

HUAT LAI RESOURCES BERHAD (323273 - T)**(Incorporated in Malaysia)****QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31ST DECEMBER 2008**

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR 31/12/08 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/07 RM'000 <i>(Restated)</i>	CURRENT YEAR TO DATE 31/12/08 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/07 RM'000 <i>(Restated)</i>
Revenue	121,356	93,193	450,921	309,436
Expenses excluding finance cost and tax	(125,739)	(85,568)	(454,581)	(294,915)
Other operating income	1,791	248	3,839	1,609
Finance costs	(3,714)	(3,215)	(13,896)	(12,517)
Profit / (Loss) before taxation	<u>(6,306)</u>	<u>4,658</u>	<u>(13,717)</u>	<u>3,613</u>
Taxation	2,263	(1,686)	2,106	(1,494)
Profit / (Loss) after taxation	<u><u>(4,043)</u></u>	<u><u>2,972</u></u>	<u><u>(11,611)</u></u>	<u><u>2,119</u></u>
 (Loss)/Earnings per share				
- basic (sen)	(6.24)	4.59	(17.92)	3.27
- Diluted (sen)	-	3.63	-	2.77

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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The figures have not been audited.

CONDENSED CONSOLIDATED BALANCE SHEET

	AS AT 31/12/08 RM'000	AUDITED AS AT 31/12/07 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	273,349	236,884
Prepaid lease payments	15,562	8,094
	<u>288,911</u>	<u>244,978</u>
Current Assets		
Inventories	102,957	84,150
Receivables	53,086	35,402
Tax recoverable	523	994
Fixed deposits	17,101	13,374
Cash and bank balances	7,820	8,698
	<u>181,487</u>	<u>142,618</u>
Total Assets	<u>470,398</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	19,025	18,823
Share option reserve	596	527
ICULS (equity component)	15,088	15,088
(Accumulated losses) / Retained earnings	(7,864)	3,747
	<u>89,284</u>	<u>100,624</u>
Non-Current Liabilities		
Bank term loans	107,148	78,821
Hire purchase and finance lease liabilities	12,710	12,840
ICULS (Liability component)	189	971
Deferred taxation	14,015	16,821
	<u>134,062</u>	<u>109,453</u>
Current Liabilities		
Payables	107,528	51,558
Hire purchase and finance lease liabilities	11,881	10,423
Short term borrowings	124,614	111,832
Bank overdraft	2,015	2,693
ICULS (liability component)	754	776
Taxation	260	237
	<u>247,052</u>	<u>177,519</u>
TOTAL LIABILITIES	<u>381,114</u>	<u>286,972</u>
TOTAL EQUITY AND LIABILITIES	<u>470,398</u>	<u>387,596</u>
NET ASSETS PER SHARE (RM)	<u>1.38</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

	Year Ended 31/12/08 RM'000	Year Ended 31/12/07 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit for the financial year	(11,611)	2,119
Adjustments for :		
Allowance for doubtful debts	582	171
Amortisation of prepaid lease payments	518	173
Bad debts written off	-	227
Depreciation of property, plant and equipment	30,834	28,350
Goodwill written off	-	10
Interest expense	13,815	12,517
Interest income	(400)	(405)
share options granted under ESOS	69	121
Gain on disposal of property, plant and equipment	(182)	(43)
Unrealised exchange (gain)/loss	(11)	5
Tax (credit)/charge	(2,106)	1,494
Operating profit before working capital changes	<u>31,508</u>	<u>44,739</u>
Increase in inventories	(18,806)	(15,989)
Increase in receivables	(18,261)	(13,078)
Increase in payables	<u>55,971</u>	<u>15,194</u>
Cash generated from operations	50,412	30,866
Tax paid	(483)	(447)
Tax refunded	484	20
Net cash generated from operating activities	<u>50,413</u>	<u>30,439</u>
CASH FLOW FOR INVESTING ACTIVITIES		
Interest received	400	405
Purchase of property, plant and equipment	(67,306)	(17,300)
Increase in fixed deposits pledged	-	(1,036)
Addition in prepaid lease payments	(7,986)	(353)
Proceeds from disposal of property, plant and equipment	190	51
Net cash used in investing activities	<u>(74,702)</u>	<u>(18,233)</u>
CASH FLOW FROM/(FOR) FINANCING ACTIVITIES		
Interest paid	(14,619)	(13,263)
(Repayment) / Drawdown of revolving credits	(2,022)	3
Treasury shares	-	(351)
Short term borrowings raised	11,659	14,513
Drawdown of term loans	50,324	21,875
Repayment of term loans	(18,853)	(20,370)
Net hire purchase liabilities raised / (repayment)	<u>1,328</u>	<u>(11,349)</u>
Net cash generated/(used in) financing activities	<u>27,817</u>	<u>(8,942)</u>
Net increase in cash and cash equivalents	3,528	3,264
Cash and cash equivalents at beginning of the financial year	7,005	3,741
Cash and cash equivalents at end of the financial year	<u>10,533</u>	<u>7,005</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 FOURTH QUARTER ENDED 31ST DECEMBER 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		Total RM'000
							Share Option Reserve RM'000	Retained Earnings RM'000	
At 1 January 2008	64,799	(4,478)	15,088	18,823	527	2,118	3,747	100,624	
Loss for the year	-	-	-	-	-	-	(11,611)	(11,611)	
Amount recognised in relation to reduction in tax rate	-	-	-	202	-	-	-	202	
Share options granted under ESOS	-	-	-	-	69	-	-	69	
At 31 December 2008	64,799	(4,478)	15,088	19,025	596	2,118	(7,864)	89,284	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
THE FOURTH QUARTER ENDED 31ST DECEMBER 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		Total RM'000
							Share Option Reserve RM'000	Retained Earnings 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)	
Profit for the year	-	-	-	-	-	-	2,119	2,119	
Amount recognised in relation to reduction in tax rate	-	-	-	231	-	-	-	231	
Reversal of deferred tax	-	-	-	283	-	-	-	283	
Share options granted under ESOS	-	-	-	-	122	-	-	122	
At 30 December 2007	64,799	(4,478)	15,088	18,823	527	2,118	3,747	100,624	

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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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

	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	431,450	17,161	2,310		450,921
Intersegment sales	41,949	199,757		(241,706)	-
	473,399	216,918	2,310	(241,706)	450,921

	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	(13,004)		(1,391)	678	(13,717)
(Loss)/profit after tax	(10,267)		(1,762)	418	(11,611)

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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 December 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	
	31/12/2008	31/12/2007	31/12/2008	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	308,830	273,928
Outstanding guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	217,897	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 December 2008 has increased by 45.7% to RM450.921 million from RM309.436 million for the corresponding period ended 31 December 2007. The increase in turnover is due to the higher sales quantity of group's products.

The Group registered a pretax loss of RM13.717 million as compared to a pretax profit of RM3.613 million in the corresponding period last year. The pretax loss is due to lower prices of poultry products during the year and high raw material prices.

B2. Comparison With The Preceding Quarter's Results

For the quarter ended 31 December 2008, the Group registered a pretax loss RM6.306 million as compared to a pretax profit of RM4.388 million for the preceding quarter ended 30 September 2008. The Group's pretax loss the period was due to lower prices of poultry products during the 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 :

	Individual Quarter		Cumulative Quarter	
	31/12/08	31/12/07	31/12/08	31/12/07
	RM'000	RM'000	RM'000	RM'000
In respect of the financial period				
Malaysian income tax	499	345	499	345
Deferred tax	(2,762)	1,341	(2,605)	1,149
	<u>(2,263)</u>	<u>1,686</u>	<u>(2,106)</u>	<u>1,494</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

The Company had on 24 December 2008 announced that the Company had on 24 December 2008 entered into a Sale and Purchase Agreement to acquire ("the Proposed Acquisition") from Mr. Sai Her Yam and Mdm. Sai Soo Lin 4,080,000 ordinary shares of RM1.00 each representing 51% of the issued and paid-up share capital of Chuan Hong Poultry Farm Sdn Bhd at a consideration of RM6,100,000/-:-

<u>Vendors</u>	<u>Shareholdings (%)</u>	<u>No. of Chuan Hong Shares</u>	<u>Consideration (RM)</u>
Mr. Sai Her Yam	37.50	3,000,000	4,485,294.00
Mdm. Sai Soo Lin	13.50	1,080,000	1,614,706.00
	<u>51.00</u>	<u>4,080,000</u>	<u>6,100,000.00</u>

The Proposed Acquisition has not been 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 December 2008 were as follows:

	Current RM'000	Non Current RM'000	Total RM'000
Hire-purchase and finance lease liabilities	11,881	12,710	24,591
Bank borrowings	124,614	107,148	231,762
Bank overdraft	2,015		2,015
Total borrowings	<u>138,510</u>	<u>119,858</u>	<u>258,368</u>

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	
	31/12/08 RM'000	31/12/07 RM'000 (Restated)	31/12/08 RM'000	31/12/07 RM'000 (Restated)
a) Basic Earnings Per Share				
Net (loss)/profit attributable to shareholders	(4,043)	2,972	(11,611)	2,119
Weighted average number of ordinary shares	64,799	64,799	64,799	64,799
Basic (Loss)/Earnings Per Share (sen)	(6.24)	4.59	(17.92)	3.27
b) Diluted Earnings Per Share				
Net profit attributable to shareholders	-	2,972	-	2,119
Add : Coupon interest of ICULS	-	20	-	149
Adjusted net profit attributable to shareholders	-	2,992	-	2,268
Weighted average number of ordinary shares	-	64,799	-	64,316
Effect of incremental shares on conversion of ICULS	-	17,700	-	17,700
Weighted average number of ordinary shares	-	82,499	-	82,016
Diluted Earnings Per Share (sen) *	-	3.63	-*	2.77

* 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	7,820
Fixed deposits with licensed banks	17,101
Bank Overdraft	<u>(2,015)</u>
	22,906
Less : Fixed deposits pledged	<u>(12,373)</u>
	<u><u>10,533</u></u>