

HUAT LAI RESOURCES BERHAD (323273 - T)**(Incorporated in Malaysia)****QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30TH JUNE 2008**

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/06/08 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/6/07 RM'000	CURRENT YEAR TO DATE 30/06/08 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/07 RM'000
Revenue	102,717	65,533	197,530	131,392
Expenses excluding finance cost and tax	(103,577)	(66,626)	(204,080)	(134,684)
Other operating income	788	583	1,341	815
Finance costs	(3,345)	(3,127)	(6,590)	(6,100)
Loss before taxation	<u>(3,417)</u>	<u>(3,637)</u>	<u>(11,799)</u>	<u>(8,577)</u>
Taxation	(51)	(19)	(105)	(1)
Loss after taxation	<u><u>(3,468)</u></u>	<u><u>(3,656)</u></u>	<u><u>(11,904)</u></u>	<u><u>(8,578)</u></u>
Loss per share				
- basic (sen) - restated	(5.35)	(5.64)	(18.37)	(13.24)
- 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.

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30TH JUNE 2008
The figures have not been audited.
CONDENSED CONSOLIDATED BALANCE SHEET

	AS AT 30/06/08 RM'000	AUDITED AS AT 31/12/07 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	257,391	236,884
Prepaid lease payments	15,855	8,094
	<u>273,246</u>	<u>244,978</u>
Current Assets		
Inventories	96,403	84,150
Receivables	47,071	35,402
Tax recoverable	877	994
Fixed deposits	12,648	13,374
Cash and bank balances	5,069	8,698
	<u>162,068</u>	<u>142,618</u>
Total Assets	<u>435,314</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
(Accumulated losses) / Retained earnings	(8,157)	3,747
	<u>88,720</u>	<u>100,624</u>
Non-Current Liabilities		
Bank term loans	106,817	78,821
Hire purchase and finance lease liabilities	14,280	12,840
ICULS (Liability component)	971	971
Deferred taxation	16,926	16,821
	<u>138,994</u>	<u>109,453</u>
Current Liabilities		
Payables	76,286	51,558
Hire purchase and finance lease liabilities	10,560	10,423
Short term borrowings	117,902	111,832
Bank overdraft	2,281	2,693
ICULS (liability component)	381	776
Taxation	190	237
	<u>207,600</u>	<u>177,519</u>
TOTAL LIABILITIES	<u>346,594</u>	<u>286,972</u>
TOTAL EQUITY AND LIABILITIES	<u>435,314</u>	<u>387,596</u>
NET ASSETS PER SHARE (RM)	<u>1.37</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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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30TH JUNE 2008

The figures have not been audited.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Period Ended 30/06/08 RM'000	Period Ended 30/06/07 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the financial period	(11,904)	(8,578)
Adjustments for :		
Amortisation of prepaid lease payments	225	87
Depreciation of property, plant and equipment	15,189	13,878
Interest expense	6,590	6,100
Interest income	(216)	(178)
Gain on disposal of property, plant and equipment	(122)	-
Unrealised exchange gain	-	(13)
Tax charge	104	1
Operating profit before working capital changes	<u>9,866</u>	<u>11,297</u>
Increase in inventories	(12,252)	(7,882)
(Increase) in receivables	(11,669)	(4,072)
Increase in payables	<u>24,728</u>	<u>8,608</u>
Cash generated from operations	10,673	7,951
Tax paid	(162)	(91)
Tax refunded	232	-
Net cash generated from operating activities	<u>10,743</u>	<u>7,860</u>
CASH FLOW FOR INVESTING ACTIVITIES		
Interest received	216	178
Purchase of property, plant and equipment	(35,696)	(8,017)
Addition in prepaid lease payments	(7,986)	-
Proceeds from disposal of property, plant and equipment	122	-
Net cash used in investing activities	<u>(43,344)</u>	<u>(7,839)</u>
CASH FLOW FOR FINANCING ACTIVITIES		
Interest paid	(6,590)	(6,100)
Drawdown of revolving credits	(8)	2
ICULS Interest expenses	(395)	-
Treasury shares	-	(351)
Short term borrowings raised	7,584	6,216
Drawdown of term loans	32,195	11,059
Repayment of term loans	(5,706)	(9,179)
Net hire purchase liabilities raised / (repayment)	<u>1,577</u>	<u>(5,555)</u>
Net cash used in financing activities	<u>28,657</u>	<u>(3,908)</u>
Net decrease in cash and cash equivalents	(3,944)	(3,887)
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>3,061</u>	<u>(146)</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 SECOND QUARTER ENDED 30TH JUNE 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	Share Option Reserve RM'000	Share Premium RM'000	(Accumulated Losses) / 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	-	-	-	-	-	-	(11,904)	(11,904)
At 30 June 2008	64,799	(4,478)	15,088	18,823	527	2,118	(8,157)	88,720

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
THE SECOND QUARTER ENDED 30TH JUNE 2007

	Share Capital RM'000	Treasury Share RM'000	ICULS Equity component RM'000	Revaluation Reserve RM'000	Share Option Reserve RM'000	Share Premium RM'000	(Accumulated Losses) / 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	-	(350)	-	-	-	-	-	(350)
Loss for the period	-	-	-	-	-	-	(8,578)	(8,578)
At 3 June 2007	64,799	(4,478)	15,088	18,309	405	2,118	(6,950)	89,291

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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A7. Debt and Equity Securities

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities except for:-

- (i) Issuance of RM27,500,000 nominal value of 5% Irredeemable Convertible Unsecured Loan Stocks 2005/2010 ("ICULS") : and
- (ii) Issuance of 27,500,000 Warrants 2005/2010 ("Warrants").
- (iii) Pursuant to the approval obtained from the Shareholders of the Company at an Annual General Meeting held on 26 June 2008 to buy back its own shares, the Company has purchased a total of 5,783,800 ordinary shares of RM1.00 each representing approximately 8.0% of the total issued and paid up share capital of the Company at a total consideration of RM4,478,469.93

The ICULS and Warrants were issued on 28 March 2005 and listed on the Second Board of Bursa Malaysia Securities Berhad on 31 March 2005.

The principle terms of the ICULS are as follows:-

- a) Coupon rate The ICULS bear interest at 5% per annum payable on an annual basis.
- b) Tenure The ICULS have a tenure of 5 years from the date of issue, maturing on 27 March 2010.
- c) Redeemability The ICULS will not be redeemable for cash.
- d) Convertibility Convertible into new ordinary shares of the Company at anytime during the period from date of issue to 28 March 2010 on the basis of one ICULS to one new ordinary share. Any outstanding ICULS as at 28 March 2010 will be automatically converted to ordinary share.
- e) Securities The ICULS issued are unsecured in nature.
- f) Status of new shares issued The new ordinary shares issued pursuant to the conversion of ICULS shall rank pari passu in all respects with the existing ordinary shares of the Company except that they will not be entitled to any dividends, rights, allotments and other distributions the record date of which precedes or falls on the relevant conversion date.

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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 27 August 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 27 August 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	186,870	9,337	1,323		197,530
Intersegment sales	17,897	83,597		(101,494)	-
	204,767	92,934	1,323	(101,494)	197,530

	Poultry farming	Manufacturing of fertilizer, feeds, egg trays and liquid eggs	Others	Total
	RM'000	RM'000	RM'000	RM'000
(Loss) / profit before tax	(11,860)	(399)	460	(11,799)
(Loss) / profit after tax	(11,965)	(399)	460	(11,904)

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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 30 June 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	
	30/06/2008	31/12/2007	30/06/2008	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	285,735	273,928
Outstanding guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	198,077	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 30 June 2008 has increased by 50.33% to RM197.53 million from RM131.392 million for the corresponding period ended 30 June 2007. The increase in turnover is due to the higher sales quantity of group's products.

The Group registered a pretax loss of RM11.799 million as compared to a pretax loss of RM8.577 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 30 June 2008, the Group registered a pretax loss of RM3.417 million as compared to a pretax loss of RM8.382 million for the preceding quarter ended 31 March 2008. The Group's smaller pretax loss for the period was due to slightly better prices of poultry products during the second quarter.

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 :

In respect of the financial period	Individual Quarter		Cumulative Quarter	
	30/06/08	30/06/07	30/06/08	30/06/07
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	0	0	0	0
Deferred tax	51	19	105	1
	51	19	105	1

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 30 June 2008 were as follows:

	Current	Non Current	Total
	RM'000	RM'000	RM'000
Hire-purchase and finance lease liabilities	10,560	14,280	24,840
Bank borrowings	117,902	106,817	224,719
Bank overdraft	2,281	-	2,281
Total borrowings	130,743	121,097	251,840

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	
	30/06/08 RM'000	30/06/07 RM'000	30/06/08 RM'000	30/06/07 RM'000
a) <i>Basic Loss Per Share</i>				
Net loss attributable to shareholders	(3,468)	(3,656)	(11,904)	(8,578)
Weighted average number of ordinary shares	64,799	64,799	64,799	64,799
Basic Loss Per Share (sen)	(5.35)	(5.64)	(18.37)	(13.24)
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 .

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B15. Cash and cash equivalents at end of the financial year

	RM'000
Cash and bank balances	5,069
Fixed deposits with licensed banks	12,648
Bank Overdraft	<u>(2,281)</u>
	15,436
Less : Fixed deposits pledged	<u>(12,375)</u>
	<u><u>3,061</u></u>