

HUAT LAI RESOURCES BERHAD (323273 - T)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

The figures have not been audited.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/09/16 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/15 RM'000	CURRENT YEAR TO DATE 30/09/16 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/09/15 RM'000
CONTINUING OPERATIONS :				
Revenue	440,963	414,392	1,227,959	1,134,916
Operating expenses	(378,876)	(390,826)	(1,110,025)	(1,046,885)
Other operating income	<u>1,797</u>	<u>111</u>	<u>2,848</u>	<u>3,382</u>
Profit from operations	63,884	23,677	120,782	91,413
Finance costs	(7,784)	(7,957)	(22,570)	(24,376)
Share of results in jointly controlled entity	-	(26)	-	8
Profit before taxation	<u>56,100</u>	<u>15,694</u>	<u>98,212</u>	<u>67,045</u>
Income tax expense	(9,136)	(1,801)	(19,756)	(2,440)
Profit after taxation	<u>46,964</u>	<u>13,893</u>	<u>78,456</u>	<u>64,605</u>
Other comprehensive income	211,998	1,780	211,956	1,104
Total comprehensive income for the period	<u><u>258,962</u></u>	<u><u>15,673</u></u>	<u><u>290,412</u></u>	<u><u>65,709</u></u>
Profit after taxation attributable to :				
Equityholders of the Company	45,165	13,101	75,895	62,088
Non-controlling interests	1,799	792	2,561	2,517
	<u>46,964</u>	<u>13,893</u>	<u>78,456</u>	<u>64,605</u>
Total comprehensive income attributable to :				
Equityholders of the Company	246,051	14,881	276,739	63,192
Non-controlling interests	12,911	792	13,673	2,517
	<u>258,962</u>	<u>15,673</u>	<u>290,412</u>	<u>65,709</u>
Earning per share				
- basic (sen)	57.89	16.81	97.27	79.67
- diluted (sen)	57.89	16.81	97.27	78.62

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 SEPTEMBER 2016

The figures have not been audited.

	UNAUDITED AS AT 30/09/16 RM'000	AUDITED AS AT 31/12/15 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	974,290	720,711
Investment properties	349	327
Intangible assets	11,331	11,406
Deferred tax assets	167	158
	<u>986,137</u>	<u>732,602</u>
Current Assets		
Inventories	47,259	50,476
Biological assets	114,910	110,932
Receivables	152,852	127,804
Current tax assets	121	119
Fixed deposits	23,235	24,692
Cash and bank balances	50,909	21,560
	<u>389,286</u>	<u>335,583</u>
Total Assets	<u><u>1,375,423</u></u>	<u><u>1,068,185</u></u>
EQUITY AND LIABILITIES		
Share capital	86,649	86,649
Share premium	3,215	3,215
Treasury shares	(7,734)	(7,734)
Revaluation reserve	275,387	74,595
Foreign exchange translation reserve	2,163	2,111
Retained earnings	163,823	89,461
Shareholders' Equity	<u>523,503</u>	<u>248,297</u>
Non-controlling Interests	42,681	21,360
	<u>566,184</u>	<u>269,657</u>
Non-Current Liabilities		
Long term borrowings	218,426	222,051
Deferred tax liabilities	79,635	42,290
Provision for employees' benefits	352	333
	<u>298,413</u>	<u>264,674</u>
Current Liabilities		
Payables	236,918	246,452
Short term borrowings	256,001	277,369
Bank overdraft	1,953	7,393
Current tax liabilities	15,954	2,640
	<u>510,826</u>	<u>533,854</u>
TOTAL LIABILITIES	<u><u>809,239</u></u>	<u><u>798,528</u></u>
	-	-
TOTAL EQUITY AND LIABILITIES	<u><u>1,375,423</u></u>	<u><u>1,068,185</u></u>
NET ASSETS PER SHARE (RM)	<u><u>6.04</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 THIRD QUARTER ENDED 30 SEPTEMBER 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
At 1 January 2016	86,649	(7,734)	74,595	3,215	2,111	89,461	248,297	21,360	269,657
Profit after taxation	-	-	-	-	-	75,895	75,895	2,561	78,456
Other comprehensive income for the period							-		
-Revaluation Reserve	-	-	200,792	-	-	-	200,792	11,112	211,904
-Translation Reserve	-	-	-	-	52	-	52	-	52
Total comprehensive income for the period	-	-	200,792	-	52	75,895	276,739	13,673	290,412
Accretion in equity interest in a subsidiary	-	-	-	-	-	(1,533)	(1,533)	7,648	6,115
At 30 SEPTEMBER 2016	86,649	(7,734)	275,387	3,215	2,163	163,823	523,503	42,681	566,184

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
THE THIRD QUARTER ENDED 30 SEPTEMBER 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
At 1 January 2015	86,531	(7,734)	77,998	336	3,156	277	48,002	208,566	18,995	227,561
Profit after taxation	-	-	-	-	-	-	62,088	62,088	2,517	64,605
Other comprehensive income for the period										
-Translation Reserve	-	-	-	-	-	1,104	-	1,104	-	1,104
Total comprehensive income for the period	-	-	-	-	-	1,104	62,088	63,192	2,517	65,709
Issuance of new shares-ESOS	74	-	-	-	2	-	-	76	-	76
At 30 SEPTEMBER 2015	86,605	(7,734)	77,998	336	3,158	1,381	110,090	271,834	21,512	293,346

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(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

The figures have not been audited.

	Period Ended 30/09/16 RM'000	Period Ended 30/09/15 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	78,456	64,605
Adjustments for :		
Amortisation for intangible assets	75	75
Bad debt written off	-	596
Depreciation of investment properties	5	5
Depreciation of property, plant and equipment	47,429	45,752
Gain on disposal of property, plant and equipment	(34)	(488)
Impairment loss on trade receivable	-	1,432
Interest expense	22,570	24,376
Interest income	(621)	(764)
Property, plant and equipment written off	340	209
Share of results in jointly controlled entity	-	(8)
Tax charge	19,756	2,440
Unrealised exchange gain	(361)	(355)
Operating profit before working capital changes	<u>167,615</u>	<u>137,875</u>
Decrease in inventories	3,217	2,928
Increase in biological assets	(3,978)	(12,419)
Increase in receivables	(24,687)	(75,562)
(Decrease) / Increase in payables	<u>(14,233)</u>	<u>68,267</u>
Cash from operations	127,934	121,089
Tax refunded	162	2
Tax paid	<u>(1,374)</u>	<u>(5,061)</u>
Net cash from operating activities	<u>126,722</u>	<u>116,030</u>
CASH FLOW FOR INVESTING ACTIVITIES		
Interest received	621	764
Advance to joint venture	-	(150)
Decrease in fixed deposit	7,457	2,841
Purchase of property, plant and equipment	<u>(32,205)</u>	<u>(19,530)</u>
Net cash for investing activities	<u>(24,127)</u>	<u>(16,075)</u>
CASH FLOW FOR FINANCING ACTIVITIES		
Interest paid	(22,570)	(24,376)
Issuing of shares	-	76
Dividend paid	(3,901)	-
Proceed from issuance of shares by a subsidiary to non controlling interests	10,017	-
Repayment of bankers' acceptance	(25,157)	(19,538)
Drawdown of term loans	27,635	6,500
Repayment of term loans	(30,187)	(19,011)
Repayment of hire purchase liabilities	<u>(17,242)</u>	<u>(19,637)</u>
Net cash for financing activities	<u>(61,405)</u>	<u>(75,986)</u>
Net increase in cash and cash equivalents	41,190	23,969
Effect of translation difference	(400)	(1,393)
Cash and cash equivalents at beginning of the financial period	14,193	(4,138)
Cash and cash equivalents at end of the period	<u>54,983</u>	<u>18,438</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

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 : Investment Entities-Appling the Consolidation Exception

Amendments to FRS 101 : Disclosure Initiative

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

Amendments to FRS 127 : 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 except for those under corporate proposal as disclosed in Note B7.

A8. Dividends paid

On 28 September 2016, the company paid an interim tax exempt dividend of 5 sen per share amounting to RM3.901million for the financial year ending 31 December 2016.

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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	1,222,183	3,546	2,230		1,227,959
Intersegment sales	528,345	390,100	-	(918,445)	-
Total	1,750,528	393,646	2,230	(918,445)	1,227,959

	Poultry Farming and processing	Manufacturing of fertilizer, feeds & egg trays	Others	Total
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax	99,466	389	(1,643)	98,212
Profit/(Loss) after tax	79,741	358	(1,643)	78,456

A10. Valuations of Property, Plant and Equipment

In September 2016, the landed properties and farm buildings of Group were revalued by the Directors based on an independent valuation carries out on the existing use basis. The revaluation surplus of RM211.904 million after deducting deferred tax of RM32.316 million arising from this valuation is credited to asset revaluation reserve.

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 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.

A13. Capital Commitment

The capital commitments of the Group as at 30 September 2016 are as follow:

Property, plant and equipment:	RM'000
Approved and contracted for	53,947
Authorised but not contracted for	13,595

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A14. Changes In Contingent Liabilities

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

	Group		Company	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	419,529	479,140
Outstanding guarantees granted by the Company to third parties for credit facilities extended to subsidiaries	Nil	Nil	370,778	439,378

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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 30.09.16	Poultry	437,935	55,794
	Manufacturing	2,257	841
	Other	771	(535)
	Total	440,963	56,100
Cumulative Quarter 30.09.16	Poultry	1,222,183	99,466
	Manufacturing	3,546	389
	Other	2,230	(1,643)
	Total	1,227,959	98,212

The Group's turnover for the quarter ended 30 September 2016 has reached RM440.963 million, increased by 6.41% as compared to RM414.392 million for the corresponding quarter ended 30 September 2015. The rise in turnover was mainly derived from the increase in the demand for the Group's poultry products coupled with higher average selling prices of poultry products. In addition, the sales volume of poultry products has increased following the expansion plans that we have carried out throughout the year.

In tandem with the higher revenue coupled with effective strategies of stricter cost controls, the Group registered a pretax profit of RM56.100 million for the quarter ended 30 September 2016 as compared to a pretax profit of RM15.694 million in the corresponding quarter last year.

B2. Comparison With The Preceding Quarter's Results

The third quarter performance shows positive improvement with the progress we experienced in the previous quarter continuing despite the challenging operating environment. The Group's pretax profit of RM56.100 million for the quarter ended 30 September 2016 as compared to a pretax profit of RM24.545 million for the preceding quarter ended 30 June 2016. The improved pretax profit for the current quarter was mainly attributed by improved selling prices of eggs and higher average selling prices of broilers as compared to the preceding quarter due to the shortage in the supply of poultry products in the market.

B3. Commentary On Current Year Prospect

Good progress and improvement in the Group's performance show that our commitment to efficiency and investment to drive higher and profitable sales are continuing to pay off. However, we expect the following quarter to remain challenging due to increasing cost pressures and uncertain market condition.

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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	
	30.09.16 RM'000	30.09.15 RM'000	30.09.16 RM'000	30.09.15 RM'000
In respect of the financial period				
Malaysian income tax	(8,583)	(1,801)	(13,186)	(2,401)
Deferred tax	(553)	-	(6,570)	(39)
	<u>(9,136)</u>	<u>(1,801)</u>	<u>(19,756)</u>	<u>(2,440)</u>

B7. Status Of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this report except:

The Board of Directors had on 24 October 2016 received a notice of conditional voluntary take-over offer from Esprit Unity Sdn Bhd, Lim Yeow Her, Lim Yeow Kian and Datuk Lim Yeow Siong (collectively, “**Joint Offerors**”) through AmInvestment Bank Berhad in relation to a take-over offer to acquire all the remaining ordinary shares of RM1.00 each in the Company (excluding treasury shares) not already owned by the Joint Offerors (“**Offer Shares**”) at RM5.00 per Offer Share (“**Offer**”).

In accordance with the Rules on Take-overs, Mergers and Compulsory Acquisitions, the Board had on 24 October 2016 resolved to appoint Mercury Securities Sdn Bhd as the independent adviser to advise the non-interested Directors and holders of the Offer Shares in relation to the Offer.

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B8. Group Borrowings

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

	Current	Non Current	Total
	RM'000	RM'000	RM'000
Hire purchase and finance lease liabilities	20,615	25,924	46,539
Bank borrowings	235,386	192,502	427,888
Bank overdraft	1,953		1,953
Total borrowings	257,954	218,426	476,380

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.

B11. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	30.09.16	30.09.15	30.09.16	30.09.15
	RM'000	RM'000	RM'000	RM'000
a) <i>Basic Earnings per Share</i>				
Net profit for the period	45,165	13,101	75,895	62,088
Weighted average number of ordinary shares	78,023	77,955	78,023	77,931
Basic Earnings per share (sen)	57.89	16.81	97.27	79.67
b) <i>Diluted Earnings Per Share</i>				
Net profit for the period	45,165	13,101	75,895	62,088
Weighted average number of ordinary shares	78,023	77,955	78,023	77,931
Number of shares deemed to have been issued for no consideration – ESOS	-	-	-	1,040
Weighted average number of ordinary shares	78,023	77,955	78,023	78,971
Diluted earnings per share (sen)	57.89	16.81	97.27	78.62

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

	RM'000
Cash and bank balances	50,909
Fixed deposits with licensed banks	23,235
Bank Overdraft	<u>(1,953)</u>
	72,191
Less : Fixed deposits pledged	<u>(17,208)</u>
	<u><u>54,983</u></u>

B13. Realised and unrealised profits of the Group

	30.09.16 RM'000	30.06.16 RM'000
Total retained profits		
- Realised gain	240,596	167,418
- Unrealised loss	<u>(79,273)</u>	<u>(47,358)</u>
Total retained profits	161,323	120,060
Add : Consolidation adjustment	<u>2,500</u>	<u>2,500</u>
	<u>163,823</u>	<u>122,560</u>

B14. Profit Before Tax

	Individual Quarter 30.09.16 RM'000	Cumulative Quarter 30.09.16 RM'000
Profit before tax is arrived at		
After charging / (crediting) :-		
Interest income	(183)	(621)
Other income	(963)	(1,702)
Interest expenses	7,784	22,570
Depreciation	16,813	47,434
Foreign exchange (gain) /loss		
- realised	254	502
- unrealised	(649)	(361)

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 November 2016.