

**HUAT LAI RESOURCES BERHAD (323273 - T)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2010**

The figures have not been audited.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/03/10 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/3/09 RM'000	CURRENT YEAR TO DATE 31/03/10 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/3/09 RM'000
Revenue	134,125	111,263	134,125	111,263
Operating expenses	(140,885)	(113,117)	(140,885)	(113,117)
Other operating income	959	2,424	959	2,424
Loss from operations	(5,801)	570	(5,801)	570
Finance costs	(3,325)	(3,681)	(3,325)	(3,681)
Loss before tax	(9,126)	(3,111)	(9,126)	(3,111)
Income tax expense	(81)	(48)	(81)	(48)
Loss for the period	(9,207)	(3,159)	(9,207)	(3,159)
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>(9,207)</u>	<u>(3,159)</u>	<u>(9,207)</u>	<u>(3,159)</u>
Loss attributable to :				
Equityholders of the Company	(8,283)	(3,159)	(8,283)	(3,159)
Minority interests	(924)	-	(924)	-
	<u>(9,207)</u>	<u>(3,159)</u>	<u>(9,207)</u>	<u>(3,159)</u>
<b>Total comprehensive income attributable to :</b>				
Equityholders of the Company	(8,283)	(3,159)	(8,283)	(3,159)
Minority interests	(924)	-	(924)	-
	<u>(9,207)</u>	<u>(3,159)</u>	<u>(9,207)</u>	<u>(3,159)</u>
Loss per share				
- basic (sen)	(11.16)	(4.88)	(11.16)	(4.88)
- diluted (sen)	(11.16)	(4.88)	(11.16)	(4.88)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2009

**HUAT LAI RESOURCES BERHAD (323273 - I)**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2010**

The figures have not been audited.

	Share Capital RM'000	Treasury Shares RM'000	ICULS Equity component RM'000	Revaluation Reserve RM'000	Share Option Reserve RM'000	Share Premium RM'000	Retained Earnings / (Accumulated Losses) RM'000	Total RM'000	Minority Interest RM'000	Total RM'000
At 1 January 2010 (as previously stated)	64,799	(4,478)	15,087	18,337	596	2,118	2,420	98,879	2,426	101,305
Effects of changes in accounting policies - FRS 139	-	-	-	-	-	-	143	143	297	440
Balance at 1 January 2010 (restated)	64,799	(4,478)	15,087	18,337	596	2,118	2,563	99,022	2,723	101,745
Conversion of ICULS	17,701	-	(15,087)	-	-	-	(2,614)	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	(8,283)	(8,283)	(924)	(9,207)
At 31 March 2010	82,500	(4,478)	-	18,337	596	2,118	(8,334)	90,739	1,799	92,538

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
THE FIRST QUARTER ENDED 31 MARCH 2009**

	Share Capital RM'000	Treasury Shares RM'000	ICULS Equity component RM'000	Revaluation Reserve RM'000	Share Option Reserve RM'000	Share Premium RM'000	Accumulated Losses RM'000	Total RM'000	Minority Interest RM'000	Total RM'000
At 1 January 2009	64,799	(4,478)	15,087	19,025	596	2,118	(8,813)	88,334	-	88,334
Total comprehensive income for the period	-	-	-	-	-	-	(3,159)	(3,159)	-	(3,159)
At 31 March 2009	64,799	(4,478)	15,087	19,025	596	2,118	(11,972)	85,175	-	85,175

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009.

**HUAT LAI RESOURCES BERHAD (323273 - T)**  
**(Incorporated in Malaysia)**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2010**

The figures have not been audited.

	UNAUDITED AS AT 31/03/10 RM'000	AUDITED AS AT 31/12/09 RM'000 <i>(Restated)</i>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	319,250	320,267
Intangible assets	5,559	5,584
	<u>324,809</u>	<u>325,851</u>
<b>Current Assets</b>		
Inventories	90,867	96,198
Receivables	70,064	77,215
Tax recoverable	548	92
Fixed deposits	20,638	13,244
Cash and bank balances	5,285	6,761
	<u>187,402</u>	<u>193,510</u>
<b>Total Assets</b>	<u><u>512,211</u></u>	<u><u>519,361</u></u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	82,500	64,799
Share premium	2,118	2,118
Treasury shares	(4,478)	(4,478)
Revaluation reserve	18,337	18,337
Share option reserve	596	596
ICULS (equity component)	-	15,087
(Accumulated losses) / Retained earnings	(8,334)	2,563
Shareholders' Equity	<u>90,739</u>	<u>99,022</u>
Minority Interest	1,799	2,723
	<u>92,538</u>	<u>101,745</u>
<b>Non-Current Liabilities</b>		
Long term borrowings	103,767	100,352
Deferred taxation	20,770	20,689
	<u>124,537</u>	<u>121,041</u>
<b>Current Liabilities</b>		
Payables	116,621	128,603
Short term borrowings	173,326	163,472
Bank overdraft	4,556	3,609
Amount due to director	92	475
Taxation	541	416
	<u>295,136</u>	<u>296,575</u>
<b>TOTAL LIABILITIES</b>	<u><u>419,673</u></u>	<u><u>417,616</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>512,211</u></u>	<u><u>519,361</u></u>
<b>NET ASSETS PER SHARE (RM)</b>	<u>1.10</u>	<u>1.53</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2009

**HUAT LAI RESOURCES BERHAD (323273 - T)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW****FOR THE FIRST QUARTER ENDED 31 MARCH 2010**

The figures have not been audited.

	<b>Period Ended 31/03/10 RM'000</b>	<b>Period Ended 31/3/09 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss for the period	(9,207)	(3,159)
Adjustments for :		
Amortisation for intangible assets	25	-
Depreciation of property, plant and equipment	7,894	6,011
Interest expense	3,325	3,676
Interest income	(105)	(90)
Property, plant and equipment written off	320	-
Unrealised exchange loss	59	13
Tax charge	81	48
Operating profit before working capital changes	<u>2,392</u>	<u>6,499</u>
Decrease in inventories	5,331	2,846
Decrease in receivables	7,614	4,154
Decrease in payables	<u>(14,162)</u>	<u>(10,729)</u>
Cash generated from operations	1,175	2,770
Tax paid	<u>(277)</u>	<u>(33)</u>
Net cash generated from operating activities	<u>898</u>	<u>2,737</u>
<b>CASH FLOW FOR INVESTING ACTIVITIES</b>		
Interest received	105	90
Purchase of property, plant and equipment	<u>(2,016)</u>	<u>(6,826)</u>
Net cash used in investing activities	<u>(1,911)</u>	<u>(6,736)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(3,404)	(3,891)
(Repayment) / Drawdown of revolving credits	(273)	2,011
Short term borrowings raised	10,583	6,380
Drawdown of term loans	5,650	4,000
Repayment to directors	(383)	-
Repayment of term loans	(2,678)	(3,898)
Repayment of hire purchase liabilities	<u>(3,510)</u>	<u>(3,236)</u>
Net cash generated from financing activities	<u>5,985</u>	<u>1,366</u>
Net increase / (decrease) in cash and cash equivalents	4,972	(2,633)
Cash and cash equivalents at beginning of the financial period	3,151	10,126
Cash and cash equivalents at end of the period	<u>8,123</u>	<u>7,493</u>

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2009

**HUAT LAI RESOURCES BERHAD**  
**(Company No. 323273-T)**

**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 Appendix B 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 2009.

**A2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2009, except for the adoption of the following new FRSs, Amendments to FRSs and IC Interpretations that are effective for the Group from 1 January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
Revised FRS 101 (2009)	Presentation of Financial Statements
Revised FRS 123 (2009)	Borrowing Costs
Revised FRS 139 (2010)	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Other than the above new accounting standards and interpretations, the Group has also adopted the various amendments to existing accounting standards.

The adoption of the above did not have any significant effects on the interim financial statements upon their initial application, other than as discussed below:

**HUAT LAI RESOURCES BERHAD**  
**(Company No. 323273-T)**

**A2. Changes in Accounting Policies (continued)**

*a) Revised FRS 101 (2009)*

Revised FRS 101 (2009) introduces terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position in the event that the entity has applied new accounting policies retrospectively. There is no impact on the Group's financial statements as this change in accounting policy affects only the presentation of the Group's financial statements.

*b) Amendments to FRS 117 : Leases*

Amendments to FRS 117 Leases (effective for annual periods beginning on or after 1 January 2010). The amendments to FRS 117 requires entities with existing leases of land and buildings (combined) to reassess the classification of land as a finance or operating lease. The Group has reclassified the existing leasehold land to property, plant and equipment following this reassessment, with no effect on reported profit or equity. However, as a result of the adoption of the Amendments to FRS 117, comparative balances have been restated as follows:

	As previously reported RM'000	Effects of changes in accounting policy RM'000	As restated RM'000
Property, plant and equipment	304,734	15,533	320,267
Prepaid lease payments	15,533	(15,533)	-

*c) FRS 139 – Financial Instruments: Recognition and Measurement*

FRS139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at balance sheet date reflects the designation of the financial instrument.

**Loan and receivables**

Prior to 1 January 2010, loans and receivables were stated at the gross proceeds receivable less provision for doubtful debts. Under FRS139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains or losses are recognised in the consolidated income statement when the loans and receivables are derecognised, impaired or through amortisation process.

**Payables**

Under FRS139, payables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains or losses are recognised in the consolidated income statement when the liabilities are derecognised or through amortisation process.

**HUAT LAI RESOURCES BERHAD**  
**(Company No. 323273-T)**

**A2. Changes in Accounting Policies (continued)**

As a result, the following adjustments were made to the opening balances as at 1 January 2010:

	As at 1 January 2010 RM'000
Decrease in Receivables	(166)
Decrease in Payables	606
Increase in Retained Earnings	143
Increase in Minority Interests	297

These changes in accounting policies have no material impact for the current quarter.

**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 period to date.

**A6. Changes in Estimate**

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

**A7. Debt and Equity Securities**

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities.

As at 31 March 2010, a total of RM17,700,450 nominal value of outstanding Irredeemable Convertible Unsecured Loan Stocks ("ICULS") have been converted into 17,700,450 ordinary share of RM1.00 each in the Company.

**HUAT LAI RESOURCES BERHAD**  
**(Company No. 323273-T)**

**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 and egg trays</b>	<b>Others</b>	<b>Eliminations</b>	<b>Group</b>
	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	132,543	1,094	488	-	134,125
Intersegment sales	40,614	54,140	-	(94,754)	-
<b>Total</b>	<b>173,157</b>	<b>55,234</b>	<b>488</b>	<b>(94,754)</b>	<b>134,125</b>

	<b>Poultry farming</b>	<b>Manufacturing of fertilizer, feeds &amp; egg trays</b>	<b>Others</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000
Loss before tax	(9,234)	2	106	(9,126)
Loss after tax and minority interest	(9,315)	2	106	(9,207)

**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 2010 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.



**HUAT LAI RESOURCES BERHAD**  
**(Company No. 323273-T)**

**A13. Changes In Contingent Liabilities**

Changes in material contingent liabilities of the Group and Company since 31 December 2009 were as follows :

	Group		Company	
	31.03.2010 RM'000	31.03.2009 RM'000	31.03.2010 RM'000	31.03.2009 RM'000
Guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	355,300	310,597
Outstanding guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	210,026	217,332

**HUAT LAI RESOURCES BERHAD**  
(Company No. 323273-T)

***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 2010 has increased by 20.55% to RM134.125 million from RM111.263 million for the corresponding period ended 31 March 2009. The increase in turnover is mainly due to an increase in the sales of poultry products.

The Group registered a pretax loss of RM9.126 million as compared to a pretax loss of RM3.111 million in the corresponding period last year. The pretax loss is due to lower selling prices of poultry products in the current quarter.

**B2. Comparison With The Preceding Quarter's Results**

For the quarter ended 31 March 2010, the Group registered a pretax loss of RM9.126 million as compared to a pretax profit of RM1.554 million for the preceding quarter ended 31 December 2009. The Group's lower profit for 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 remain optimistic that the demand for eggs and broiler products will sustain considering that they are the primary sources of protein of all community.

**B4. Variance on forecast profit / profit guarantee**

Not applicable as no profit guarantee was issued.

**B5. Income Tax Expense**

The tax expense comprises :

	Individual Quarter		Cumulative Quarter	
	31.03.10 RM'000	31.03.09 RM'000	31.03.10 RM'000	31.03.09 RM'000
In respect of the financial period				
Malaysian income tax	-	-	-	-
Deferred tax	(81)	(48)	(81)	(48)
	<u>(81)</u>	<u>(48)</u>	<u>(81)</u>	<u>(48)</u>

**HUAT LAI RESOURCES BERHAD**  
**(Company No. 323273-T)**

**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 quoted investments for the current quarter and financial year to date.

**B8. Status Of Corporate Proposals**

There were no corporate proposals announced but not completed as at 25 May 2010.

**B9. Group Borrowings**

Group borrowings all of which are secured as at 31 March 2010 were as follows:

	Current	Non Current	Total
	RM'000	RM'000	RM'000
Hire purchase and finance lease liabilities	11,370	15,211	26,581
Bank borrowings	161,956	88,556	250,512
Bank overdraft	4,556	-	4,556
Total borrowings	177,882	103,767	281,649

The borrowings are all denominated in Ringgit Malaysia.

**B10. Off Balance Sheet Financial Instruments**

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

**B11. Pending Material Litigation**

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

**HUAT LAI RESOURCES BERHAD**  
**(Company No. 323273-T)**

**B12. Dividend**

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

**B13. Loss Per Share**

	Individual Quarter		Cumulative Quarter	
	31.03.10 RM'000	31.03.09 RM'000	31.03.10 RM'000	31.03.09 RM'000
a) Basic Loss per Share				
Net loss for the period	(9,207)	(3,159)	(9,207)	(3,159)
Weighted average number of ordinary shares	82,500	64,799	82,500	64,799
Basic Loss per share (sen)	(11.16)	(4.88)	(11.16)	(4.88)

b) Diluted Loss per Share

Diluted loss per share is equal to the basic loss per share as there were no potential ordinary shares outstanding in both the previous and current financial period.

**B14. Cash and cash equivalents at end of the financial year**

	RM'000
Cash and bank balances	5,285
Fixed deposits with licensed banks	20,638
Bank Overdraft	(4,556)
	<u>21,367</u>
Less : Fixed deposits pledged	(13,244)
	<u><u>8,123</u></u>