

**HUAT LAI RESOURCES BERHAD (323273 - T)**  
(Incorporated in Malaysia)  
**QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30TH SEPTEMBER 2008**  
The figures have not been audited.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/09/08 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/07 RM'000	CURRENT YEAR TO DATE 30/09/08 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/09/07 RM'000
Revenue	132,035	84,851	329,565	216,243
Expenses excluding finance cost and tax	(124,762)	(74,663)	(328,842)	(209,347)
Other operating income	707	546	2,048	1,361
Finance costs	(3,592)	(3,202)	(10,182)	(9,302)
Profit / (Loss) before taxation	<u>4,388</u>	<u>7,532</u>	<u>(7,411)</u>	<u>(1,045)</u>
Taxation	(52)	193	(157)	192
Profit / (Loss) after taxation	<u><u>4,336</u></u>	<u><u>7,725</u></u>	<u><u>(7,568)</u></u>	<u><u>(853)</u></u>
<b>Earnings / (Loss) per share</b>				
- basic (sen)	6.69	11.92	(11.68)	(1.32)
- Fully diluted (sen)	5.28	9.39	-	-

**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 THIRD QUARTER ENDED 30TH SEPTEMBER 2008**

The figures have not been audited.

**CONDENSED CONSOLIDATED BALANCE SHEET**

	AS AT 30/09/08 RM'000	AUDITED AS AT 31/12/07 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	260,675	236,884
Prepaid lease payments	15,708	8,094
Other investment	22	-
	<u>276,405</u>	<u>244,978</u>
<b>Current Assets</b>		
Inventories	108,170	84,150
Receivables	59,224	35,402
Tax recoverable	965	994
Fixed deposits	15,950	13,374
Cash and bank balances	7,803	8,698
	<u>192,112</u>	<u>142,618</u>
<b>Total Assets</b>	<u>468,517</u>	<u>387,596</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
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	(3,821)	3,747
	<u>93,056</u>	<u>100,624</u>
<b>Non-Current Liabilities</b>		
Bank term loans	109,264	78,821
Hire purchase and finance lease liabilities	15,075	12,840
ICULS (Liability component)	384	971
Deferred taxation	16,978	16,821
	<u>141,701</u>	<u>109,453</u>
<b>Current Liabilities</b>		
Payables	96,297	51,558
Hire purchase and finance lease liabilities	10,296	10,423
Short term borrowings	123,665	111,832
Bank overdraft	2,735	2,693
ICULS (liability component)	767	776
Taxation	-	237
	<u>233,760</u>	<u>177,519</u>
<b>TOTAL LIABILITIES</b>	<u>375,461</u>	<u>286,972</u>
	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>468,517</u>	<u>387,596</u>
<b>NET ASSETS PER SHARE (RM)</b>		
	<u>1.44</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 THIRD QUARTER ENDED 30TH SEPTEMBER 2008**  
The figures have not been audited.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Period Ended 30/9/08 RM'000</b>	<b>Period Ended 30/09/07 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss for the financial period	(7,568)	(853)
Adjustments for :		
Amortisation of prepaid lease payments	372	130
Depreciation of property, plant and equipment	22,920	21,063
Interest expense	10,182	9,302
Interest income	(284)	(306)
(Profit) / Loss on disposal of property, plant and equipment	(182)	7
Unrealised exchange (loss) / gain	(3)	5
Tax credit / (charge)	154	(403)
Operating profit before working capital changes	<u>25,591</u>	<u>28,945</u>
Increase in inventories	(24,019)	(13,451)
Increase in receivables	(23,817)	(16,607)
Increase in payables	<u>44,739</u>	<u>27,108</u>
Cash generated from operations	22,494	25,995
Tax paid	(440)	(103)
Tax refunded	232	-
Net cash generated from operating activities	<u>22,286</u>	<u>25,892</u>
<b>CASH FLOW FOR INVESTING ACTIVITIES</b>		
Interest received	284	306
Investment in share	(22)	-
Purchase of property, plant and equipment	(46,711)	(17,186)
Purchase of leasehold land	-	(343)
Addition in prepaid lease payments	(7,986)	-
Proceeds from disposal of property, plant and equipment	182	-
Net cash used in investing activities	<u>(54,253)</u>	<u>(17,223)</u>
<b>CASH FLOW FOR FINANCING ACTIVITIES</b>		
Interest paid	(10,182)	(9,302)
(Repayment) / Drawdown of revolving credits	(2,017)	1
ICULS Interest expenses	(596)	-
Treasury shares	-	(351)
Short term borrowings raised	11,724	10,538
Drawdown of term loans	42,103	12,760
Repayment of term loans	(9,536)	(14,959)
Net hire purchase liabilities raised / (repayment)	2,109	(8,818)
Net cash used in financing activities	<u>33,605</u>	<u>(10,131)</u>
Net decrease in cash and cash equivalents	1,638	(1,462)
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>8,643</u>	<u>2,279</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 THIRD QUARTER ENDED 30TH SEPTEMBER 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	-	-	-	-	-	-	(7,568)	(7,568)
At 30 September 2008	64,799	(4,478)	15,088	18,823	527	2,118	(3,821)	93,056

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**THE THIRD QUARTER ENDED 30TH SEPTEMBER 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	-	(351)	-	-	-	-	-	(351)
Loss for the period	-	-	-	-	-	-	(853)	(853)
At 30 September 2007	64,799	(4,479)	15,088	18,309	405	2,118	775	97,015

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 Group has not adopted FRS 139 – Financial Instruments : Recognition and measurement and the consequential amendments resulting from FRS 139 as the effective date is 1 January 2010.

**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 8.9% 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 26 November 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 26 November 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**

	<b>Poultry farming</b>	<b>Manufacturing of fertilizer, feeds, egg trays and liquid eggs</b>	<b>Others</b>	<b>Eliminations</b>	<b>Group</b>
	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	314,125	13,500	1,940		329,565
Intersegment sales	32,303	141,278		(173,581)	-
	346,428	154,778	1,940	(173,581)	329,565

	<b>Poultry farming</b>	<b>Manufacturing of fertilizer, feeds, egg trays and liquid eggs</b>	<b>Others</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000
(Loss) / profit before tax	(7,572)	(424)	585	(7,411)
(Loss) / profit after tax	(7,729)	(424)	585	(7,568)

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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 September 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	
	30/09/2008	31/12/2007	30/09/2008	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	297,892	273,928
Outstanding guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	213,206	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 September 2008 has increased by 52.40% to RM329.565 million from RM216.243 million for the corresponding period ended 30 September 2007. The increase in turnover is due to the higher sales quantity of group's products.

The Group registered a pretax loss of RM7.411 million as compared to a pretax loss of RM1.045 million in the corresponding period last year. The pretax loss 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 September 2008, the Group registered a pretax profit of RM4.388 million as compared to a pretax loss of RM3.417 million for the preceding quarter ended 30 June 2008. The Group's pretax profit for the period was due to better prices of poultry products during the third 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 even though cost of fuel has reduced. Fuel costs reduction has not caused the overall operating cost be reduce as most business have adopted a wait and see approach.

**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	
	30/09/08	30/09/07	30/09/08	30/09/07
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	0	0	0	0
Deferred tax	(52)	193	(157)	192
	<u>(52)</u>	<u>193</u>	<u>(157)</u>	<u>192</u>

**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**

During the quarter, the group subscribed for 50,000 ordinary share at RM0.45 per share in Teo Seng Capital Bhd. The share was quoted on Bursa Malaysia on 29 October 2008. the share was disposed on the same date with a loss of RM2,348.89.

**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 September 2008 were as follows:

	Current	Non Current	Total
	RM'000	RM'000	RM'000
Hire-purchase and finance lease liabilities	10,296	15,075	25,371
Bank borrowings	123,664	109,264	232,928
Bank overdraft	2,735	-	2,735
<b>Total borrowings</b>	<b>136,695</b>	<b>124,339</b>	<b>261,034</b>

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	
	30/09/08 RM'000	30/09/07 RM'000	30/09/08 RM'000	30/09/07 RM'000
<b>a) Basic Loss Per Share</b>				
Net profit / (loss) attributable to shareholders	4,336	7,725	(7,568)	(853)
Weighted average number of ordinary shares	64,799	64,799	64,799	64,799
Basic Profit / (Loss) Per Share (sen)	6.69	11.92	(11.68)	(1.32)
<b>b) Diluted Earnings Per Share</b>				
Net profit attributable to shareholders	4,336	7,725	-	-
Add : Coupon interest of ICULS	20	25	-	-
Adjusted net profit attributable to shareholders	4,356	7,750	-	-
Weighted average number of ordinary shares	64,799	64,799	-	-
Effect of incremental shares on conversion of ICULS	17,701	17,701	-	-
Weighted average number of ordinary shares	82,500	82,500	-	-
Diluted Earnings Per Share (sen)	5.28	9.39	-*	-*

\* 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	7,803
Fixed deposits with licensed banks	15,950
Bank Overdraft	<u>(2,735)</u>
	21,018
Less : Fixed deposits pledged	<u>(12,375)</u>
	<u><u>8,643</u></u>