

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 28 October 2015, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2018.

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 2018. The Group is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still ongoing.

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

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	1,127,694	4,280	2,942	-	1,134,916
Intersegment sales	473,212	347,914	-	(821,126)	-
Total	1,600,906	352,194	2,942	(821,126)	1,134,916

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

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	69,327	(501)	(1,781)	67,045
Profit/(Loss) after tax	66,887	(501)	(1,781)	64,605

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 September 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	
	30.09.2015 RM'000	30.09.2014 RM'000	30.09.2015 RM'000	30.09.2014 RM'000
Guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	479,140	522,459
Outstanding guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	439,378	459,094

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	Profit/(Loss) before tax
		RM'000	RM'000
Individual Quarter 30.06.15	Poultry	410,688	17,047
	Manufacturing	2,764	(370)
	Other	940	(983)
	Total	414,392	15,694
Cumulative Quarter 30.06.15	Poultry	1,127,694	66,887
	Manufacturing	4,280	(501)
	Other	2,942	(1,781)
	Total	1,134,916	64,605

The Group's revenue has increased from RM329.399 million for the corresponding quarter ended 30 September 2014 to RM414.392 million for the quarter ended 30 September 2015. The Group continued its positive growth momentum, delivering growth of 25.80% as the result of the Group's progressive expansion business plans. We are making good progress against the strategies planned and the business has started to deliver volume and transaction growth.

The increase in the Group's revenue continue to support higher pretax profit. The Group registered a pretax profit of RM15.694 million in September 2015 compared to a pretax profit of RM14.052 million in the corresponding quarter of last year. The higher pretax profit was contributed by stable average selling price of live broilers coupled with favourable egg selling prices.

B2. Comparison With The Preceding Quarter's Results

For the quarter ended 30 September 2015, the Group recorded a pretax profit of RM15.694 million as compared to a pretax profit of RM24.300 million for the preceding quarter ended 30 June 2015. The lower pretax profit for the current quarter was largely dragged by weaker broiler prices compare to the preceding quarter.

B3. Commentary On Current Year Prospect

As we move into the last quarter of the year 2015, we expect to see a growing challenge as the market oversupply situation would have exerted downward price pressure on broiler division. We anticipate to face multiple short term challenges from economy where market uncertainties and currency volatility continues to impact the emerging market consumers.

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

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	
	30.09.15 RM'000	30.09.14 RM'000	30.09.15 RM'000	30.09.14 RM'000
In respect of the financial period				
Malaysian income tax	(1,801)	(1,430)	(2,401)	(1,430)
Deferred tax	-	-	(39)	-
	<u>(1,801)</u>	<u>(1,430)</u>	<u>(2,440)</u>	<u>(1,430)</u>

B7. Status Of Corporate Proposals

There were no corporate proposals announced but not completed as at 18 November 2015.

B8. Group Borrowings

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

	Current	Non Current	Total
	RM'000	RM'000	RM'000
Hire purchase and finance lease liabilities	18,756	24,791	43,547
Bank borrowings	258,595	194,778	453,373
Bank overdraft	6,662	-	6,662
Total borrowings	284,013	219,569	503,582

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.

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

B10. Dividend

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

B11. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	30.09.15 RM'000	30.09.14 RM'000	30.09.15 RM'000	30.09.14 RM'000
a) <i>Basic Earnings per Share</i>				
Net profit for the period	13,101	11,222	62,088	33,451
Weighted average number of ordinary shares	77,955	77,809	77,931	77,794
Basic Earnings per share (sen)	16.81	14.42	79.67	43.00
b) <i>Diluted Earnings Per Share</i>				
Net profit for the period	13,101	11,222	62,088	33,451
Weighted average number of ordinary shares	77,955	77,809	77,931	77,794
Number of shares deemed to have been issued for no consideration – ESOS	-	-	1,040	-
Weighted average number of ordinary shares	77,955	77,809	78,971	77,794
Diluted earnings per share (sen)	16.81	14.42	78.62	43.00

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

	RM'000
Cash and bank balances	25,074
Fixed deposits with licensed banks	24,651
Bank Overdraft	(6,662)
	<u>43,063</u>
Less : Fixed deposits pledged	<u>(24,625)</u>
	<u><u>18,438</u></u>

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

B13. Realised and unrealised profits of the Group

	30.09.15	30.06.15
	RM'000	RM'000
Total retained profits		
- Realised gain	139,354	125,488
- Unrealised loss	<u>(37,380)</u>	<u>(36,615)</u>
Total retained profits	101,974	88,873
Add : Consolidation adjustment	<u>8,116</u>	<u>8,116</u>
	<u>110,090</u>	<u>96,989</u>

B14. Profit Before Tax

	Individual Quarter	Cumulative Quarter
	30.09.15	30.09.15
	RM'000	RM'000
Profit before tax is arrived at		
After charging / (crediting) :-		
Interest income	(158)	(764)
Other income	(62)	(665)
Interest expenses	7,957	24,376
Depreciation	15,530	45,757
Foreign exchange (gain) / loss		
- realised	(513)	(591)
- unrealised	765	(355)

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.