

HUAT LAI RESOURCES BERHAD (323273 - T)**(Incorporated in Malaysia)****QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31ST MARCH 2009**

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/03/09 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/3/08 RM'000	CURRENT YEAR TO DATE 31/03/09 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/3/08 RM'000 <i>Audited</i>
Revenue	111,263	94,813	111,263	94,813
Expenses excluding finance cost and tax	(113,117)	(100,503)	(113,117)	(100,503)
Other operating income	2,424	553	2,424	553
Finance costs	(3,681)	(3,245)	(3,681)	(3,245)
Loss before taxation	<u>(3,111)</u>	<u>(8,382)</u>	<u>(3,111)</u>	<u>(8,382)</u>
Taxation	(48)	(54)	(48)	(54)
Loss after taxation	<u><u>(3,159)</u></u>	<u><u>(8,436)</u></u>	<u><u>(3,159)</u></u>	<u><u>(8,436)</u></u>
Loss per share				
- basic (sen)	(4.88)	(13.02)	(4.88)	(13.02)
- Diluted (sen)	-	-	-	-

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008

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The figures have not been audited.

CONDENSED CONSOLIDATED BALANCE SHEET

	AS AT 31/03/09 RM'000	AUDITED AS AT 31/12/08 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	276,357	273,349
Prepaid lease payments	15,413	15,562
	<u>291,770</u>	<u>288,911</u>
Current Assets		
Inventories	100,110	102,957
Receivables	51,210	55,377
Tax recoverable	557	523
Fixed deposits	17,540	17,102
Cash and bank balances	6,475	7,820
	<u>175,892</u>	<u>183,779</u>
Total Assets	<u>467,662</u>	<u>472,690</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	19,025
Share option reserve	596	596
ICULS (equity component)	15,087	15,087
Accumulated losses	(11,972)	(8,813)
	<u>85,175</u>	<u>88,334</u>
Non-Current Liabilities		
Long term borrowings	119,257	119,938
ICULS (Liability component)	727	189
Deferred taxation	15,013	14,965
	<u>134,997</u>	<u>135,092</u>
Current Liabilities		
Payables	98,728	109,458
Short term borrowings	144,760	136,777
Bank overdraft	3,742	2,015
ICULS (liability component)	-	754
Taxation	260	260
	<u>247,490</u>	<u>249,264</u>
TOTAL LIABILITIES	<u>382,487</u>	<u>384,356</u>
	-	-
TOTAL EQUITY AND LIABILITIES	<u>467,662</u>	<u>472,690</u>
NET ASSETS PER SHARE (RM)	<u>1.31</u>	<u>1.36</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2008

HUAT LAI RESOURCES BERHAD (323273 - T)**(Incorporated in Malaysia)****QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31ST MARCH 2009****The figures have not been audited.****CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	Period Ended 31/03/09 RM'000	Period Ended 31/3/08 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the period	(3,159)	(8,436)
Adjustments for :		
Amortisation of prepaid lease payments	148	78
Depreciation of property, plant and equipment	5,863	7,540
Interest expense	3,676	3,245
Interest income	(90)	(64)
Gain on disposal of property, plant and equipment	-	(58)
Unrealised exchange loss	13	-
Tax charge	48	54
Operating profit before working capital changes	<u>6,499</u>	<u>2,359</u>
Increase in inventories	2,846	(7,109)
Increase in receivables	4,154	(3,736)
Increase in payables	<u>(10,729)</u>	<u>16,307</u>
Cash generated from operations	2,770	7,821
Tax paid	(33)	(120)
Tax refunded	-	231
Net cash generated from operating activities	<u>2,737</u>	<u>7,932</u>
CASH FLOW FOR INVESTING ACTIVITIES		
Interest received	90	64
Purchase of property, plant and equipment	(6,826)	(23,360)
Addition in prepaid lease payments	-	(7,977)
Proceeds from disposal of property, plant and equipment	-	58
Net cash used in investing activities	<u>(6,736)</u>	<u>(31,215)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(3,676)	(3,245)
Drawdown of revolving credits	2,011	3
Interest expenses	(215)	(200)
Short term borrowings raised	6,380	1,816
Drawdown of term loans	4,000	23,462
Repayment of term loans	(3,898)	(1,695)
Net hire purchase liabilities raised / (repayment)	<u>(3,236)</u>	<u>(1,726)</u>
Net cash generated from financing activities	<u>1,366</u>	<u>18,415</u>
Net decrease in cash and cash equivalents	(2,633)	(4,868)
Cash and cash equivalents at beginning of the financial year	10,126	7,005
Cash and cash equivalents at end of the financial year	<u>7,493</u>	<u>2,137</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2008

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31ST MARCH 2009

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 2009	64,799	(4,478)	15,087	19,025	596	2,118	(8,813)	88,334
Loss for the period	-	-	-	-	-	-	(3,159)	(3,159)
At 31 March 2009	64,799	(4,478)	15,087	19,025	596	2,118	(11,972)	85,175

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
THE FIRST QUARTER ENDED 31ST MARCH 2008

	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	Retained Earnings RM'000	Total RM'000
At 1 January 2008	64,799	(4,478)	15,087	18,823	527	2,118	3,747	100,623
Loss for the period	-	-	-	-	-	-	(8,436)	(8,436)
At 31 March 2008	64,799	(4,478)	15,087	18,823	527	2,118	(4,689)	92,187

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2008.

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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 2008.

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.

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A6. Changes in Estimate

The company changed its accounting estimate with regards to depreciation rate for buildings, plant and machinery and electrical installation as follows:

	Previous financial years	For the current financial year and subsequent financial year
Buildings	10%	5% - 10%
Plant and machinery	10%	6.67% - 10%
Office equipment, furniture and fittings	10%	10%
Electrical installations	10%	6.67% - 10%
Road	10%	10%
Motor vehicles	20%	20%

The new rates have been applied prospectively with effect from 1 January 2009 and the change has the effect of decreasing the Group's net loss before taxation for the quarter ended 31 March 2009 by RM2,160,551. The board is of the opinion that the revised depreciation rate better reflects the estimated useful lives of the relevant property, plant and equipment.

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.

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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. |

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 29 May 2009, 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 29 May 2009 is RM17,700,450/- and RM64,799,550/- respectively.

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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	107,287	3,540	436		111,263
Intersegment sales	20,348	47,127		(67,475)	-
	127,635	50,667	436	(67,475)	111,263

	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	(4,058)	805	142	(3,111)
(Loss)/profit after tax	(4,105)	805	142	(3,159)

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 2009 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.

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A13. Changes In Contingent Liabilities

Changes in material contingent liabilities of the Group and Company since 31 December 2008 were as follows :

	Group		Company	
	31/03/2009 RM'000	31/03/2008 RM'000	31/03/09 RM'000	31/03/08 RM'000
Guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	310,597	274,994
Outstanding guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	217,332	189,465

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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 2009 has increased by 17.3% to RM111.263 million from RM94.813 million for the corresponding period ended 31 March 2008. The increase in turnover is due to the higher sales quantity of group's products.

The Group registered a pretax loss of RM3.111 million as compared to a pretax loss of RM8.382 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 March 2009, the Group registered a pretax loss RM3.111 million as compared to a pretax loss of RM6.306 million for the preceding quarter ended 31 December 2008. The Group's lower pretax loss the period was due to better 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.

B5. Income Tax Expense

The taxation (charge) / credit comprises :

	Individual Quarter		Cumulative Quarter	
	31/03/09	31/03/08	31/03/09	31/03/08
	RM'000	RM'000	RM'000	RM'000
In respect of the financial period				
Malaysian income tax	0	0	0	0
Deferred tax	(48)	(54)	(48)	(54)
	<u>(48)</u>	<u>(54)</u>	<u>(48)</u>	<u>(54)</u>

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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 sales of unquoted investments and/or properties for the current quarter.

B8. Status Of Corporate Proposals

The proposed acquisition of Chuan Hong Poultry Farm Sdn Bhd is expected to be completed in the second quarter of the year.

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 2009 were as follows:

	Current	Non Current	Total
	RM'000	RM'000	RM'000
Hire-purchase and finance lease liabilities	11,539	18,834	30,373
Bank borrowings	133,221	100,423	233,644
Bank overdraft	3,742	-	3,742
Total borrowings	<u>148,502</u>	<u>119,257</u>	<u>267,759</u>

The borrowings are all denominated in Ringgit Malaysia.

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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.

B14. Earnings Per Share

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	Individual Quarter		Cumulative Quarter	
	31/03/09 RM'000	31/03/08 RM'000	31/03/09 RM'000	31/03/08 RM'000
a) <i>Basic Earnings Per Share</i>				
Net loss for the period	(3,159)	(8,436)	(3,159)	(8,436)
Weighted average number of ordinary shares	64,799	64,799	64,799	64,799
Basic Loss Per Share (sen)	(4.88)	(13.02)	(4.88)	(13.02)
b) <i>Diluted Earnings Per Share</i>				
Net profit 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	6,475
Fixed deposits with licensed banks	17,540
Bank Overdraft	<u>(3,742)</u>
	20,273
Less : Fixed deposits pledged	<u>(12,780)</u>
	<u><u>7,493</u></u>