

**HUAT LAI RESOURCES BERHAD (323273 - T)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

The figures have not been audited.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR 30/06/16 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/06/15 RM'000	CURRENT YEAR TO DATE 30/06/16 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/06/15 RM'000
<b>CONTINUING OPERATIONS :</b>				
Revenue	392,161	351,421	786,996	720,524
Operating expenses	(360,135)	(321,120)	(731,149)	(656,059)
Other operating income	340	1,914	1,051	3,271
Profit from operations	32,366	32,215	56,898	67,736
Finance costs	(7,821)	(7,942)	(14,786)	(16,419)
Share of results in jointly controlled entity	-	27	-	34
Profit before taxation	24,545	24,300	42,112	51,351
Income tax expense	(9,593)	-	(10,620)	(639)
Profit after taxation	14,952	24,300	31,492	50,712
Other comprehensive income / (expenses)	957	(220)	(42)	(676)
<b>Total comprehensive income for the period</b>	<b>15,909</b>	<b>24,080</b>	<b>31,450</b>	<b>50,036</b>
<b>Profit after taxation attributable to :</b>				
Equityholders of the Company	14,074	25,420	30,730	48,987
Non-controlling interests	878	(1,120)	762	1,725
	<u>14,952</u>	<u>24,300</u>	<u>31,492</u>	<u>50,712</u>
<b>Total comprehensive income attributable to :</b>				
Equityholders of the Company	15,031	25,200	30,688	48,311
Non-controlling interests	878	(1,120)	762	1,725
	<u>15,909</u>	<u>24,080</u>	<u>31,450</u>	<u>50,036</u>
Earning per share				
- basic (sen)	18.04	32.62	39.39	62.87
- diluted (sen)	18.04	32.62	39.39	62.03

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2015

**HUAT LAI RESOURCES BERHAD (323273 - T)**  
**(Incorporated in Malaysia)**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

The figures have not been audited.

	UNAUDITED AS AT 30/06/16 RM'000	AUDITED AS AT 31/12/15 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	723,009	720,711
Investment properties	323	327
Intangible assets	11,356	11,406
Deferred tax assets	161	158
	<u>734,849</u>	<u>732,602</u>
<b>Current Assets</b>		
Inventories	58,112	50,476
Biological assets	116,986	110,932
Receivables	139,173	127,804
Current tax assets	108	119
Fixed deposits	17,139	24,692
Cash and bank balances	34,702	21,560
	<u>366,220</u>	<u>335,583</u>
<b>Total Assets</b>	<u><u>1,101,069</u></u>	<u><u>1,068,185</u></u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	86,649	86,649
Share premium	3,215	3,215
Treasury shares	(7,734)	(7,734)
Revaluation reserve	74,595	74,595
Foreign exchange translation reserve	2,069	2,111
Retained earnings	122,560	89,461
Shareholders' Equity	<u>281,354</u>	<u>248,297</u>
Non-controlling Interests	29,770	21,360
	<u>311,124</u>	<u>269,657</u>
<b>Non-Current Liabilities</b>		
Long term borrowings	217,230	222,051
Deferred tax liabilities	46,764	42,290
Provision for employees' benefits	338	333
	<u>264,332</u>	<u>264,674</u>
<b>Current Liabilities</b>		
Payables	247,780	246,452
Short term borrowings	263,011	277,369
Bank overdraft	6,474	7,393
Current tax liabilities	8,348	2,640
	<u>525,613</u>	<u>533,854</u>
<b>TOTAL LIABILITIES</b>	<u><u>789,945</u></u>	<u><u>798,528</u></u>
	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>1,101,069</u></u>	<u><u>1,068,185</u></u>
<b>NET ASSETS PER SHARE (RM)</b>	<u><u>3.25</u></u>	<u><u>2.87</u></u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2015

**HUAT LAI RESOURCES BERHAD (323273 - T)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

The figures have not been audited.

	Share Capital RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Share Premium RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-controlling Interest RM'000	Total RM'000
<b>At 1 January 2016</b>	86,649	(7,734)	74,595	3,215	2,111	89,461	248,297	21,360	269,657
Profit after taxation	-	-	-	-	-	30,730	30,730	762	31,492
Other comprehensive income for the period -Translation Reserve	-	-	-	-	(42)	-	(42)	-	(42)
Total comprehensive income for the period	-	-	-	-	(42)	30,730	30,688	762	31,450
Accretion in equity interest in a subsidiary	-	-	-	-	-	2,369	2,369	7,648	10,017
<b>At 30 June 2016</b>	86,649	(7,734)	74,595	3,215	2,069	122,560	281,354	29,770	311,124

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**THE SECOND QUARTER ENDED 30 JUNE 2015**

	Share Capital RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Share Option Reserve RM'000	Share Premium RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-controlling Interest RM'000	Total RM'000
<b>At 1 January 2015</b>	86,531	(7,734)	77,998	336	3,156	277	48,002	208,566	18,995	227,561
Profit after taxation	-	-	-	-	-	-	48,987	48,987	1,725	50,712
Other comprehensive income for the period -Translation Reserve	-	-	-	-	-	(676)	-	(676)	-	(676)
Total comprehensive income for the period	-	-	-	-	-	(676)	48,987	48,311	1,725	50,036
Issuance of new shares-ESOS	15	-	-	-	2	-	-	17	-	17
<b>At 30 June 2015</b>	86,546	(7,734)	77,998	336	3,158	(399)	96,989	256,894	20,720	277,614

**HUAT LAI RESOURCES BERHAD (323273 - T)**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

The figures have not been audited.

	<b>Period Ended 30/06/16 RM'000</b>	<b>Period Ended 30/06/15 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the period	31,492	50,712
Adjustments for :		
Amortisation for intangible assets	50	50
Depreciation of investment properties	3	3
Depreciation of property, plant and equipment	30,621	30,554
Disposal of property, plant and equipment	-	132
(Loss) / Gain on disposal of property, plant and equipment	(264)	129
Impairment loss on trade receivable	-	1,432
Interest expense	14,786	16,419
Interest income	(438)	(606)
Share of results in jointly controlled entity	-	(34)
Tax charge	10,620	639
Unrealised exchange loss / (gain)	288	(1,120)
Operating profit before working capital changes	<u>87,158</u>	<u>98,310</u>
(Increase) / Decrease in inventories	(7,637)	1,103
Increase in biological assets	(6,054)	(10,721)
Increase in receivables	(11,656)	(71,852)
(Decrease) / Increase in payables	<u>(888)</u>	<u>70,758</u>
Cash from operations	60,923	87,598
Tax refunded	162	2
Tax paid	<u>(545)</u>	<u>(207)</u>
Net cash from operating activities	<u>60,540</u>	<u>87,393</u>
<b>CASH FLOW FOR INVESTING ACTIVITIES</b>		
Interest received	438	606
Advance to joint venture	-	(100)
Decrease in fixed deposit	7,552	-
Purchase of property, plant and equipment	<u>(18,680)</u>	<u>(19,734)</u>
Net cash for investing activities	<u>(10,690)</u>	<u>(19,228)</u>
<b>CASH FLOW FOR FINANCING ACTIVITIES</b>		
Interest paid	(14,786)	(16,419)
Issuing of shares	-	16
Proceed from issuance of shares by a subsidiary to non controlling interests	10,017	-
Repayment of bankers' acceptance	(16,707)	(15,192)
Drawdown of term loans	18,700	6,415
Repayment of term loans	(21,762)	(14,225)
Repayment of hire purchase liabilities	<u>(11,523)</u>	<u>(12,435)</u>
Net cash for financing activities	<u>(36,061)</u>	<u>(51,840)</u>
Net increase in cash and cash equivalents	13,789	16,325
Effect of translation difference	273	(1,268)
Cash and cash equivalents at beginning of the financial period	14,193	(4,138)
Cash and cash equivalents at end of the period	<u>28,255</u>	<u>10,919</u>

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2015

**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 2015.

**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 2015, except for the adoption of the following new FRSs, Amendments to FRSs, and IC Interpretations that are effective for the Group from 1 January 2016:-

**FRSs and IC Interpretations (Including the Consequential Amendments)**

FRS 14 Regulatory Deferral Accounts

Amendments to FRS 11 : Accounting for Acquisition of Interest in Joint Operations

Amendments to FRS 10, FRS 12 and FRS 128(2011) : Investment Entities-Appling the Consolidation Exception

Amendments to FRS 101 : Presentation of Financial Statements-Disclosure Initiative

Amendments to FRS 116 and FRS 138 : Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to FRS 127(2011) : Equity Method in Separate Financial Statements

Annual Improvements to FRSs 2012-2014 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 Standard board (“MASB”) has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“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 Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venture (herein called “transitioning entities”).

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**A2. Changes in Accounting Policies (“Continued”)**

As further 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.

**A3. Auditors’ 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.

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

**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	784,248	1,289	1,459	-	786,996
Intersegment sales	354,747	261,378	-	(616,125)	
Total	1,138,995	262,667	1,459	(616,125)	786,996

	<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	43,672	(452)	(1,108)	42,112
Profit/(Loss) after tax	33,083	(483)	(1,108)	31,492

**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 2016 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.

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**A13. Changes In Contingent Liabilities**

Changes in material contingent liabilities of the Group and Company since 31 December 2015 were as follows :

	Group		Company	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	456,286	463,042
Outstanding guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	390,433	448,227



**HUAT LAI RESOURCES BERHAD**  
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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 Quarter 30.06.16	Poultry	390,629	25,013
	Manufacturing	698	28
	Other	834	(496)
	<b>Total</b>	<b>392,161</b>	<b>24,545</b>
Cumulative Quarter 30.06.16	Poultry	784,248	43,672
	Manufacturing	1,289	(452)
	Other	1,459	(1,108)
	<b>Total</b>	<b>786,996</b>	<b>42,112</b>

The Group's turnover for the quarter ended 30 June 2016 has reached RM392.161 million, increased by 11.59% as compared to RM351.421 million for the corresponding quarter ended 30 June 2015. The higher turnover was mainly due to the increase in the sales of integrated poultry products following the expansion plans that we have carried out throughout the year.

In tandem with the higher revenue, the Group recorded a pretax profit of RM24.545 million for the quarter ended 30 June 2016 as compared to a pretax profit of RM24.300 million in the corresponding quarter last year.

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

The second quarter performance shows positive improvement with the progress we experienced in the previous quarter continuing despite the challenging operating environment. The Group registered a pretax profit of RM24.545 million for the quarter ended 30 June 2016 as compared to a pretax profit of RM17.567 million for the preceding quarter ended 31 March 2016. The improved pretax profit for the current quarter was attributed by the higher average selling prices of egg and broilers as compared to the preceding quarter.

**B3. Commentary On Current Year Prospect**

The Board expected layer and broiler divisions to contribute positively to the Group as the results of favorable average selling prices of poultry products and stable costs of raw materials. Despite the higher operating costs due to the increase of minimum wage, the Group will constantly seek to drive further efficiency in poultry farming division and to put absolute focus to improve the performance of the Group.

We remain confident and positive in the outlook of our business for the third quarter of the financial year 2016.

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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	
	30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
In respect of the financial period				
Malaysian income tax	(4,064)	-	(4,603)	(600)
Deferred tax	(5,529)	-	(6,017)	(39)
	<u>(9,593)</u>	<u>-</u>	<u>(10,620)</u>	<u>(639)</u>

**B7. Status Of Corporate Proposals**

There were no corporate proposals announced but not completed as at 22 August 2016.

**B8. Group Borrowings**

Group borrowings all of which are secured as at 30 June 2016 were as follows:

	Current RM'000	Non Current RM'000	Total RM'000
Hire purchase and finance lease liabilities	20,039	24,375	44,414
Bank borrowings	242,972	192,855	435,827
Bank overdraft	6,474	-	6,474
Total borrowings	269,485	217,230	486,715

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**

On 22 August 2016, the Directors proposed an interim tax exempt dividend of 5 sen per share for the financial year ended 31 December 2016.

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**B11. Earnings Per Share**

	Individual Quarter		Cumulative Quarter	
	30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
a) <i>Basic Earnings per Share</i>				
Net profit for the period	14,074	25,420	30,730	48,987
Weighted average number of ordinary shares	78,023	77,920	78,023	77,919
Basic Earnings per share (sen)	18.04	32.62	39.39	62.87
b) <i>Diluted Earnings Per Share</i>				
Net profit for the period	14,074	25,420	30,730	48,987
Weighted average number of ordinary shares	78,023	77,920	78,023	77,919
Number of shares deemed to have been issued for no consideration – ESOS	-	6	-	1,057
Weighted average number of ordinary shares	78,023	77,926	78,023	78,976
Diluted earnings per share (sen)	18.04	32.62	39.39	62.03

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

	RM'000
Cash and bank balances	34,702
Fixed deposits with licensed banks	17,139
Bank Overdraft	(6,474)
	<u>45,367</u>
Less : Fixed deposits pledged	(17,112)
	<u><u>28,255</u></u>

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

	30.06.16 RM'000	31.03.16 RM'000
Total retained profits		
- Realised gain	167,418	149,137
- Unrealised loss	<u>(47,358)</u>	<u>(43,151)</u>
Total retained profits	120,060	105,986
Add : Consolidation adjustment	<u>2,500</u>	<u>2,500</u>
	<u>122,560</u>	<u>108,486</u>

**HUAT LAI RESOURCES BERHAD**  
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**B14. Profit Before Tax**

	Individual Quarter 30.06.16 RM'000	Cumulative Quarter 30.06.16 RM'000
Profit before tax is arrived at		
After charging / (crediting) :-		
Interest income	(124)	(438)
Other income	(41)	(739)
Interest expenses	7,821	14,786
Depreciation	15,546	30,621
Foreign exchange (gain) /loss		
- realised	(173)	248
- unrealised	(240)	288

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.

**B15. Authorisation for Issue**

The financial statement were authorized for issue by the Board of Directors on 22 August 2016.