

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 2012.

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 2012, except for the adoption of the following new FRSs, Amendments to FRSs, and IC Interpretations that are effective for the Group from 1 January 2013:

FRSs and IC Interpretations (Including The Consequential Amendments)

FRS 10 Consolidated Financial Statements

FRS 11 Joint Arrangements

FRS 12 Disclosure of Interests in Other Entities

FRS 13 Fair Value Measurement

FRS 119 (Revised) Employee Benefits

FRS 127 (2011) Separate Financial Statements

FRS 128 (2011) Investments in Associates and Joint Ventures

Amendments to FRS 1 (Revised): Government Loans

Amendments to FRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities

Amendments to FRS 10, FRS 11 and FRS 12: Transition Guidance

Amendments to FRS 101 (Revised): Presentation of Items of Other Comprehensive Income

IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine

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

A2. Changes in Accounting Policies (cont'd)

FRSs and IC Interpretations (Including The Consequential Amendments) (cont'd)

Annual Improvements to FRSs 2009 – 2011 Cycle

The above accounting standards and interpretations (including the consequential amendments) do not have any material impact on the Group's financial statements.

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework") in conjunction with its planned convergence of FRSs with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on 1 January 2012.

The MFRS Framework is a fully IFRS-compliant framework, equivalent to IFRSs which is mandatory for adoption by all Entities Other than Private Entities for annual periods beginning on or after 1 January 2012, with the exception for Transitioning Entities. Transitioning Entities, being entities which are subject to the application of MFRS 141 Agriculture and/or IC Interpretation 15 Agreements for the Construction of Real Estate are given an option to defer adoption of the MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013. Transitioning Entities also include those entities that consolidate, equity account or proportionately consolidate an entity that has chosen to continue to apply the FRS Framework for annual periods beginning on or after 1 January 2012.

On 30 June 2012, MASB has decided to allow agriculture and real estate companies ("Transitioning Entities") to defer the adoption of the MFRS Framework for another year. MFRS will therefore be mandated for all companies for annual periods beginning on or after 1 January 2014. This decision comes after an extensive deliberation by MASB and taking into account both local and international developments affecting these standards.

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the quarter ending 31 March 2014. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

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.

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

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

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities.

A8. Dividends paid

There were no dividends paid during the quarter under review.

A9. Segmental Information

	Poultry farming and processing	Manufacturing of fertilizer, feeds and egg trays	Others	Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	203,016	1,228	672	-	204,916
Intersegment sales	85,488	88,128	-	(173,616)	
Total	288,504	89,356	672	(173,616)	204,916

	Poultry Farming and processing	Manufacturing of fertilizer, feeds & egg trays	Others	Total
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before tax	(3,153)	1,122	(1,054)	(3,085)
(Loss)/Profit after tax	(3,428)	1,122	(1,054)	(3,360)

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

A10. Valuations of Property, Plant and Equipment

The valuations of the properties of the Group which were carried out in 2011 have been brought forward from the previous annual audited financial statements without any amendment.

A11. Events After the Interim Period

There are no material events that have arisen in the interval between the end of the current quarter ended 30 March 2013 to the date of this announcement, which would substantially affect the financial results of 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.

A13. Changes In Contingent Liabilities

Changes in material contingent liabilities of the Group and Company since 31 December 2012 were as follows :

	Group		Company	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
Guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	519,339	516,385
Outstanding guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	474,027	273,024

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. Detailed Analysis Of The Performance Of All Operating Segments Of The Group

		Sales RM'000	Loss before tax RM'000
Individual Quarter 31.03.13	Poultry	203,016	(3,153)
	Manufacturing	1,228	1,122
	Other	672	(1,054)
	Total	204,916	(3,085)
Cumulative Quarter 31.03.13	Poultry	203,016	(3,153)
	Manufacturing	1,228	1,122
	Other	672	(1,054)
	Total	204,916	(3,085)

The Group's turnover for the quarter ended 31 March 2013 has increased by 31.47% to RM204.916 million from RM155.871 million for the corresponding quarter ended 31 March 2012. The increase in turnover is mainly due to increase in quantities of poultry products sold for the current quarter as compared to corresponding quarter.

The Group registered a pretax loss of RM3.085 million as compared to a pretax loss of RM6.198 million in the corresponding quarter last year. The pretax loss is due to impact of lower selling prices of poultry products and higher cost of raw materials for the quarter.

B2. Comparison With The Preceding Quarter's Results

For the quarter ended 31 March 2013, the Group registered a pretax loss of RM3.085 million as compared to a pretax loss of RM15.022 million for the preceding quarter ended 31 December 2012. The Group's pretax loss for the period was due to unfavourable selling price and higher cost of raw materials for the quarter.

B3. Commentary On Current Year Prospect

We expect the poultry industry to be tough for the remaining of the year as raw material up to March 2013 remain high. However raw material price have started to reduce and hopefully this will stabilise the industry for the rest of the year.

B4. Variance on forecast profit / profit guarantee

Not applicable as no profit guarantee was issued.

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

B5. Statement By Directors

The Group did not issue any profit forecast or projection in a public document in the current quarter or prior financial period.

B6. Income Tax Expense

The tax expense comprises:

	Individual Quarter		Cumulative Quarter	
	31.03.13 RM'000	31.03.12 RM'000	31.03.13 RM'000	31.03.12 RM'000
In respect of the financial period				
Malaysian income tax	-	-	-	-
Deferred tax	275	-	275	-
	<u>275</u>	<u>-</u>	<u>275</u>	<u>-</u>

B7. Status Of Corporate Proposals

There were no corporate proposals announced but not completed as at 29 May 2013.

B8. Group Borrowings

Group borrowings all of which are secured as at 31 March 2013 were as follows:

	Current	Non Current	Total
	RM'000	RM'000	RM'000
Hire purchase and finance lease liabilities	17,353	28,983	46,336
Bank borrowings	284,228	180,563	464,791
Bank overdraft	13,163	-	13,163
Total borrowings	314,744	209,546	524,290

The borrowings are all denominated in Ringgit Malaysia.

B9. Pending Material Litigation

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

B10. Dividend

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

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

B11. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	31.03.13	31.03.12	31.03.13	31.03.12
	RM'000	RM'000	RM'000	RM'000
a) <i>Basic Earnings per Share</i>				
Net (loss) / profit for the period	(3,126)	(5,398)	(3,126)	(5,398)
Weighted average number of ordinary shares	77,784	77,724	77,784	77,724
Basic (Loss) / Earnings per share (sen)	(4.02)	(6.94)	(4.02)	(6.94)
b) <i>Diluted Earnings Per Share</i>				
Net profit / (loss) for the period	-	-	-	-
Weighted average number of ordinary shares	-	-	-	-
Number of shares deemed to have been issued for no consideration – ESOS	-	-	-	-
Weighted average number of ordinary shares	-	-	-	-
Diluted earnings per share (sen)	-*	-*	-*	-*

* There is no diluted earnings per share because it is anti-dilutive.

B12. Cash and cash equivalents at end of the financial year

	RM'000
Cash and bank balances	4,466
Fixed deposits with licensed banks	23,999
Bank Overdraft	(13,163)
	<u>15,302</u>
Less : Fixed deposits pledged	(21,050)
	<u><u>(5,748)</u></u>

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

B13. Realised and unrealised profits of the Group

	31.03.13 RM'000	31.12.12 RM'000
Total retained profits		
- Realised gain	39,934	43,825
- Unrealised loss	<u>(36,525)</u>	<u>(36,239)</u>
Total retained profits	3,409	7,586
Add : Consolidation adjustment	<u>10,560</u>	<u>9,509</u>
	<u>13,969</u>	<u>17,095</u>

B14. (Loss) / Profit Before Tax

	Individual Quarter 31.03.13 RM'000	Cumulative Quarter 31.03.13 RM'000
Loss before tax is arrived at After charging / (crediting) :-		
Interest income	(121)	(121)
Other income	(16)	(16)
Interest expenses	7,033	7,033
Depreciation	12,362	12,362
Foreign exchange loss/ (gain)		
- realised	(105)	(105)
- unrealised	9	9

Other than the above items, there were no provision for and write off of inventories, gain or loss on disposal of unquoted investment or properties, gain or loss on derivatives and exceptional items for the current quarter and financial year to date.