melaka MK/SC304/01/J121	Poultry farm land presently used as a Grower Poultry Farm	Lot No. 427 6.756 acres 99-year leasehold interest expiring on 31.12.2037 Lot No. 428 6.388 acres 71-year leasehold interest expiring on 31.12.2037	29.03.01	23.02.01	Comparison and Cost Methods	1,175,000
Lot No. 446 Mukim of Chohong District of Jasin State of Melaka MK/SC305/01/J121	Poultry farm land presently used as a Layer Chicken Farm	15.0500 acres 71-year leasehold interest expiring on 31.12.2037	29.03.01	23.02.01	Comparison and Cost Methods	1,840,000
Lot Nos. 3169 & 3170 Mukim of Kesang District of Jasin State of Melaka MK/SC306/01/J124	Poultry farm land presently used as a Grower Poultry Farm	10.9888 acres 57-year leasehold interest expiring on 28.02.2023	29.03.01	23.02.01	Comparison and Cost Methods	1,025,000
Lot PT No. 1679 (formerly PT 762), Mukim of Serkam, District of Jasin State of Melaka MK/SC300/01/J132	Main road frontage agricultural land presently used as open field.	2.1340 acres 60-year leasehold interest expiring on 22.01.2055	29.03.01	23.02.01	Comparison Method	150,000
Lot No. 2148 Mukim of Bukit Lintang District of Melaka Tengah State of Melaka MK/SC301/01/J56	Main road frontage agriculture land planted with oil-palms of about 2 years old	10.2250 acres Freehold	29.03.01	23.02.01	Comparison Method	610,000
GFF						
Lot No. 2509 & PT No. 1676 Mukim of Serkam District of Jasin State of Melaka MK/SC298/01/J132	Poultry farm land presently used as a Fertilizer Plant	7.8246 acres Freehold	29.03.01	23.02.01	Comparison and Cost Methods	3,300,000
TOTAL :						RM40,455,000

12. VALUATION CERTIFICATE (Cont'd)

COLLIERS
JORDAN LEE & JAAFAR

Note : This Valuation Certificate is to be read in conjunction with Section 9.1, Page 83 of the Prospectus.

Yours faithfully
COLLIERS
JORDAN LEE & JAAFAR (M'CCA) SDN BHD



LEE THIAM SING MIS (M)
Registered Valuer (V-315)
Executive Director

13. INDEPENDENT MARKET RESEARCH CONSULTANT REPORT



(443901-T)

Date : 13 May 2002

The Board Of Directors
Huat Lai Resources Berhad
Unit 12A, 12th Floor,
Bangunan Yayasan Melaka,
Jalan Hang Tuah,
75300 Melaka

Dear Sirs,

INDEPENDENT MARKET RESEARCH REPORT – Executive Summary

This Executive Summary is extracted from the full report prepared by ABNER (S.E.Asia) Sdn Bhd for the inclusion in the Prospectus of HUAT LAI RESOURCES BERHAD to be dated 20 May 2002 in relation to its listing on the Second Board of the Kuala Lumpur Stock Exchange.

The livestock and livestock products industry was the fastest growing in the agriculture sector during the Sixth Malaysia Plan period (1991 - 1995), achieving an average annual growth of 5.4%, exceeding the targeted rate of 5.2%. It grew at a modest rate of 3.1% per annum during the Seventh Malaysia Plan (1995 - 2000). The increase came mainly from an 8.8% increase per annum in output of poultry meat and a 5.7% per annum growth from egg production.

Consumption for livestock products also increased in the last decade due to the improvement in income levels, increase in the population and government protection of the local livestock industry. Promotional activities undertaken by the respective trade bodies also created a positive impact on the demand of such products.

Source: Seventh Malaysia Plan (1995 - 2000) & 8th Malaysia Plan (2001)

Malaysia has maintained self-sufficiency in poultry, pork and eggs since 1989 due to the enterprise of private firms who were quick to adapt to new technologies and management approach.



13. **INDEPENDENT MARKET RESEARCH CONSULTANT REPORT** *(cont'd)*

With a growing number of consumers switching from red meat to poultry, the poultry industry is booming. The growing population and rise in income levels in Malaysia and the neighbouring ASEAN region have also contributed significantly to the increase in per capita consumption of poultry meat and poultry products.

Improved technology and the development of sophisticated mechanical equipment were responsible for a shift from small farm flocks to larger commercial operations. In major chicken producing states, flocks of 100,000 are not uncommon and some flocks number more than a million.

The development and growth of the commercial poultry industry can be traced to the importation of improved genetic resources from the western countries. Foresight on the part of both the government and the entrepreneurs saw the move away from small-scale production to the adoption of genetic and technical resources to further develop the industry. While it was the government who initiated this move, it was the farmers who took it forward to the vibrant and efficient industry it is today.

Layer farming has tremendous growth for the past decade compared to the 1980's. Not only did the operators of poultry farming benefited from an environment free from excessive regulations, these farmers also saw opportunities to profit from an activity that relates to meeting the protein food supply of the customers. If during the 1980's, 20,000 broiler or layer flocks were considered as big farms, 50,000 hens in a single rearing site is now commonplace. The number of tunnel-ventilated multi-tiered layer houses with automated feeding, egg collection and waste management system is on the rise. Farm size has continuously increased accompanied by a regular decrease in farm numbers and owners.

The industry however, has to contend with the competitiveness in international markets for value added and further processed products for both chicken meat and eggs. The weakness inherent in the poultry industry is its inability to adapt more quickly to changing needs and expectations of its clients. This is especially true in the case of product quality as well as farming practices in the context of the environment.

The layer chicken industry in which Huat Lai Resources Berhad's core business operates within is made up of breeding farms and hatcheries. The domestic market represents the industry's main market while the export market constitutes

13. **INDEPENDENT MARKET RESEARCH CONSULTANT REPORT** (cont'd)

around 10% of the annual total production. Production has also surpassed self-sufficiency levels since 1989 indicating that the domestic market demand was more than met by the local market supply.

Conditions of demand for the layer industry would include population size of both its local and export markets, consumer income, consumer tastes and preferences, and price of related products, which may be substitutes or complements. Some of the determinants of market supply of day old chicks and table eggs would be production cost, changes in climatic conditions, state of technology utilized in the industry, size of the industry, and changes in government policies relevant to the industry.

There were twelve layer breeding operators in Peninsular Malaysia in 2001 breeding about 386,432 layer parent stocks. Sources of supply of layer parent stocks of day old pullets are predominantly from European Union (Babcock, Golden Comet, Lohmann, Hisex Brown, ISABrown, and H&N Brown Nick) and the rest from Indonesia (ISA Brown) and the USA (Hyline). The southern region of Peninsular Malaysia represented by Johor state, comprises about 57.51% of the total output of commercial day old pullets in 2000. The average ex-farm price was RM1.60 per chick although weekly prices differ between firms, prices were generally stable.

About 5.720 billion eggs were produced in 2001 with the average daily production ranging from 15.8 million eggs. Excess supply characterized the industry in 2001. In the light of this market trend, it is important that producers explore new markets or production be adjusted to ensure financial viability for layer farms. In the case of Huat Lai Resources Bhd, it has already gained a foothold in the Indonesian and Hong Kong markets, besides exporting predominantly to Singapore, a major export destination of the Malaysian poultry industry.

Accessibility however to the export market is rather limited as the world egg market is highly competitive. To be competitive, the industry has to be more efficient and shell eggs should not be the only form that is marketed. The industry should diversify into developing a variety of egg products e.g. egg yolk solid, egg yolk powder, egg albumen powder, whole egg solid and whole egg powder, which will enhance the market potential of the industry. HLRB plans to start producing liquid pasteurized egg by the year 2004.

13. INDEPENDENT MARKET RESEARCH CONSULTANT REPORT (cont'd)

However, the greatest potential for growth for the commercial table eggs industry would still be found in the export market. Being increasingly export oriented, the industry depends on the ability of local producers to compete in international markets. The implementation of World Trade Organization (WTO) and Asean Free Trade Area (AFTA) will open new opportunities for export of eggs while at the same time facilitate the competitive sourcing of raw materials. Although statistics show that Malaysian egg producers have successfully penetrated the ASEAN markets, ample opportunities are found in potentially lucrative markets like Hong Kong, Japan, Taiwan, Vietnam, China and the Middle East.

Undoubtedly, the demand for processed eggs will increase gradually as automation replaces labor in the food manufacturing industry. The question bandied about lies in whether this demand can be met from local sources as manufacturing facilities for value added egg products require high capital investment. With a more liberal trading environment in the regional context of AFTA, the viability of such a spin-off will be enhanced. Easier accessibility to the potentially larger markets will further encourage such a development to materialize. Economics will thus play a crucial role in determining the satisfactory outcome in this value added egg products sub-sector.

Besides price and quality being the main considerations in influencing successful export market strategies, more efforts need to be channeled into international promotions. At present most producers have been relying on advertisements in trade publications.

Market liberalization under the World Trade Organization (WTO) will render the industry more vulnerable to international competition in a currently protected market. At the regional level, the Common Effective Preferential Tariff (CEPT) aims to achieve a platform for free trade among ASEAN countries similar to that of the European Union, with import duties reduced between zero to five percent. In view of the increased competition from potentially higher level of imports from other ASEAN countries, Malaysia's egg producers should gear themselves for the challenges posed by the implementation of the Asean Free Trade Area (AFTA).

Despite being incorporated in 1994, Huat Lai Resources Berhad has chalked up an impressive performance comparable to existing public listed competitors, making it a force to be reckoned with in the industry. For the financial year ended 31 December 2001, the company achieved a total sales turnover of

13. INDEPENDENT MARKET RESEARCH CONSULTANT REPORT (cont'd)

approximately RM62 million. As a fully integrated layer farm operator with a well-developed consumer recognition and distribution channels, it should expect not only to maintain but further strengthen its position in the face of increasingly keen competition.

The market environment is considered open and favorable for producers in the layer chicken industry. Investment in machinery and technology is encouraged as firms move away from traditional farming, which is labor intensive to full automation. Farm operations that are increasingly becoming more integrated will be rendered less dependent on import of feed meal. As for sophisticated machinery, some will need to be sourced from other countries but with government policies favoring the restructuring of farming systems, this form of barrier of entry will not be insurmountable.

It is evident that operating know-how, R&D and tight bio-security measures are additionally vital aspects in a sustainable operation. The cost of setting up operational facilities would involve the purchase of land, plant and machinery and R&D on bio-technology.

The layer chicken industry has benefited tremendously from productivity increases as a result of improved breeds of layer chickens. An intensive production system also requires the efficient management of farm effluents. Stringent enforcement of effluent control in chicken farms necessitates the installation of effluent control systems that incur substantial costs.

Barriers to the industry therefore consist of high capital investment, bio-technical expertise, farm management knowledge, skilled manpower, access to reliable and good quality sources of raw materials, effective distribution channels and strong demand conditions.

Since eggs are a relatively cheap source of protein, consumption is not very sensitive to economic fluctuations. As profit margins are rather low in the industry, production cost has to be kept low and monitored closely in order that what little margin is not eliminated. Production levels are also adjusted so as to alleviate any excess supply that would dampen ex-farm prices.

With increased awareness of healthier dietary consumption of food, producers are moving towards producing eggs with lower cholesterol or higher Omega 3

13. INDEPENDENT MARKET RESEARCH CONSULTANT REPORT (cont'd)

contents. These improved varieties come with proper labeling and are packed in special casings and sold in modern retail establishments. Prices vary from 32 sen for large eggs to 30 sen for the medium size ones. Competition within this category is more limited as not all producers have the required financial and bio-technical capabilities.

Changes in lifestyle also created a demand for processed eggs in the liquid, frozen or powdered form. While demand for such products for such processed eggs is on the rise, as yet no economies of scale exist to justify the high cost of investment necessary for setting up an egg processing plant. Currently the demand is met by imports.

Factors integral in staying competitive in the layer chicken industry would include strong technological base, industry expertise, product innovation, R&D capabilities, credible standing in quality output, high delivery reliability with capacity to produce on a large scale and a strong export clientele base.

Egg farmers distribute their products locally through key wholesalers according to geographical locations or export to wholesale distributors in importing countries. The eggs may or may not be labeled and are of different price range due to the different grades available. It is vital for egg producers to enjoy a long-term relationship with both the local or overseas distributors. Egg producers intent on entering the market will meet with stiff resistance from existing wholesalers and distributors as they tend to be loyal to established suppliers.

The layer industry has relied substantially on imported feedstuff and feedstuff ingredients such as wheat, soyabean meal, corn and cottonseed grains from the USA, Argentina, India and China and machinery from developed nations especially the European Union. The risk associated with the supply of imports of feed ingredients is that they are often subjected to price instability causing uncertainty in the cost of production.

Producers are now installing feedmill facilities in their operational outfit to ensure greater reliability in supply and stability of feedstuff. This is also in line with the growing emphasis on food quality expected by consumers. Not only will producers have control over determining the quality of the feedstuff by sourcing for better quality feed ingredients, the formulation of the feedstuff can be altered accordingly for the production of the various specialty eggs e.g lower

13. **INDEPENDENT MARKET RESEARCH CONSULTANT REPORT** (cont'd)

cholesterol, Vitamin E and Omega-3 eggs. Another obvious incentive in installing feedmill facilities within farm operations is that such a move can effectively reduce the cost of feedmeal and hence the cost of production.

Since the shift from small farm flocks to large commercial operations, some managed by public listed companies, the poultry industry has depended on imported genetics material as animal resources. However, the industry has employed such imported resources in the most efficient and competitive manner.

The adoption of imported production technology predominantly from the European Union has not only increased efficiency but also reduced labor cost, a key factor that has propelled the industry forward especially in the last decade. The industry will ultimately be better prepared to face the challenges ahead once trade liberalization under WTO and AFTA comes into effect.

The future viability of Huat Lai Resources Berhad looks promising as its products are targeted at a large consumer market that is expected to grow with rising population and increase in disposable income. The untapped potential arising from the eventual larger liberalized market under AFTA and the stable prices of raw materials are additional contributing factors.

Since its corporatization, the Group has continuously endeavored to produce high quality eggs and has been successful in servicing a broad consumer base. The Group is also attuned to the changing consumer taste and consistently responds to this. Its high capital investment and application of technology has led to higher productivity and efficiency. The Group has also turned in an impressive financial performance yearly, with total turnover and profit comparable to other listed layer operators.

Like other layer operators in the industry, the Group faces challenges inherent in the industry, such as intense competition from local producers and particularly from international producers in the impending liberalized economic environment.

The company despite being in the industry for over 7 years possesses the vital strengths that would continue to render it less susceptible to industry fluctuations and economic changes compared with less resilient players in the market.



Huat Lai Resources Berhad, a fully integrated layer farm operation with its own feedmill factory, and whose business activity falls under the industry of food production is a vital sector of the Malaysian economy. This sector is a major employer of local labor and a significant contributor of foreign exchange earnings as exports represent an increasing proportion of industry output.

In the light of the economic recovery and expected continuous, albeit modest growth in the economy, the Group is looking forward to capturing a larger market share. In line with the Group's expansion plan, RM6.0 million was invested in setting up egg tray producing facility which commenced production in October 2001. Not only has economies of scale justified the decision to embark on such a venture, the assurance of a steady supply of egg trays and a potential source of revenue are also important considerations.

It is expected that with the liberal trading environment, the probability of processed egg products entering the consumer market will be significantly higher. The expected bid by the local industry to capture a share of this largely untapped market could provide the needed catalyst for investments to materialize in this sector. Easier access to potentially larger regional markets will also be the additional impetus. Being cognizant of such developments, Huat Lai Resources Berhad has plans to make forays into this potentially lucrative processed egg market, namely pasteurized egg by the year 2004.

The Group's aggressive foray will not only allow the company to exploit the currency situation to its advantage but will contribute to propelling the egg sector into a Malaysian powerhouse within the BIMG-EAGA region. This will allow the Malaysian egg industry to compete with other poultry exporting nations and contribute to the country's international competitiveness.

Yours truly,

ABNER (S.E.Asia) Sdn. Bhd.

A handwritten signature in black ink, appearing to read "Helen S. P. Lim", is written over the typed name and title.

Mrs Helen S. P. LIM

Director

14. DIRECTORS' REPORT



發來資源有限公司 (Co. No: 323273-T)

HUAT LAI RESOURCES BERHAD

(Formerly known as Huat Lai Resources Sdn. Bhd. and previously as Huat Lai Agriculture Sdn. Bhd.)

PT. 1678, Mukim of Serkam, 77300 Merlimau, Melaka, Malaysia.

Tel : 606-2686315 (hunting) Fax : 606-2686327

Email : huatlai@pd.jaring.my

Date : 13 May 2002

The Shareholders of
Huat Lai Resources Berhad (323273-T)

Unit 12A, 12th Floor
Bangunan Yayasan Melaka
Jalan Hang Tuah
75300 Melaka

Dear Sir/Madam,

On behalf of the Directors of Huat Lai Resources Berhad ("HLRB"), I report after due inquiry that during the period from 31 December 2001 (being the date to which the latest audited financial statements of HLRB and its subsidiary ("HLRB Group") have been made up) to 9 May 2002 (being a date not earlier than fourteen days (14) before the issue of this Prospectus):

- (a) the business of HLRB Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited financial statements of the HILRB Group which have adversely affected the trading or the value of the assets of the HLRB Group;
- (c) the current assets of the HLRB Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities by reason of any guarantees given by the HILRB Group; and
- (e) save as disclosed in the Accountants' Report and the Proforma Consolidated Balance Sheet in the Prospectus, there have been no changes in published reserves nor any unusual factors affecting the profit of the HLRB Group since the last audited financial statements of HILRB and its subsidiaries.

Yours faithfully

For and on behalf of the Board of Directors of
Huat Lai Resources Berhad (323273-T)


LIM YEOW HER
MANAGING DIRECTOR