

**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**

	<b>Poultry farming and processing</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	421,152	2,461	1,298	-	424,911
Intersegment sales	192,487	191,507	-	(383,994)	-
<b>Total</b>	<b>613,639</b>	<b>193,968</b>	<b>1,298</b>	<b>(383,994)</b>	<b>424,911</b>

	<b>Poultry Farming and processing</b>	<b>Manufacturing of fertilizer, feeds &amp; egg trays</b>	<b>Others</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax	4,655	1,682	(1,857)	4,480
Profit/(Loss) after tax	4,380	1,682	(1,857)	4,205

**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 June 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	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
Guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	497,881	543,974
Outstanding guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	467,179	395,795

**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	Profit/(Loss) before tax RM'000
Individual Quarter 30.06.13	Poultry	218,136	7,808
	Manufacturing	1,233	560
	Other	626	(803)
	<b>Total</b>	<b>219,995</b>	<b>7,565</b>
Cumulative Quarter 30.06.13	Poultry	421,152	4,655
	Manufacturing	2,461	1,682
	Other	1,298	(1,857)
	<b>Total</b>	<b>424,911</b>	<b>4,480</b>

The Group's turnover for the quarter ended 30 June 2013 has increased by 32% to RM219.995 million from RM166.639 million for the corresponding quarter ended 30 June 2012. The increase turnover is mainly due to increase in quantities of poultry products sold for the current quarter.

The Group registered a pretax profit of RM7.565 million in June 2013 compared to a pretax loss of RM2.712 million in the corresponding quarter last year. The difference pretax profit is due to higher selling prices of poultry products.

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

For the quarter ended 30 June 2013, pretax profit of RM7.565 million as compared to a pretax loss of RM3.085 million for the preceding quarter ended 31 March 2013. The differences Group's pretax profit for the period was due to higher selling price.

**B3. Commentary On Current Year Prospect**

The current selling prices of eggs and broiler chicken are stable and so is the raw material prices. However the US dollar has strengthened in recent months and this may impact the performance of the group.

**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	
	30.06.13 RM'000	30.06.12 RM'000	30.06.13 RM'000	30.06.12 RM'000
In respect of the financial period				
Malaysian income tax	-	3	-	3
Deferred tax	-	-	275	-
	-	3	275	3

**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 30 June 2013 were as follows:

	Current RM'000	Non Current RM'000	Total RM'000
Hire purchase and finance lease liabilities	18,137	29,297	47,434
Bank borrowings	291,636	188,874	480,510
Bank overdraft	10,612	-	10,612
Total borrowings	320,385	218,171	538,556

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	
	30.06.13 RM'000	30.06.12 RM'000	30.06.13 RM'000	30.06.12 RM'000
a) <i>Basic Earnings per Share</i>				
Net profit/(loss) for the period	6,836	(1,841)	3,710	(7,239)
Weighted average number of ordinary shares	77,784	77,752	77,784	77,738
Basic Earnings/(Loss) per share (sen)	8.79	(2.37)	4.77	(9.31)
b) <i>Diluted Earnings Per Share</i>				
Net profit / (loss) for the period	6,836	-	3,710	-
Weighted average number of ordinary shares	77,784	-	77,784	-
Number of shares deemed to have been issued for no consideration – ESOS	-	-	1,000	-
Weighted average number of ordinary shares	77,784	-	78,784	-
Diluted earnings per share (sen)	8.79	-*	4.71	-*

\* 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	8,776
Fixed deposits with licensed banks	27,478
Bank Overdraft	(10,612)
	<u>25,642</u>
Less : Fixed deposits pledged	(21,050)
	<u><u>4,592</u></u>

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**(Company No. 323273-T)**

**B13. Realised and unrealised profits of the Group**

	30.06.13 RM'000	31.03.13 RM'000
Total retained profits		
- Realised gain	46,749	39,934
- Unrealised loss	<u>(36,504)</u>	<u>(36,525)</u>
Total retained profits	10,245	3,409
Add : Consolidation adjustment	<u>10,560</u>	<u>10,560</u>
	<u>20,805</u>	<u>13,969</u>

**B14. Profit/(Loss) Before Tax**

	Individual Quarter 30.06.13 RM'000	Cumulative Quarter 30.06.13 RM'000
Profit before tax is arrived at After charging / (crediting) :-		
Interest income	(148)	(269)
Other income	(136)	(152)
Interest expenses	7,811	14,844
Depreciation	13,803	26,165
Foreign exchange loss/ (gain)		
- realised	(333)	(438)
- unrealised	2	11

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.