

HUAT LAI RESOURCES BERHAD (323273 - T)**(Incorporated in Malaysia)****QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31ST MARCH 2008****The figures have not been audited.****CONDENSED CONSOLIDATED INCOME STATEMENT**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/03/08 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/3/07 RM'000	CURRENT YEAR TO DATE 31/03/08 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/3/07 RM'000
Revenue	94,813	65,859	94,813	65,859
Expenses excluding finance cost and tax	(100,503)	(68,058)	(100,503)	(68,058)
Other operating income	553	232	553	232
Finance costs	(3,245)	(2,973)	(3,245)	(2,973)
Loss before taxation	<u>(8,382)</u>	<u>(4,940)</u>	<u>(8,382)</u>	<u>(4,940)</u>
Taxation	(54)	18	(54)	18
Loss after taxation	<u><u>(8,436)</u></u>	<u><u>(4,922)</u></u>	<u><u>(8,436)</u></u>	<u><u>(4,922)</u></u>
Loss per share				
- basic (sen) - restated	(13.02)	(7.60)	(13.02)	(7.60)
- Fully diluted (sen)	-	-	-	-

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007.

HUAT LAI RESOURCES BERHAD (323273 - T)
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31ST MARCH 2008
The figures have not been audited.
CONDENSED CONSOLIDATED BALANCE SHEET

	AS AT 31/03/08 RM'000	AUDITED AS AT 31/12/07 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	252,705	236,884
Prepaid lease payments	15,993	8,094
	<u>268,698</u>	<u>244,978</u>
Current Assets		
Inventories	91,260	84,150
Receivables	39,137	35,402
Tax recoverable	854	994
Fixed deposits	12,579	13,374
Cash and bank balances	4,908	8,698
	<u>148,738</u>	<u>142,618</u>
Total Assets	<u>417,436</u>	<u>387,596</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	64,799	64,799
Share premium	2,118	2,118
Treasury shares	(4,478)	(4,478)
Revaluation reserve	18,823	18,823
Share option reserve	527	527
ICULS (equity component)	15,088	15,088
Retained earnings	(4,689)	3,747
	<u>92,188</u>	<u>100,624</u>
Non-Current Liabilities		
Bank term loans	101,407	78,821
Hire purchase and finance lease liabilities	11,589	12,840
ICULS (Liability component)	971	971
Deferred taxation	16,875	16,821
	<u>130,842</u>	<u>109,453</u>
Current Liabilities		
Payables	67,865	51,558
Hire purchase and finance lease liabilities	9,948	10,423
Short term borrowings	112,833	111,832
Bank overdraft	2,976	2,693
ICULS (liability component)	575	776
Taxation	209	237
	<u>194,406</u>	<u>177,519</u>
TOTAL LIABILITIES	<u>325,248</u>	<u>286,972</u>
TOTAL EQUITY AND LIABILITIES	<u>417,436</u>	<u>387,596</u>
NET ASSETS PER SHARE (RM)	<u>1.42</u>	<u>1.57</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2007.

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The figures have not been audited.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Period Ended 31/03/08 RM'000	Period Ended 31/03/07 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the financial period	(8,436)	(4,922)
Adjustments for :		
Amortisation of prepaid lease payments	78	89
Depreciation of property, plant and equipment	7,540	6,838
Interest expense	3,245	2,973
Interest income	(64)	(81)
Gain on disposal of property, plant and equipment	(58)	-
Unrealised exchange gain	-	7
Tax charge / (credit)	54	(18)
Operating profit before working capital changes	<u>2,359</u>	<u>4,886</u>
Increase in inventories	(7,109)	(964)
(Increase) / decrease in receivables	(3,736)	1,497
Increase in payables	<u>16,307</u>	<u>1,478</u>
Cash generated from operations	7,821	6,897
Tax paid	(120)	(54)
Tax refunded	231	-
Net cash generated from operating activities	<u>7,932</u>	<u>6,843</u>
CASH FLOW FOR INVESTING ACTIVITIES		
Interest received	64	81
Purchase of property, plant and equipment	(23,360)	(310)
Addition in prepaid lease payments	(7,977)	-
Proceeds from disposal of property, plant and equipment	58	-
Net cash used in investing activities	<u>(31,215)</u>	<u>(229)</u>
CASH FLOW FOR FINANCING ACTIVITIES		
Interest paid	(3,245)	(2,973)
Drawdown of revolving credits	3	-
ICULS Interest expenses	(200)	-
Treasury shares	-	(331)
Short term borrowings raised	1,816	(289)
Drawdown of term loans	23,462	2,559
Repayment of term loans	(1,695)	(4,376)
Repayment of hire purchase liabilities	(1,726)	(2,885)
Net cash used in financing activities	<u>18,415</u>	<u>(8,295)</u>
Net decrease in cash and cash equivalents	(4,868)	(1,681)
Cash and cash equivalents at beginning of the financial year	7,005	3,741
Cash and cash equivalents at end of the financial period	<u>2,137</u>	<u>2,060</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31ST MARCH 2008

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The figures have not been audited.

	Share Capital RM'000	Treasury Share RM'000	ICULS Equity component RM'000	Revaluation Reserve RM'000	Option Reserve RM'000	Share Premium RM'000	(Accumulated Losses) / Share Retained Earnings RM'000	Total RM'000
At 1 January 2008	64,799	(4,478)	15,088	18,823	527	2,118	3,747	100,624
Loss for the period	-	-	-	-	-	-	(8,436)	(8,436)
At 31 March 2008	64,799	(4,478)	15,088	18,823	527	2,118	(4,689)	92,188

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
THE FIRST QUARTER ENDED 31ST MARCH 2007

	Share Capital RM'000	Treasury Share RM'000	ICULS Equity component RM'000	Revaluation Reserve RM'000	Option Reserve RM'000	Share Premium RM'000	(Accumulated Losses) / Share Retained Earnings RM'000	Total RM'000
At 1 January 2007	64,799	(4,128)	15,088	18,309	405	2,118	1,628	98,219
Share buyback	-	(331)	-	-	-	-	-	(331)
Loss for the period	-	-	-	-	-	-	(4,922)	(4,922)
At 31 March 2007	64,799	(4,459)	15,088	18,309	405	2,118	(3,294)	92,966

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007

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NOTES TO THE QUARTERLY REPORT

A. Selected explanatory notes pursuant to FRS 134 Interim Financial Reporting

A1. Accounting Policies

The interim condensed financial statements are prepared in compliance with FRS 134, “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim condensed financial statements have been prepared based on accounting policies and methods of computation which are consistent with those adopted in the preparation of the audited financial statements for the year ended 31 December 2007.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following revised Financial Reporting Standards (“FRS”) :

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The above FRS are effective 1 July 2007 and the adoption of the above FRSs does not have significant financial impact to the Group.

A3. Audit Report

The auditors’ report on the preceding year’s annual financial statements was not subject to any qualification.

A4. Seasonal And Cyclical Factors

Seasonal or cyclical factors do not significantly affect the principal business operations of the Group.

A5. Unusual Items

There were no unusual items in the current quarter and financial year to date.

A6. Changes in Estimate

There were no changes in the estimate of amounts reported in prior interim period of the current financial year.

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The principle terms of the Warrants are as follows:-

- a) Issue price The Warrants are issued free of charge to the shareholders of the Company who subscribe for the ICULS on the basis of one warrant for every RM1-00 nominal value of ICULS subscribed.
- b) Exercise rights Each Warrant entitles the holder to subscribe for one new ordinary share at the exercise price at any time during the exercise period.
- c) Exercise price RM1-00
- d) Tenure The Warrants have a tenure of 5 years from the date of issue, expiring on 27 March 2010.

As at 28 May 2008, a total of RM9,799,550 nominal value of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") have been converted into 9,799,550 ordinary share of RM1.00 each in the Company.

Accordingly, the nominal value of ICULS outstanding and the paid-up share capital of the Company as at 28 May 2008 is RM17,700,450/- and RM64,799,550/- respectively.

A8. Dividends paid

There were no dividends paid during the quarter under review.

A9. Segmental Reporting

	Poultry farming	Manufacturing of fertilizer, feeds, egg trays and liquid eggs	Others	Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	89,769	4,629	415		94,813
Intersegment sales	7,690	37,645		(45,335)	-
	97,459	42,274	415	(45,335)	94,813

	Poultry farming	Manufacturing of fertilizer, feeds, egg trays and liquid eggs	Others	Total
	RM'000	RM'000	RM'000	RM'000
Loss before tax	(7,498)		(858)	(8,382)
Loss after tax	(7,552)		(858)	(8,436)

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A10. Valuations of Property, Plant and Equipment

The valuations of the properties of the Group which were carried out in 2006 have been brought forward from the previous annual audited financial statements without any amendment.

A11. Material Events Subsequent to the End of the Period Reported

There are no material subsequent events that have arisen in the interval between the end of the current quarter ended 31 March 2008 to the date of this announcement, which would substantially affect the financial results of the Group for the current quarter and the financial year to date.

A12. Changes In Composition Of The Group

There were no major changes in the composition of the Group during the quarter under review.

A13. Changes In Contingent Liabilities

Changes in material contingent liabilities of the Group and Company since 31 December 2007 were as follows :

	Group		Company	
	31/03/2008	31/12/2007	31/03/2008	31/12/2007
	RM'000	RM'000	RM'000	RM'000
Guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	274,994	273,928
Outstanding guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	189,465	165,337

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B. Selected explanatory notes pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

B1. Review Of The Performance Of The Company And Its Principal Subsidiaries

The Group's turnover for the period ended 31 March 2008 has increased by 44.11% to RM94.813 million from RM65.859 million for the corresponding period ended 31 March 2007. The increase in turnover is due to the higher sales quantity and better prices of group's products.

The Group registered a pretax loss of RM8.382 million as compared to a pretax loss of RM4.940 million in the corresponding period last year. The pre tax losses is due to lower prices of poultry products during the quarter and high raw material prices.

B2. Comparison With The Preceding Quarter's Results

For the quarter ended 31 March 2008, the Group registered a pretax loss of RM8.382 million as compared to a pretax profit of RM4.657 million for the preceding quarter ended 31 December 2007. The Group's pretax loss for the period was due to lower prices of poultry products during the quarter and high raw material prices.

B3. Commentary On Current Year Prospect

As for the prospect of the Group for the current year, the Board of Directors expects the overall business environment to be difficult due to continual increase in cost of raw materials and higher operating costs.

However the Group has taken various steps in reducing the operating costs of the Group and also venturing into activities that can value add to the Group. With the pro-active steps taken, the Group expects to achieve better financial results for the coming financial year.

B4. Variance on forecast profit / profit guarantee

Not applicable as no profit guarantee was issued.

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B5. Income Tax Expense

The taxation (charge) / credit comprises :

	Individual Quarter		Cumulative Quarter	
	31/03/08	31/03/07	31/03/08	31/03/07
	RM'000	RM'000	RM'000	RM'000
In respect of the financial period				
Malaysian income tax	0	0	0	0
Deferred tax	(54)	18	(54)	18
	(54)	18	(54)	18

B6. Profits On Any Sale Of Investments And/Or Properties

There were no sales of unquoted investments and/or properties for the current quarter and financial year to date.

B7. Quoted Investments

There were no purchases or disposal of quoted securities for the current quarter under review.

B8. Status Of Corporate Proposals

There were no corporate proposals announced but not completed during the current quarter under review.

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B9. Utilisation of Proceeds from Rights Issue of 5% Irredeemable Convertible Unsecured Loan Stocks with Free Detachable Warrants

The Company's Rights Issue of 5% Irredeemable Convertible Unsecured Loan Stocks with free detachable Warrants has raised a total proceeds of RM27,500,000/- which has been fully utilised as at 31 March 2008.

B10. Group Borrowings

Group borrowings all of which are secured as at 31 March 2008 were as follows:

	Current	Non Current	Total
	RM'000	RM'000	RM'000
Hire-purchase and finance lease liabilities	9,948	11,589	21,537
Bank borrowings	112,833	101,407	214,240
Bank overdraft	2,976	-	2,976
Total borrowings	125,757	112,996	238,753

The borrowings are all denominated in Ringgit Malaysia.

B11. Off Balance Sheet Financial Instruments

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

B12. Pending Material Litigation

There was no pending material litigation as at the date of this quarterly report.

B13. Dividend

No dividend has been declared for the current quarter under review.

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B14. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	31/03/08 RM'000	31/03/07 RM'000	31/03/08 RM'000	31/03/07 RM'000
a) <i>Basic Loss Per Share</i>				
Net loss attributable to shareholders	(8,436)	(4,922)	(8,436)	(4,922)
Weighted average number of ordinary shares	64,799	64,799	64,799	64,799
Basic Loss Per Share (sen)	(13.02)	(7.60)	(13.02)	(7.60)
b) <i>Diluted Earnings Per Share</i>				
Net loss attributable to shareholders	-	-	-	-
Add : Coupon interest of ICULS	-	-	-	-
Adjusted net profit attributable to shareholders	-	-	-	-
Weighted average number of ordinary shares				-
Effect of incremental shares on conversion of ICULS	-	-	-	-
Weighted average number of ordinary shares	-	-	-	-
Diluted Earnings Per Share (sen) *	-	-	-	- *

* There is no dilutive earnings per share because it is anti-dilutive .

HUAT LAI RESOURCES BERHAD
(Company No. 323273-T)**B15. Cash and cash equivalents at end of the financial year**

	RM'000
Cash and bank balances	4,908
Fixed deposits with licensed banks	12,579
Bank Overdraft	<u>(2,976)</u>
	14,511
Less : Fixed deposits pledged	<u>(12,374)</u>
	<u><u>2,137</u></u>