

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 2014.

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 2014, except for the adoption of the following new FRSSs, Amendments to FRSSs, and IC Interpretations that are effective for the Group from 1 January 2015:

FRSs and IC Interpretations (Including The Consequential Amendments)

Amendments to FRS 119 : Defined Benefit Plans – Employee Contributions

Amendments Improvement to FRSS 2010-2012 cycle

Amendments Improvement to FRSS 2011-2013 cycle

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

The Malaysian Accounting Standards Board (“MASB”) has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (“MFRSs”) that are to be applied by all entities other than private entities; with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation15 (Agreements for Construction of Real Estate), including its parent, significant investor and venture (herein called “transitioning entities”).

As announced by MASB on 2 September 2014, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2017.

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 31 December 2017. The Group is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still ongoing.

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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

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	367,306	883	914	-	369,103
Intersegment sales	160,233	107,953	-	(268,186)	-
Total	527,539	108,836	914	(268,186)	369,103

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A9. Segmental Information (cont'd)

	Poultry Farming and processing	Manufacturing of fertilizer, feeds & egg trays	Others	Total
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax	27,446	(21)	(374)	27,051
Profit/(Loss) after tax	26,807	(21)	(374)	26,412

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 31 March 2015 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 under review.

A13. Changes In Contingent Liabilities

Changes in material contingent liabilities of the Group and Company since 31 December 2014 were as follows :

	Group		Company	
	31.03.2015 RM'000	31.03.2014 RM'000	31.03.2015 RM'000	31.03.2014 RM'000
Guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	508,823	507,985
Outstanding guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	445,516	461,590

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

		Sales	Profit/(Loss) before tax
		RM'000	RM'000
Individual	Poultry	367,306	27,446
Quarter	Manufacturing	883	(21)
31.03.15	Other	914	(374)
	Total	369,103	27,051
Cumulative	Poultry	367,306	27,446
Quarter	Manufacturing	883	(21)
31.03.15	Other	914	(374)
	Total	369,103	27,051

The Group's turnover for the quarter ended 31 March 2015 has increased by 41.04% to RM369.103 million from RM261.694 million for the corresponding quarter ended 31 March 2014. The increase in turnover was mainly due to increase in quantities of poultry products for the current quarter.

The Group registered a pretax profit of RM27.051 million in March 2015 compared to a pretax profit of RM15.637 million in the corresponding quarter last year. The higher pretax profit is due to higher selling price of broilers.

B2. Comparison With The Preceding Quarter's Results

For the quarter ended 31 March 2015, the Group recorded a pretax profit of RM27.051 million as compared to a pretax loss of RM4.649 million for the preceding quarter ended 31 December 2014. This was due to higher selling price of broilers .

B3. Commentary On Current Year Prospect

Moving forward, we foresee a challenging year ahead due to the volatility of raw material prices and competition on the market place. The Group will continue to adopt prudent cost management and farming practices. With the Board of Directors and the Management team working cohesively coupled with upgraded farm houses and equipment, we believe we are well positioned to ride out whatever challenges that we may face and achieve a satisfactory performance for the financial year ending 31 December 2015.

B4. Variance on forecast profit / profit guarantee

Not applicable as no profit guarantee was issued.

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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	
	31.03.15 RM'000	31.03.14 RM'000	31.03.15 RM'000	31.03.14 RM'000
In respect of the financial period				
Malaysian income tax	(600)	-	(600)	-
Deferred tax	(39)	-	(39)	-
	<u>(639)</u>	<u>-</u>	<u>(639)</u>	<u>-</u>

B7. Status Of Corporate Proposals

There were no corporate proposals announced but not completed as at 26 May 2015.

B8. Group Borrowings

Group borrowings all of which are secured as at 31 March 2015 were as follows:

	Current	Non Current	Total
	RM'000	RM'000	RM'000
Hire purchase and finance lease liabilities	22,634	20,418	43,052
Bank borrowings	274,703	203,122	477,825
Bank overdraft	10,661	-	10,661
Total borrowings	307,998	223,540	531,538

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.

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B11. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	31.03.15 RM'000	31.03.14 RM'000	31.03.15 RM'000	31.03.14 RM'000
a) <i>Basic Earnings per Share</i>				
Net profit for the period	23,567	13,996	23,567	13,996
Weighted average number of ordinary shares	77,917	77,789	77,917	77,786
Basic Earnings per share (sen)	30.25	17.99	30.25	17.99
b) <i>Diluted Earnings Per Share</i>				
Net profit for the period	23,567	13,996	23,567	13,996
Weighted average number of ordinary shares	77,917	77,789	77,917	77,789
Number of shares deemed to have been issued for no consideration – ESOS	1,051	-	1,051	-
Weighted average number of ordinary shares	78,968	77,789	78,968	77,789
Diluted earnings per share (sen)	29.84	17.99	29.84	17.99

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

	RM'000
Cash and bank balances	15,014
Fixed deposits with licensed banks	27,718
Bank Overdraft	(10,661)
	<u>32,071</u>
Less : Fixed deposits pledged	(27,465)
	<u><u>4,606</u></u>

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B13. Realised and unrealised profits of the Group

	31.03.15	31.12.14
	RM'000	RM'000
Total retained profits		
- Realised gain	100,868	77,576
- Unrealised loss	<u>(37,415)</u>	<u>(37,690)</u>
Total retained profits	63,453	39,886
Add : Consolidation adjustment	<u>8,116</u>	<u>8,116</u>
	<u>71,569</u>	<u>48,002</u>

B14. Profit Before Tax

	Individual Quarter	Cumulative Quarter
	31.03.15	31.03.15
	RM'000	RM'000
Profit before tax is arrived at		
After charging / (crediting) :-		
Interest income	(372)	(372)
Other income	472	472
Interest expenses	8,477	8,477
Depreciation	14,759	14,759
Foreign exchange gain		
- realised	(21)	(21)
- unrealised	(320)	(320)

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.