

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 FRSs, Amendments to FRSs, 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	717,006	1,516	2,002	-	720,524
Intersegment sales	327,324	212,190	-	(539,514)	-
Total	1,044,330	213,706	2,002	(539,514)	720,524

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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	52,280	(131)	(798)	51,351
Profit/(Loss) after tax	51,641	(131)	(798)	50,712

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 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	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM'000	RM'000	RM'000	RM'000
Guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	463,042	507,985
Outstanding guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	448,227	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 RM'000	Profit/(Loss) before tax RM'000
Individual Quarter 30.06.15	Poultry	349,700	24,834
	Manufacturing	633	(110)
	Other	1,088	(424)
	Total	351,421	24,300
Cumulative Quarter 30.06.15	Poultry	717,006	52,280
	Manufacturing	1,516	(131)
	Other	2,002	(798)
	Total	720,524	51,351

The Group's turnover for the quarter ended 30 June 2015 has increased by 7.87% to RM351.421 million from RM325.775 million for the corresponding quarter ended 30 June 2014. The increase in turnover was mainly due to increase in the sales volume of poultry products for the current quarter.

The Group registered a pretax profit of RM24.300 million in June 2015 compared to a pretax profit of RM8.903 million in the corresponding quarter last year. The higher pretax profit was attributed mainly by the increase in the average selling price of live broilers.

B2. Comparison With The Preceding Quarter's Results

For the quarter ended 30 June 2015, the Group recorded a pretax profit of RM24.300 million as compared to a pretax profit of RM27.051 million for the preceding quarter ended 31 March 2015. This was due to lower selling price of eggs resulted by the oversupply situation.

B3. Commentary On Current Year Prospect

Management cautiously anticipate the performance of the broiler and layer divisions to remain stable over the coming quarter.

Despite all the challenges, the Group will continue to work cohesively by emphasizing on its better cost management in order to further improve the Group's financial performance.

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B4. Variance on forecast profit / profit guarantee

Not applicable as no profit guarantee was issued.

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	
	30.06.15 RM'000	30.06.14 RM'000	30.06.15 RM'000	30.06.14 RM'000
In respect of the financial period				
Malaysian income tax	-	-	(600)	-
Deferred tax	-	-	(39)	-
	-	-	(639)	-

B7. Status Of Corporate Proposals

There were no corporate proposals announced but not completed as at 27 August 2015.

B8. Group Borrowings

Group borrowings all of which are secured as at 30 June 2015 were as follows:

	Current	Non Current	Total
	RM'000	RM'000	RM'000
Hire purchase and finance lease liabilities	19,796	19,754	39,550
Bank borrowings	262,625	199,795	462,420
Bank overdraft	8,050	-	8,050
Total borrowings	290,471	219,549	510,020

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.

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B10. Dividend

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

B11. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	30.06.15 RM'000	30.06.14 RM'000	30.06.15 RM'000	30.06.14 RM'000
a) <i>Basic Earnings per Share</i>				
Net profit for the period	25,420	8,233	48,987	22,229
Weighted average number of ordinary shares	77,920	77,800	77,919	77,792
Basic Earnings per share (sen)	32.62	10.58	62.87	28.58
b) <i>Diluted Earnings Per Share</i>				
Net profit for the period	25,420	8,233	48,987	22,229
Weighted average number of ordinary shares	77,920	77,800	77,919	77,792
Number of shares deemed to have been issued for no consideration – ESOS	6	-	1,057	-
Weighted average number of ordinary shares	77,926	77,800	78,976	77,792
Diluted earnings per share (sen)	32.62	10.58	62.03	28.58

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

	RM'000
Cash and bank balances	18,545
Fixed deposits with licensed banks	27,889
Bank Overdraft	(8,050)
	<u>38,384</u>
Less : Fixed deposits pledged	<u>(27,465)</u>
	<u><u>10,919</u></u>

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B13. Realised and unrealised profits of the Group

	30.06.15	31.03.15
	RM'000	RM'000
Total retained profits		
- Realised gain	125,488	100,868
- Unrealised loss	<u>(36,615)</u>	<u>(37,415)</u>
Total retained profits	88,873	63,453
Add : Consolidation adjustment	<u>8,116</u>	<u>8,116</u>
	<u>96,989</u>	<u>71,569</u>

B14. Profit Before Tax

	Individual Quarter	Cumulative Quarter
	30.06.15	30.06.15
	RM'000	RM'000
Profit before tax is arrived at		
After charging / (crediting) :-		
Interest income	(234)	(606)
Other income	(131)	(603)
Interest expenses	7,942	16,419
Depreciation	15,798	30,227
Foreign exchange gain		
- realised	(57)	(78)
- unrealised	(800)	(1,120)

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.