

Unless otherwise stated, all abbreviations and defined names or expressions contained in this Abridged Prospectus ("AP") are defined in the Definitions section of this AP.

THIS AP IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold/transferred all your ordinary shares in Hwa Tai, you should at once hand this AP together with the NPA and the RSF (collectively referred to as the "Documents") to the agent through whom you effected the sale/transfer for onward transmission to the purchaser/transferee. All enquiries concerning the Rights Issue, which is the subject of this AP, should be addressed to our Share Registrar, namely Tricor Investor Services Sdn Bhd, at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

These Documents are only despatched to our Entitled Shareholders who have a registered address in Malaysia in the Record of Depositors or who have provided our Share Registrar with a registered address in Malaysia in writing not later than 5.00 p.m. on 16 March 2015. The Documents are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue will not be made or offered or deemed to be made or offered for purchase or subscription, in any countries or jurisdictions other than Malaysia or to persons who are or may be subject to the laws of any countries or jurisdictions other than the laws of Malaysia. The Rights Issue to which this AP relates is only available to persons receiving the Documents electronically or otherwise within Malaysia. No action has been or will be taken to ensure that the Rights Issue and the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. It shall be the sole responsibility of our Entitled Shareholders and/or their renouneece(s)/transferee(s) (if applicable) who are or may be subject to the laws of any countries or jurisdictions other than the laws of Malaysia to consult their legal or other professional advisers as to whether the acceptance or renunciation of all or any part of the Rights Shares to be issued under the Rights Issue would result in the contravention of any laws of such countries or jurisdictions. Such shareholders should note the additional terms and restrictions as set out in Section 11 of this AP. Neither Hwa Tai, PIVB nor any other advisers to the Rights Issue shall accept any responsibility or liability in the event that any acceptance or sale/transfer of the provisional allotment of the Rights Shares made by the Entitled Shareholders and/or their renouneece(s)/transferee(s) (if applicable) shall become illegal, unenforceable, voidable or void in any countries or jurisdictions in which the Entitled Shareholders and/or their renouneece(s)/transferee(s) (if applicable) are residents.

A copy of this AP has been registered with the SC. The registration of this AP should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this AP. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

Our shareholders have approved, amongst others, the Rights Issue at the Extraordinary General Meeting held on 12 November 2014. Bursa Securities has also granted its approval for, amongst others, the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities on 27 May 2014. However, this is not an indication that Bursa Securities recommends the Rights Issue. Admission to the Official List of Bursa Securities for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities is in no way reflective of the merits of the Rights Issue. The listing of and quotation for the Rights Shares will commence after, amongst others, receipt of confirmation from Bursa Depository that all the Central Depository System accounts of our Entitled Shareholders and/or their renouneece(s)/transferee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

Our Directors have seen and approved all the documentation relating to the Rights Issue. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make the statements in the Documents false or misleading.

THERE ARE CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER. PLEASE REFER TO THE "RISK FACTORS" AS SET OUT IN SECTION 7 OF THIS AP.

PIVB, being our Adviser for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue.



HWA TAI INDUSTRIES BERHAD
(Company No. 19688-V)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 60,063,600 NEW ORDINARY SHARES OF RM0.40 EACH IN HWA TAI ("HWA TAI SHARE(S)") ("RIGHTS SHARE(S)") AT AN ISSUE PRICE OF RM0.40 PER RIGHTS SHARE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING HWA TAI SHARES HELD AT 5.00 P.M. ON 16 MARCH 2015, BASED ON A MINIMUM SUBSCRIPTION LEVEL OF 30,031,800 RIGHTS SHARES

Adviser



PUBLIC INVESTMENT BANK BERHAD (20027-VV)

A Participating Organisation Of Bursa Malaysia Securities Berhad
(Wholly-owned Subsidiary Of Public Bank Berhad)

IMPORTANT RELEVANT DATES AND TIMES

Entitlement date	: Monday, 16 March 2015 at 5.00 p.m.
Last date and time for:	
Sale of provisional allotment of rights	: Monday, 23 March 2015 at 5.00 p.m.
Transfer of provisional allotment of rights	: Thursday, 26 March 2015 at 4.00 p.m.
Acceptance and payment	: Tuesday, 31 March 2015 at 5.00 p.m.*
Excess application and payment	: Tuesday, 31 March 2015 at 5.00 p.m.*

* or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time.

This AP is dated 16 March 2015

BURSA SECURITIES HAS APPROVED, AMONGST OTHERS, THE LISTING OF THE RIGHTS SHARES ON THE MAIN MARKET OF BURSA SECURITIES AND THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THESE DOCUMENTS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("CMSA").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUES FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

DEFINITIONS

Except where the context otherwise requires, the following words and abbreviations shall apply throughout this AP and shall have the following meanings:

5-day VWAMP	: Five (5)-day volume weighted average market price
Act	: Companies Act, 1965, as amended from time to time and all regulations made thereunder and any re-enactment thereof
Adviser or PIVB	: Public Investment Bank Berhad (20027-W)
Amendment	: The amendment to the Memorandum of Association of the Company to facilitate the Par Value Reduction
Announcement	: Announcement dated 24 April 2014 in relation to the Corporate Exercises
AP	: This abridged prospectus dated 16 March 2015
Board	: Board of Directors of Hwa Tai
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W)
CDS	: A Central Depository System governed under the SICDA
Circular	: The circular to shareholders of Hwa Tai dated 10 October 2014 in relation to the proposed Corporate Exercises
CMSA	: Capital Markets and Services Act, 2007
Code	: Malaysian Code on Take-Overs and Mergers, 2010
Corporate Exercises	: The Par Value Reduction, Amendment, Rights Issue and Exemption, collectively
Director(s)	: Director(s) of Hwa Tai
Documents	: AP, NPA and RSF, collectively
EGM	: Extraordinary general meeting
Entitled Shareholder(s)	: Shareholders of Hwa Tai whose names appear on the Record of Depositors on the Entitlement Date, who shall be entitled to participate in the Rights Issue
Entitlement Date	: The date which shall be determined by the Board and announced later for the purposes of ascertaining the Entitled Shareholders pursuant to the Rights Issue
EPS	: Earnings per share
Excess Rights Shares	: Rights Shares which are not taken up or not validly taken up the Entitled Shareholders and/or their renounee(s) and/or transferee(s) prior to excess application
Exemption	: The exemption to Mr. Soo and his PAC from the obligation to undertake a mandatory take-over offer to acquire all the remaining Hwa Tai Shares not already owned by them pursuant to Paragraph 16.1 of Practice Note 9 of the Code
FPE	: Financial period ended
FYE(s)	: Financial year(s) ended/ending 31 December
Hwa Tai or Company	: Hwa Tai Industries Berhad (19688-V)
Hwa Tai Group or Group	: Hwa Tai and its subsidiaries, collectively

DEFINITIONS (Cont'd)

Hwa Tai Share(s) or Share(s)	: Either ordinary shares of RM1.00 each in Hwa Tai before the Par Value Reduction or ordinary shares of RM0.40 each in Hwa Tai after the Par Value Reduction
Interested Shareholder	: Mr. Soo
Interested Director	: Mr. Soo and Soo Chung Yee, collectively
LAT	: Loss after taxation
LBT	: Loss before taxation
Listing Requirements	: Main Market Listing Requirements of Bursa Securities, as may be amended from time to time
LPD	: 27 February 2015, being the latest practicable date prior to the issuance of this AP
Major Shareholder(s)	: Any person who has an interest or interests in one or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is: 10% or more of the aggregate of the nominal amounts of all the voting shares in the Company; or 5% or more of the aggregate of the nominal amounts of all the voting shares in the Company, where such person is the largest shareholder of the Company. For the purpose of this definition, "interest in shares" shall have the meaning given in Section 6A of the Act
Market Day(s)	: Any day(s) between Monday and Friday (inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities
Maximum Scenario	: The scenario that assumes that the Rights Issue are fully subscribed by the Entitled Shareholders and/or renounces/transferees
Minimum Scenario	: The scenario that assumes that the Rights Issue are subscribed only by Mr. Soo pursuant to his Undertaking
Minimum Subscription Level	: The scenario that assumes that the Rights Issue will be undertaken on a minimum subscription level basis via the issuance of 30,031,800 Rights Shares
Mr. Soo	: Soo Thien Ming @ Soo Thien See, Chairman and Major Shareholder of Hwa Tai
NA	: Net assets attributable to the ordinary shareholders of Hwa Tai
NPA	: Notice of provisional allotment issued pursuant to the Rights Issue
OEM	: Original equipment manufacturer
PAC	: Person acting in concert with Mr. Soo (in accordance with Section 216 of the Capital Markets and Services Act, 2007) for the Exemption, namely Soo Chung Yee
Par Value Reduction	: The reduction of the issued and paid-up share capital of Hwa Tai pursuant to Section 64(1) of the Act, involving the cancellation of RM0.60 of the par value of each ordinary share of RM1.00 in Hwa Tai
PAT	: Profit after taxation
PBT	: Profit before taxation
Record of Depositors	: A record of depositors provided by Bursa Depository to Hwa Tai under Chapter 24.0 of the Rules of Bursa Depository

DEFINITIONS (Cont'd)

Rights Issue	: The renounceable rights issue of up to 60,063,600 new Hwa Tai Rights Shares of RM0.40 each at an issue price of RM0.40 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing Hwa Tai Shares held after the Par Value Reduction and on an Entitlement Date, based on a Minimum Subscription Level
Right Share(s)	: New Hwa Tai Shares to be issued pursuant to the Right Issue
RM and sen	: Ringgit Malaysia and sen, respectively
RSF	: Rights subscription form issued pursuant to the Rights Issue
Rules of Bursa Depository	: Rules of Bursa Depository as issued pursuant to the SICDA
SICDA	: Securities Industry (Central Depositories) Act, 1991
SC	: Securities Commission Malaysia
Sq. ft.	: Square feet
Substantial Shareholder(s)	: Any person who has an interest or interests in one or more voting shares in the company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is not less than five percent (5%) of the aggregate of the nominal amounts of all the voting shares in the company, as defined in Section 69D of the Act.
TERP	: Theoretical Ex-Rights Price
Undertaking	: The irrevocable written undertaking by Mr. Soo to subscribe for his Rights Share entitlement and the requisite number of Excess Rights Shares not subscribed by the other Entitled Shareholders in order to achieve the Minimum Subscription Level
VWAMP	: Volume weighted average market price

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this AP to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this AP shall be a reference to Malaysian time, unless otherwise specified.

All references to "our Company" or "Hwa Tai" in this AP are made to Hwa Tai Industries Berhad and references to "our Group", "the Hwa Tai Group" or "the Group" are to our Company and our subsidiaries. References to "we", "us", "our" and "ourselves" are to our Company and, unless where the context otherwise requires, our subsidiaries. All references to "you" in this AP are made to our Entitled Shareholders.

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CORPORATE DIRECTORY



HWA TAI INDUSTRIES BERHAD
(Company No. 19688-V)
(Incorporated in Malaysia under the Companies Act, 1965)

BOARD OF DIRECTORS

Name	Address	Designation	Profession	Nationality
Soo Thien Ming @ Soo Thien See	56, Lorong Buluh Perindu 5 Taman SA, Damansara Heights 59000 Kuala Lumpur	Non-Independent Non-Executive Director	Advocate & Solicitor	Malaysian
Soo Chung Yee	56, Lorong Buluh Perindu 5 Taman SA, Damansara Heights 59000 Kuala Lumpur	Non-Independent Executive Director	Company Director	Malaysian
Col. (Rtd.) Dato' Ir. Cheng Wah	95, Jalan Setiabakti 9 Damansara Heights 50490 Kuala Lumpur	Independent Non- Executive Director	Engineer	Malaysian
Mohamed Razif Bin Tan Sri Abdul Aziz	30, Jalan SS1/39, Kg. Tunku 47300 Petaling Jaya Selangor Darul Ehsan	Independent Non- Executive Director	Advocate & Solicitor	Malaysian
Soo Wei Chian	46, Jalan USJ 16/3C 47600 Subang Jaya Selangor Darul Ehsan	Independent Non- Executive Director	Accountant	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Col. (Rtd.) Dato' Ir. Cheng Wah	Chairman	Independent Non-Executive Director
Mohamed Razif Bin Tan Sri Abdul Aziz	Member	Independent Non-Executive Director
Soo Wei Chian	Member	Independent Non-Executive Director

COMPANY SECRETARIES : Jessica Chin Teng Li (MAICSA 7003181)
No. L9, Jalan ML16
ML16 Industrial Park
43300 Seri Kembangan
Selangor Darul Ehsan
Tel: 03-8964 5600
Fax: 03-8964 1502

REGISTERED OFFICE : No. 12, Jalan Jorak
Kawasan Perindustrian Tongkang Pecah
83010 Batu Pahat
Johor Darul Takzim
Tel: 07-415 1688
Fax: 07-415 1135

CORPORATE DIRECTORY (Cont'd)

- PRINCIPAL PLACE OF BUSINESS : No. 12, Jalan Jorak
Kawasan Perindustrian Tongkang Pecah
83010 Batu Pahat
Johor Darul Takzim
Tel: 07-415 1688
Fax: 07-415 1135
Website: www.hwatai.com
E-mail: management@hwatai.com.my
- AUDITORS/REPORTING ACCOUNTANTS : Baker Tilly Monteiro Heng (AF 0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel: 03-2297 1000
Fax: 03-2282 9980
- DUE DILIGENCE SOLICITORS : Mohd Daud Leong & Co
Suite 12.07, 12th Floor, Wisma Zelan
No. 1, Jalan Tasik Permaisuri 2
Bandar Tun Razak
56000 Kuala Lumpur
Tel: 03-9171 3328
Fax: 03-9173 4328
- PRINCIPAL BANKERS : RHB Bank Berhad (6171-M)
89, Jalan Rahmat
83000 Batu Pahat
Johor Darul Takzim
Tel: 1300-888-742
Fax: 07-431 1077
- Bank Muamalat Malaysia Berhad (6175-W)
24-25, Ground & First Floor
Jalan Kundang, Taman Bukit Pasir
83000 Batu Pahat
Johor Darul Takzim
Tel: 07-432 5257
Fax: 07-432 5271
- AmBank (M) Berhad (8515-D)
35, Jalan Rahmat
83000 Batu Pahat
Johor Darul Rakzim
Tel: 07-432 8851
Fax: 07-432 7000
- Bangkok Bank Berhad (299740-W)
105, Jalan Tun H.S.Lee
50000 Kuala Lumpur
Tel: 03-2173 7200
Fax: 03-2173 7300

CORPORATE DIRECTORY (Cont'd)

PRINCIPAL BANKERS (<i>Cont'd</i>)	:	Bank of China (Malaysia) Berhad (<i>511251-V</i>) 118-1, Jalan Bakri 84000 Muar Johor Darul Takzim Tel: 06-956 1388 Fax: 06-956 1393
SHARE REGISTRAR	:	Tricor Investor Services Sdn Bhd (<i>118401-V</i>) Level 17, The Gardens North Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel: 03-2264 3883 Fax: 03-2282 1886
ADVISER	:	Public Investment Bank Berhad (<i>20027-W</i>) 25 th Floor, Menara Public Bank 146, Jalan Ampang 50450 Kuala Lumpur Tel: 03-2166 9382 Fax: 03-2166 9386
STOCK EXCHANGE LISTED AND LISTING SOUGHT	:	Main Market of Bursa Securities

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HWA TAI INDUSTRIES BERHAD
(Company No. 19688-V)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

No. 12, Jalan Jorak
Kawasan Perindustrian Tongkang Pecah
83010 Batu Pahat
Johor Darul Takzim

16 March 2015

Board of Directors:

Soo Thien Ming @ Soo Thien See (*Chairman*)
Soo Chung Yee (*Group Chief Executive Director*)
Col. (Rtd.) Dato' Ir. Cheng Wah (*Independent Non-Executive Director*)
Mohamed Razif Bin Tan Sri Abdul Aziz (*Independent Non-Executive Director*)
Soo Wei Chian (*Independent Non-Executive Director*)

To: Our Entitled Shareholders

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO 60,063,600 RIGHTS SHARES AT AN ISSUE PRICE OF RM0.40 PER RIGHTS SHARE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING HWA TAI SHARES HELD AT 5.00 P.M. ON 16 MARCH 2015, BASED ON A MINIMUM SUBSCRIPTION LEVEL OF 30,031,800 RIGHTS SHARES

1. INTRODUCTION

Our Board is pleased to inform you that our shareholders had approved the Corporate Exercises, which include, amongst others the Rights Issue, at our Company's EGM held on 12 November 2014. A certified true extract of the resolution pertaining to the Rights Issue passed at the said EGM is attached in **Appendix I** of this AP.

On 28 May 2014, PIVB had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 27 May 2014, granted its approval for the listing of and quotation for up to 60,063,600 Rights Shares on the Main Market of Bursa Securities.

The approval granted by Bursa Securities is subject to the following conditions:

	Conditions imposed	Status of compliance
(a)	Hwa Tai and PIVB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue;	Noted
(b)	Hwa Tai and PIVB to inform Bursa Securities upon the completion of the Par Value Reduction and Rights Issue;	To be met
(c)	Hwa Tai and PIVB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue is completed; and	To be met
(d)	To incorporate Bursa Securities comments in respect of the draft circular to shareholders provided in the attachment of the Bursa Securities' letter of approval.	Met

The official listing of and quotation for the Rights Shares to be issued pursuant to the Rights Issue will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS accounts of our Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) have been duly credited with the Rights Shares allotted to them and notices of allotment have been despatched to them.

On 15 December 2014, PIVB had, on behalf of the Company, announced that the SC had, via its letter dated 15 December 2014, approved the exemption for Mr. Soo and his PAC from the obligation to undertake a take-over offer for all the remaining Shares not already owned by them upon completion of the Rights Issue under Paragraph 16.1 of Practice Note 9 of the Code.

On 5 January 2015, PIVB had, on behalf of the Board, announced that the High Court of Malaya in Kuala Lumpur had, on 5 January 2015, granted an order confirming the Par Value Reduction pursuant to Section 64(1) of the Act.

On 14 January 2015, PIVB had, on behalf of the Board, announced that the sealed order dated 5 January 2015 granted by the High Court of Malaya in Kuala Lumpur had been duly lodged with the Companies Commission of Malaysia on 13 January 2015. Consequently, the issued and paid-up share capital of our Company is reduced from RM40,042,400 comprising of 40,042,400 ordinary shares of RM1.00 each to RM16,016,960 comprising of 40,042,400 ordinary shares of RM0.40 each effective 13 January 2015.

Following the completion of the Par Value Reduction, our Company's authorised share capital had been adjusted from RM1,000,000,000 divided into 1,000,000,000 ordinary shares of RM1.00 each to RM1,000,000,000 divided into 2,500,000,000 ordinary shares of RM0.40 each. With this, the Par Value Reduction is deemed completed. On 2 March 2015, PIVB had, on behalf of the Board, announced that the Entitlement Date, whereby our shareholders must be registered on the Record of Depositors in order to participate in the Rights Issue, has been fixed at 5.00 p.m. on 16 March 2015.

No person is authorised to give any information or to make any representation not contained herein in connection with the Rights Issue, and if given or made, such information or representation must not be relied upon as having been authorised by us or PIVB.

IF YOU ARE IN DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE

2.1 Introduction

In accordance with the terms of the Rights Issue as approved by the relevant authorities and our shareholders at our Company's EGM held on 12 November 2014 and subject to the terms of the Documents, our Company will provisionally allot up to 60,063,600 Rights Shares at an issue price of RM0.40 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing Hwa Tai Shares held on the Entitlement Date based on the Minimum Subscription Level.

The Rights Issue will be undertaken on the Minimum Subscription Level which was determined by our Board after taking into consideration, amongst others, the funding requirement of our Group, the future working capital requirements of our Group and the defraying of expenses incidental to the Corporate Exercises.

In view of the Undertaking procured from Mr. Soo and that the Rights Issue will be implemented on the Minimum Subscription Level, underwriting arrangement is not required for the Rights Issue.

As an Entitled Shareholder, you will find enclosed with this AP:

- (i) the NPA in respect of the number of Rights Shares provisionally allotted to you for which you are entitled to subscribe under the terms of the Rights Issue; and
- (ii) the RSF which is to be used for the acceptance of the Rights Shares provisionally allotted to you, and for the application(s) of any Rights Shares pursuant to the Excess Rights Shares applications, should you wish to do so.

You can fully or partially subscribe and/or renounce your entitlements for the Rights Shares provisionally allotted to you. In addition to taking up your respective entitlements under the Rights Issue, you may also apply for the Excess Rights Shares under the Excess Rights Shares application. It is the intention of our Board to allot the Excess Rights Shares, if any, in a fair and equitable manner as further set out in Section 11.3 of this AP.

The Rights Shares which are renounced, not validly taken up or are not allotted for any reason whatsoever, will first be made available for the Excess Rights Shares applications by our Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable). After which, any remaining unsubscribed Rights Shares will be subscribed by the shareholders who have provided their Undertaking to achieve the Minimum Subscription Level.

Any fractional entitlement under the Rights Issue shall be dealt with by our Board as it may deem fit and expedient in the best interest of our Company.

Any dealing in our Company's securities will be subjected to, amongst others, the provision of the SICDA, the Rules of Bursa Depository and any other relevant legislation. The Rights Shares will be credited directly into the respective CDS accounts of our Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) who have successfully subscribed for such Rights Shares. No physical share certificates will be issued.

The Rights Shares to be issued pursuant to the Rights Issue will be listed and quoted on the Main Market of Bursa Securities within two (2) Market Days upon the receipt of the application for quotation of the Rights Shares by Bursa Securities as specified under the Listing Requirements.

Our Company shall despatch notices of allotment to the successful applicants within eight (8) Market Days from the last day for acceptance and payment of the Rights Shares or such other period as may be prescribed by Bursa Securities.

2.2 Basis of determining the issue price of the Rights Shares

The issue price of RM0.40 per Rights Share was arrived at after the Par Value Reduction after taking into consideration the following:

- (i) the minimum issue price allowable under the Act, which is not less than the par value of the Hwa Tai Shares of RM0.40 each after the Par Value Reduction; and
- (ii) the five (5)-day VWAMP of RM0.5565 per Hwa Tai Share up to and including 23 April 2014 (being the last Market Day prior to the Announcement).

For illustrative purposes, the issue price of RM0.40 per Rights Shares represents:

- (i) a discount of approximately RM0.0626 or 13.53% to the TERP of the Hwa Tai Shares of RM0.4626, which is computed based on the five (5)-day VWAMP of the Hwa Tai Shares up to and including the last Market Day prior to the Announcement;
- (ii) a discount of approximately RM0.0098 or 2.39% to the TERP of the Hwa Tai Shares of approximately RM0.4098 which is computed based on the five (5)-day VWAMP of the Hwa Tai Shares up to and including the LPD of approximately RM0.4245 per Hwa Tai Share.

2.3 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issue, rank *pari passu* in all respects with the existing ordinary shares of our Company, except that they shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid prior to the date of allotment of the Rights Shares.

3. OTHER CORPORATE EXERCISES

There are no other outstanding corporate proposals which have been approved by the relevant regulatory authorities but pending implementation as at the LPD.

4. SHAREHOLDERS' UNDERTAKING

4.1 Undertaking

In order to achieve the Minimum Subscription Level to raise the minimum gross proceeds of RM12,012,720, our Board has procured an Undertaking from Mr. Soo on 23 April 2014 to subscribe for his Rights Shares entitlements and the requisite number of Excess Rights Shares not subscribed by the other Entitled Shareholders.

Details of the Rights Shares entitlements and Undertaking of Mr. Soo are set out in the table below:

Major shareholder	No. of Shares held directly as at the LPD		Rights Shares entitlement		Undertaking	
	No. of Hwa Tai shares	% ^(a)	No. of Hwa Tai shares	% ^(b)	No. of Hwa Tai shares	% ^(b)
Mr. Soo	12,379,827	30.92	18,569,740	30.92	30,031,800	50.00

Notes:

(a) As a percentage of 40,042,400 being the number of Hwa Tai Shares as at the LPD.

(b) As a percentage of 60,063,600 being the maximum number of Rights Shares to be issued pursuant to the Rights Issue.

Arising from his obligations pursuant to the Undertaking, Mr. Soo has confirmed via his letter dated 23 April 2014 that he has sufficient financial resources to subscribe for the Rights Shares pursuant to his Undertaking. In addition, PIVB has verified to the extent possible that Mr. Soo has the financial resources to fulfil his commitments pursuant to the Undertaking.

In view of the Undertaking, the Rights Issue will not be underwritten.

As at the LPD, our Company does not have any other alternative fund raising plan in the event the Minimum Subscription Level is not achieved. Hence, in the event Mr. Soo defaults on his Undertaking obligation to achieve the Minimum Subscription Level, our Company will not proceed with the Rights Issue.

Under the Minimum Scenario, the aggregate shareholding of Mr. Soo will increase above 33% if Mr. Soo is required to subscribe for the aggregate of 30,031,800 Rights Shares pursuant to the Undertaking. Mr. Soo is therefore obliged under Part III of the Code to undertake a mandatory offer for all the remaining Hwa Tai Shares not already held by Mr. Soo and his PAC upon completion of the Rights Issue.

As it is not the intention of Mr. Soo and his PAC to undertake a mandatory offer for all the remaining Hwa Tai Shares not already held as a result of the Undertaking, Mr. Soo and his PAC had obtained shareholders' approval on the Exemption at Hwa Tai's EGM held on 12 November 2014. Pursuant thereto, the SC had vide its letter dated 15 December 2014 granted approval for the Exemption.

4.2 Public shareholding spread

On a proforma basis, assuming that the Corporate Exercises are completed as at the LPD and the Rights Shares are only subscribed by Mr. Soo pursuant to his Undertaking, Mr. Soo's shareholdings could potentially increase from approximately 30.92% to approximately 60.52% under the Minimum Scenario and remain at approximately 30.92% under the Maximum Scenario while the public shareholding spread would fall from approximately 69.03% to approximately 39.45% (under the Minimum Scenario) and remain at approximately 69.03% (under the Maximum Scenario).

Pursuant to the Corporate Exercises, our Company is expected to still be in compliant with the public shareholding spread requirement pursuant to Paragraph 8.02 of the Listing Requirements, whereby at least 25.00% of a listed corporations total listed shares (excluding treasury shares) or such lesser percentage as may be approved by Bursa Securities is required to be held by public shareholders.

5. UTILISATION OF PROCEEDS

For illustrative purposes, based on the renounceable rights issue of up to 60,063,600 Rights Shares, the Rights Issue is expected to raise gross proceeds of up to RM24,025,440. The proceeds are expected to be utilised by our Group as follows:

Details of Utilisation	Minimum Scenario RM'000	Maximum Scenario RM'000	Expected timeframe for utilisation of proceeds from the date of receipt
Repayment of bank borrowings ^(a)	1,500	4,000	Within three (3) months
Capital expenditure for business expansion ^(b)	7,000	15,000	Within thirty six (36) months
Working capital ^(c)	3,213	4,725	Within twenty four (24) months
Estimated expenses in relation to the Corporate Exercises ^(d)	300	300	Within three (3) months
	12,013	24,025	

- (a) As at LPD, the Hwa Tai Group's borrowings amount to approximately RM19.53 million. Based on our Group's average effective interest rate of approximately 6.26% per annum, assuming RM4.00 million of the proceeds is used to repay our Group's bank borrowings (under Maximum Scenario), it is expected to have an interest savings amount of approximately RM0.25 million per annum. However, assuming RM1.50 million of the proceeds is used to repay our Group's borrowings (under Minimum Scenario), it is expected to have an interest savings amount of approximately RM0.094 million per annum.
- (b) The proceeds of up to RM15.00 million to be raised for our Group's business expansion shall be utilised in the following manner:

	<i>Minimum Scenario</i> RM'000	<i>Maximum Scenario</i> RM'000
Upgrading factory infrastructure ⁽¹⁾	-	3,500
New hybrid biscuit line ⁽²⁾	7,000	8,980
Miscellaneous structural works ⁽³⁾	-	2,520
Total estimated costs	7,000	15,000

Notes:

- (1) Upgrading factory infrastructure are works to be carried for the expansion of Hwa Tai's factory at Batu Pahat, Johor Darul Takzim, which include, but are not limited to, building of a racking system, pallet and retaining structure, reinforcing the concrete walls and piping works of the factory for the purpose of accommodating storage space for new and existing products. Our Group's expansion plans are expected to increase the storage of our Company by 100%.
- (2) The new hybrid biscuit line is a multipurpose production line with direct and indirect fired ovens which also includes other equipment, inter-alia, a dough feeder, cutting line, dough separator and a cooling conveyer system. The new hybrid biscuit line will be partly financed by internally generated funds from the operations of the Company and is expected to be primarily used for the manufacturing of crackers. The new hybrid biscuit line, which has a faster baking time, uniform baking process as well as lower energy consumption, will be used to complement the existing hybrid biscuit line which has been in commission for over 10 years and is currently operating at over 90% capacity. The new hybrid biscuit lines would also facilitate the production of a variation of shapes and sizes of our Company's existing products and is able to cater to new products with different fillings. The estimated total cost of the new hybrid biscuit line is approximately RM8.98 million. The new hybrid biscuit line is expected to be completed and commissioned within twelve (12) months from the date of the completion of the Rights Issue.
- (3) The miscellaneous structural works are renovation works made to the existing Hwa Tai factory which include renovation for the concrete flooring, ceiling and partition, repair works for the electrical and mechanical installations and maintenance work for the facility utilities and lighting.

As at the LPD, our Group's operations are located in Batu Pahat, Johor Darul Takzim and Kota Kinabalu, Sabah. However, the upgrading and expansion works are for the factory located in Batu Pahat, Johor Darul Takzim which has a build-up area of over 122,000 sq. ft. which is expected to be expanded by an additional 18,000 sq. ft. pursuant to the expansionary plans of our Company. The total cost involved for the entire upgrading and expansion works is RM6.02 million. The development of the upgrading and expansion works is expected to commence six (6) months after the completion of the Rights Issue and with an expected completion date within thirty (30) months thereafter.

The factory in Batu Pahat, Johor Darul Takzim has three (3) biscuit production lines with a combined biscuit production capacity of approximately 900,000 kg per month while the current biscuit production output is approximately 500,000 kg per month. Nonetheless, it should be noted that our Company's current hybrid biscuit line has a production capacity of approximately 320,000 kg per month while the current production output is approximately 290,000 kg per month. The new hybrid biscuit line is expected to increase the biscuit production capacity of our Company by 30%.

- (c) *The proceeds of up to RM4.73 million shall be utilised for our Group's working capital requirements, including operational expenses and administrative expenses. As at LPD, our Company has over two hundred (200) creditors with a total outstanding amount of approximately RM18.80 million. The amount of repayment to be made is up to RM4.43 million, based on the amount of proceeds allocated as working capital after deducting personnel cost of RM0.30 million. The table shows a breakdown of the estimated working capital to be incurred:*

	<i>Minimum Scenario</i> <i>RM'000</i>	<i>Maximum Scenario</i> <i>RM'000</i>
<i>Personnel cost*</i>	300	300
<i>Payment of creditors</i>	2,913	4,425
<i>Total estimated costs</i>	3,213	4,725

Note:

* *The personnel cost includes Employees Provident Fund, SOCSO and other statutory payments.*

- (d) *The estimated expenses of approximately RM0.30 million consist of estimated professional fees and fees payable to the relevant authorities. Any surplus or shortfall of funds for the payment of expenses for the Corporate Exercises will be adjusted accordingly from the working capital, as the case may be.*

6. RATIONALE FOR THE RIGHTS ISSUE

The rationale and justification for the Rights Issue are as follows:

- (i) to recapitalise the balance sheet after the Par Value Reduction via the issuance of new Shares pursuant to the Rights Issue;
- (ii) to raise funds for our Group's business expansions and upgrading of our existing facilities without incurring interest cost as compared to other means of financing, such as bank borrowings and to strengthen our Group's financial position as well as to partially repay our outstanding bank borrowings which would reduce our Group's gearing level; and
- (iii) to provide an opportunity for the existing shareholders to increase their equity participation in our Company through the issuance of Right Shares without diluting the existing shareholders' shareholdings percentage, assuming that all of the Entitled Shareholders fully subscribe for their respective entitlements under the Rights Issue and ultimately, participate in the prospects and future growth of our Group.

The Rights Issue is expected to create value for our Company and our securities holders as well as address our Company's financial concerns through the following:

- (i) Investment in the new hybrid biscuit line

The additional funds would be used to purchase a new hybrid biscuit line which would serve to complement the existing hybrid biscuit line which has been in commission for over ten (10) years. The new hybrid biscuit line would allow our Group to shorten the production process and increase the variety of new products.

- (ii) Improving the liquidity position of the Company

The Rights Issue would allow our Group to raise fresh capital to partially pare down our borrowings and also assist in financing the capital expenditure for business expansion of our Group. With the funds raised, our Group's liquidity position would improve as our Group would be less reliant on the use of our overdraft facility which generally has a higher cost of fund.

In addition, the Rights Issue would allow our Group to raise funds without incurring interest cost, as compared to bank borrowings.

The funds raised will be utilised for the purposes highlighted in Section 5 of this AP, which are expected to contribute positively towards the future earnings and improve the financial position of our Group which in turn will enhance the shareholder's value.

(iii) Interest savings for our Group

Hwa Tai Group's borrowings as at LPD amounts to approximately RM19.53 million. Based on the planned utilisation of proceeds as disclosed in Section 5, the repayment of our Group's bank borrowings are expected to contribute interest savings of up to RM0.25 million pursuant to the Maximum Scenario.

Section 8 of this AP has set out the proforma financial effects of our Group. Upon completion of the Corporate Exercises, the financial position of our Group is expected to improve and the gearing would reduce down to 0.36 times pursuant to the Maximum Scenario. This would enhance investor(s) confidence in our Group, which would strengthen our Group's growth plans as set out in Section 9.3 of this AP.

7. RISK FACTORS

In addition to the other information contained herein, you should carefully consider the following risk factors (which may not be exhaustive) before making your decision on whether to subscribe for your entitlements to the Rights Shares:

7.1 Risks relating to the operations and business of our Group

7.1.1 Business risks

Our Group is principally involved in biscuit manufacturing and investment holding. Hence, our Group is subject to certain risks inherent to the biscuit manufacturing industry. Such risks include, *inter-alia*, potential labour shortages, price fluctuations of raw materials and changes in consumer demands.

The increase in the labour and raw materials cost will have an adverse effect on our Group's profit margins and financial results should our Group be unable to pass on the increase costs to our customers. Being in the biscuit manufacturing industry, our Group is also dependent on prompt delivery of good quality raw materials. Disruptions such as adverse weather conditions, natural disasters and labour strikes could lead to a delay or lost in deliveries of raw materials which may result in our Group failing to provide quality goods and services to our customers and thereby damaging our Group's reputation.

Our management has implemented measures such as maintaining long-term relationships with our customers, undertaking appropriate insurance coverage with reputable insurers and ensure that our customers' deliverables expectations are consistently met to mitigate the above risks. In addition, our Group remains flexible in sourcing the raw materials from different suppliers to ensure that our Group is not overly dependent on a single supplier. Notwithstanding that, there is no assurance that any future changes to the factors above will not have an adverse effect on the operations of our Group.

7.1.2 Dependence on licencing/approval from authorities

Regulatory approvals in particular manufacturing licences for the manufacturing of biscuits are renewable and are issued subject to the terms and conditions imposed by the relevant authorities. There is no assurance that any licenses issued to our Group will be renewed by the respective authorities. In addition, if such licenses are not renewed in a timely manner, it may materially affect the operations and/or financial performance of our Group.

Our management has always worked to ensure that the relevant regulatory framework is complied with. In addition, our management seeks to limit this risk by maintaining strict compliance with the terms and conditions as set out in the licenses imposed by the respective authorities. To date, we have been able to renew the licenses to enable our Group to continue operating our business.

7.1.3 Food and Beverage safety standards

Our Group is reliant on the usage of natural raw materials in the production of biscuits and may run the risk of possible contamination and/or deterioration in raw materials and biscuit products during the production process. Any contamination or deterioration in raw materials or biscuit products may result in the raw materials or biscuit products being unsafe for production or consumption.

This may lead to delays in production or delivery of our Group's products to our customers, loss in revenue, and increase in associated costs of production and/or payment of compensation to customers for delays, which in turn may materially affect our Group's reputation, business and financial performance. In order to mitigate these factors, our Group procures the raw materials from reputable suppliers which have long standing business relationships with our Group. To date, our Group has not encountered any contamination or deterioration of our raw materials or biscuit products which has caused a disruption in the operation of our Group.

7.1.4 Interest rate and liquidity risk

Our Group has obtained loan facilities to finance, amongst others, our expansion plans as well as our day-to-day operations. Most of our Group's borrowings are based on floating interest rates. Therefore, any fluctuations in interest rates could lead to higher borrowing costs, which in turn will affect the profitability of our Group.

Our management has taken and will continue to take measures to mitigate against any adverse effects of interest rate fluctuations. Nonetheless, such measures may mitigate some of the adverse effects of interest fluctuations but may not be able to fully eliminate the interest rate risk faced by our Group. Notwithstanding the above, our Group will carry out periodic reviews of our cash flow position and funding requirements of our Group to manage our exposure to adverse movements in interest rates.

7.2 Risks relating to our Industry

7.2.1 Political, economic and regulatory considerations

The operations and financial performance of our Group may be adversely affected by unfavourable political, economic and regulatory developments. Adverse political, economic and/or regulatory conditions or developments include, but are not limited to, risks of war, expropriation, nationalisation, re-negotiation or nullification of existing contracts, changes in interest rates and methods of taxation and currency exchange controls.

The implementation of the Goods and Services Tax in Malaysia effective 1 April 2015 ("GST") is not expected to materially affect the operations and financial performance of our Group. Nonetheless, as the demand for our biscuits would be dependent to a certain extent on households' private consumption, the implementation of GST may have an adverse impact on the demand from our customers for our Group's products as the implementation of GST may dampen consumer sentiment and have an adverse impact on private consumption.

Nevertheless, our Board believes that by leveraging on our experience in terms of monitoring the business operations, we would be able to adapt to the changing political, economic and regulatory environment. We will also closely monitor any changes that the Government may make in terms of long term economic and development policies so that our Company can stay ahead as well as capitalise on any regulatory changes. However, there is no assurance that adverse political, economic and regulatory factors will not materially affect our Group's operations and financial performance.

7.2.2 Competition risk

The biscuit manufacturing industry is highly competitive with alternatives from both private and public-listed companies. The principal competitive factors that our Group faces include the price, variety and quality of the biscuits, quality of service and reputation.

Our Group has been a long established biscuit manufacturer in the local market and offers customers a variety of high quality biscuits at a competitive price. In addition, the industry is also characterised by its high barriers to entry which include, the high capital investment required to purchase the machines as well as skilled managers with technical expertise to operate the machines. However, no assurance can be given that our Group will be able to resist the increasing competition arising from existing competitors, substitutes and/or potential new entrants to the industry.

7.3 Risks relating to the Rights Issue

7.3.1 Investment risk

The market price of the Rights Shares to be issued pursuant to the Rights Issue will be influenced by, amongst others, prevailing market sentiments, volatility of the stock market, the prospects and operating results of our Group and the future outlook of the industries in which our Group operates. Therefore, the future liquidity and trading volume of the shares is unknown at this juncture.

The issue price of RM0.40 per Rights Share was derived after taking into consideration the par value of the Hwa Tai Shares of RM0.40 each after the Capital Reduction and the five (5)-day VWAMP of the Hwa Tai Shares up to and including 24 April 2014 (being the last market day prior to the Announcement) of RM0.5565.

There is no assurance that the market price of the Rights Shares upon or subsequent to its listing, will remain at or above the issue price, or that the Rights Shares can be sold at or above the issue price.

7.3.2 Potential dilution

Entitled Shareholders who do not or are not able to accept their entitlement in respect of the Rights Issue will have their proportionate ownership and voting interests in our Company reduced, and the percentage of the enlarged and paid-up share capital of Hwa Tai represented by their shareholdings in our Company will also be reduced accordingly.

7.3.3 Delay in or failure in the implementation of the Rights Issue

The Rights Issue is exposed to the risk that it may be aborted or delayed due to *force majeure* events or events/circumstances, which are beyond the control of our Group, arising prior to the implementation of the Rights Issue. Such events or circumstances include *inter-alia*, natural disasters, adverse developments in political, economic and government policies in Malaysia, global economic downturn, acts of war, act of terrorism, riots, expropriations and changes in political leadership.

In the event of failure in the implementation of the Rights Issue, all subscription monies received pursuant to the Rights Issue will be refunded to our Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable), who have subscribed for the Rights Shares without interest, or with interest if the subscription monies are not refunded within fourteen (14) days after our Company becomes liable to repay, in accordance with the provisions of Section 243(2) of the CMSA.

Notwithstanding the above, our Company will exercise our best endeavour to ensure the successful implementation of the Rights Issue. However, there can be no assurance that the abovementioned events will not occur and cause a delay in or failure of the Rights Issue.

7.3.4 Forward-looking statements

Certain statements in this AP are forward-looking in nature, which are subject to uncertainties and contingencies. All forward-looking statements are based on estimations and assumptions made by our Board and although our Board believes these statements and assumptions are reasonable, they are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

In light of these uncertainties, the inclusion of forward-looking statements in this AP should not be regarded as representation or warranty by our Company and/or the Adviser that the plans and objectives of our Group will be achieved.

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8. FINANCIAL EFFECTS OF THE CORPORATE EXERCISES

The Par Value Reduction would not have any effect on the Substantial Shareholders' shareholdings, earnings and EPS of our Company.

8.1 Issued and paid-up share capital

The proforma effects of the Rights Issue on the issued and paid-up share capital of our Company are as follows:

	Par Value RM	Minimum Scenario		Maximum Scenario	
		No. of Shares	RM	No. of Shares	RM
Authorised share capital					
As at the LPD	0.40	2,500,000,000	1,000,000,000	2,500,000,000	1,000,000,000
Issued and paid-up share capital:					
As at the LPD	0.40	40,042,400	16,016,960	40,042,400	16,016,960
To be issued upon the Rights Issue	0.40	30,031,800	12,012,720	60,063,600	24,025,440
Enlarged issued and paid-up share capital	0.40	70,074,200	28,029,680	100,106,000	40,042,400

8.2 NA and gearing

The proforma effects of the Par Value Reduction and the Rights Issue on the NA and gearing of our Group based on the audited consolidated financial statements of Hwa Tai as at 31 December 2013 are set out below:

Minimum Scenario

	Audited as at 31 December 2013	(I) After the Par Value Reduction ^(a)	(II) After (I) and the Rights Issue
Share capital (RM)	40,042,400	16,016,960	28,029,680
Accumulated losses (RM)	(24,965,368)	(939,928)	(1,239,928) ^(b)
Shareholder fund / NA (RM)	15,077,032	15,077,032	26,789,752
Par value per Share (RM)	1.00	0.40	0.40
No. of Hwa Tai Shares	40,042,400	40,042,400	70,074,200
NA per Hwa Tai Share (RM)	0.38	0.38	0.38
Borrowings (RM)	17,836,647	17,836,647	16,336,647 ^(c)
Gearing (times)	1.18	1.18	0.60

Notes:

- (a) The Par Value Reduction was completed on 13 January 2015.
- (b) After deducting the estimated expenses amounting to RM0.30 million in relation to the Corporate Exercises.
- (c) After deducting the repayment of borrowings amounting to RM1.50 million.

Maximum Scenario

	Audited as at 31 December 2013	(I) After the Par Value Reduction ^(a)	(II) After (I) and the Rights Issue
Share capital (RM)	40,042,400	16,016,960	40,042,400
Accumulated losses (RM)	(24,965,368)	(939,928)	(1,239,928) ^(b)
Shareholder fund / NA (RM)	15,077,032	15,077,032	38,802,472
Par value per Share (RM)	1.00	0.40	0.40
No. of Hwa Tai Shares	40,042,400	40,042,400	100,106,000
NA per Hwa Tai Share (RM)	0.38	0.38	0.39
Borrowings (RM)	17,836,647	17,836,647	13,836,647 ^(c)
Gearing (times)	1.18	1.18	0.36

Notes:

- (a) The Par Value Reduction was completed on 13 January 2015.
- (b) After deducting the estimated expenses amounting to RM0.30 million in relation to the Corporate Exercises.
- (c) After deducting the repayment of borrowings amounting to RM4.00 million.

8.3 Earnings and EPS

The Corporate Exercises are expected to be completed by the end of the second (2nd) quarter of 2015 and is expected to have a dilutive effect on the Group's consolidated EPS for the FYE 2015 as a result of the increase in the number of Hwa Tai Shares in issue after the Rights Issue. However, the extent of dilution to the EPS is dependent on amongst others, the actual number of Hwa Tai Shares issued and the future earnings of our Group.

Our Board expects the Rights Issue to contribute positively to the future earnings of our Group based on the proposed utilisation of proceeds mainly for the repayment of bank borrowings, and our Group's business expansion which consist of upgrading and expanding the Hwa Tai factory.

Our Group's future earnings would depend on, amongst others, the returns generated by utilising the proceeds arising from the Rights Issue, if any.

For illustration purposes only, based on the latest audited financial statements of our Company as at 31 December 2013, the proforma effects of the Rights Issue on the earnings and EPS of our Group are as follows:

Minimum Scenario

	Audited as at 31 December 2013	(I) After the Par Value Reduction ^(a)	(II) After (I) and the Rights Issue
Profit attributable to the equity holders of the Company (RM)	401,572	401,572	101,572 ^(b)
No. of Hwa Tai Shares in issue	40,042,400	40,042,400	70,074,200
EPS (sen)	1.00	1.00	0.14

Notes:

- (a) The Par Value Reduction was completed on 13 January 2015.
- (b) After deducting the estimated expenses amounting to RM0.30 million in relation to the Corporate Exercises.

Maximum Scenario

	Audited as at 31 December 2013	(I) After the Par Value Reduction ^(a)	(II) After (I) and the Rights Issue
Profit attributable to the equity holders of the Company (RM)	401,572	401,572	101,572 ^(b)
No. of Hwa Tai Shares in issue	40,042,400	40,042,400	100,106,000
EPS (sen)	1.00	1.00	0.10

Notes:

- (a) The Par Value Reduction was completed on 13 January 2015.
- (b) After deducting the estimated expenses amounting to RM0.30 million in relation to the Corporate Exercises.

9. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS OF OUR GROUP

9.1 Overview and outlook of the Malaysian economy

The economic growth momentum in 2014 is expected to continue in 2015 driven by improving external demand and resilient domestic economic activity. Growth will be private-led in line with the Government's efforts to strengthen the private sector's role in the economy. On the supply side, all economic sectors are expected to record positive growth in 2015, with the services and manufacturing sectors remaining the major contributors to growth. Sustained growth in domestic demand, albeit at a moderate pace, is expected to contribute to the expansion in domestic-related activities. Meanwhile, the export-oriented industries, particularly the electronics and electrical subsector will benefit from the improvement in external conditions in line with improving global growth. The agriculture sector is expected to expand on account of higher output of palm oil while the construction sector is expected to record higher growth driver by robust activity in the civil engineering and residential subsectors.

(Source: Economic Report 2014 / 2015, Ministry of Finance)

The Malaysian economy registered a higher growth of 5.8% in the fourth quarter of 2014 (3Q 2014: 5.6%), driven mainly by stronger private sector spending. On the supply side, growth was sustained by trade and domestic activities. On a quarter-on-quarter seasonally adjusted basis, growth momentum increased to 2.0% (3Q 2014: 0.9%). For the year 2014, the Malaysian economy grew by 6.0%.

The inflation rate, as measured by the annual change in the Consumer Price Index (CPI), averaged lower at 2.8% in the fourth quarter (3Q 2014: 3.2%). This decline was mainly attributed to the lower inflation in the food and non-alcoholic beverages category (2.7%; 3Q 2014: 3.2%), reflecting the decline in the prices of fresh meat and fresh seafood during the quarter. For the year as a whole, inflation averaged 3.2% (2013: 2.1%).

Moving forward, the global economy is expected to remain on a moderate growth path, but with increasing divergence in the growth momentum among the major economies. The decline in energy prices is expected to provide some additional support to overall global growth, as higher disposable income and lower inflation will support consumer spending. Nevertheless, there remain considerable downside risks to global economic activity. These include prolonged weakness in domestic demand and low inflation or the possibility of deflation in several major economies, uncertainty over monetary policy adjustments in the key advanced economies and rising concerns on the growth prospects of several net commodity-exporting emerging economies amid declining energy prices.

The Malaysian economy is expected to remain on a steady growth path. The gradual recovery in global growth will lend support to manufactured export performance, although overall export growth would likely remain modest amid lower commodity prices. Domestic demand is expected to remain favourable amidst the lower oil prices. Investment activity is projected to remain resilient, with broad-based capital spending by both the private and public sectors cushioning the lower oil and gas-related investment activity. While private consumption is expected to moderate, the steady rise in income and employment and the additional disposable income from the lower oil prices would support household spending.

(Source: 4th Quarter Bulletin 2014, Bank Negara Malaysia)

There are several issues which will impact the domestic economy significantly. In the light of this, the Government will take measures to ensure economic growth remains on a strong trajectory and is confident of achieving GDP growth in the range of 4.5% - 5.5% in 2015 with the implementation of the following strategies:

- (i) to ensure balanced, inclusive and sustainable economic growth;
- (ii) to continue fiscal reforms and consolidation; and
- (iii) to provide assistance to the people and business community to rebuild infrastructure damaged by floods.

(Source: Current Economic Developments and Governments Financial Position, Special Address by the Prime Minister, 20 January 2015)

9.2 Overview and outlook of the Malaysian food industry

Malaysia's food industry is as diverse as the multi-cultures of Malaysia, with a wide range of processed food with Asian tastes. The food processing industry is predominantly Malaysian-owned. It is estimated that the present global retail sales in food products are worth around US\$3.5 trillion, and are expected to grow at an annual rate of 4.8 per cent to US\$6.4 trillion by 2020.

(Source: Food Industry, Malaysian Investment Development Authority)

Headline inflation, as measured by the annual change in the CPI, increased at a slower pace of 3% in the third quarter of 2014 (Q2 2014: 3.3%). The slight moderation was due to slower prices in the food and non-alcoholic beverage group at 3.2% (Q2 2014: 3.5%) as well as the waning base effect of fuel price adjustment in the transport group at 3.7% (Q2 2014: 5.4%). Meanwhile, inflation in the housing, water, electricity, gas and other fuels group was sustained at 3.3% (Q2 2014: 3.3%). The three groups accounted for 2.3 percentage points to the CPI increase.

During the third quarter of 2014, the food and non-alcoholic beverage group contributed one percentage point to the CPI increase, with notable price increases in sugar, jam, honey, chocolate and confectionary (8.1%); fish and seafood (4.1%); and fruits (3.1%). The higher prices were due to the increased demand during the Aidilfitri celebration and school holidays.

(Source: 3rd Quarter Report, Ministry of Finance)

The Goods and Services Tax (GST) is a broad-based consumption tax which is paid when the goods and services are purchased or consumed. A standard tax rate of 10% is imposed on a wide range of goods, while 5% is imposed on selected products such as food items, sanitary products as well as construction and building materials. Sales tax and service tax will be abolished and replaced with GST, if implemented.

The Government's move to introduce GST is aimed at streamlining the present tax structure to make it more efficient, effective, transparent and business friendly. GST will simplify the current consumption tax system by improving equity, reducing the number of separate taxes while broadening the revenue base. Essential food items such as rice, sugar, meat, fish, chicken, vegetables, flour, cooking oil, and eggs will be zero-rated.

(Source: Economic Report 2013 / 2014, Ministry of Finance)

Sales value of manufactured products rebounded by 7.7% to RM379.5 billion (January – July 2013: -2.3%; RM352.4 billion). The strong performance of the sector was on account of higher output at 9.4% (January – July 2013: 5.9%) from the domestic-oriented industries, particularly transport equipment, food and beverage.

Food production rose 8.6% (January – July 2013: 8.2%) with higher output of refined palm oil (18.2%), rice (17.6%) as well as biscuits and cookies (8.7%). Malaysia's strength as a food producer is gaining momentum with total sales expanding 2.5% to RM20.6 billion (January – July 2013: 0.1%; RM20.1 billion), while food exports increased significantly by 15.7% to RM9.3 billion (January – July 2013: 6%; RM8.1 billion).

(Source: Economic Report 2014 / 2015, Ministry of Finance)

9.3 Prospects and outlook of our Group

The principal activities of our Company are that of biscuit manufacturing and investment holding. Our Company intends to purchase a new hybrid biscuit line which will be used to produce new varieties of biscuits and crackers. The new hybrid biscuit line will allow our Group to shorten the production process, increase the production of biscuits and crackers which in turn would enhance the efficiency of our employees.

New biscuits and crackers which will come with different fillings are also in the midst of development to maintain existing market sales and allow our Group to remain competitive. As part of our marketing strategy, our Group intends to carry out events in locations within Klang Valley to introduce the new products and also to advertise through various mediums to create public awareness and enhance our brand value in order to increase our product sales.

Upon successful implementation of the Corporate Exercises, the overall financial position of our Group is expected to strengthen as follows:

- (a) On a proforma basis, the gearing would be reduced by up to 0.82 times from 1.18 times to 0.36 times in the Maximum Scenario;
- (b) The amount of bank borrowings would be reduced from approximately RM19.53 million as at LPD up to approximately RM15.53 million under the Maximum Scenario;
- (c) Arising from the repayment of the bank borrowings, there will be an interest savings of up to approximately RM0.25 million (Maximum Scenario); and
- (d) An amount of up to RM15.00 million in the Maximum Scenario pursuant to the Rights Issue has been earmarked as capital expenditure for business expansion purposes.

Moving forward, the Board will institute various measures to improve the financial performance and business operations of our Group which, amongst others, are as follows:

- (a) continue to invest in training and staff development to improve the overall efficiency, productivity and service level of the management, production team and research and development team to keep them updated with the latest products and technology;
- (b) continuous sales and marketing efforts to remain competitive;
- (c) increase the variety of biscuits and crackers;
- (d) improve manufacturing efficiency to reduce wastages in raw materials and prevent excessive inventory levels; and
- (e) continue to upgrade the equipment used in the production process into an automated system to reduce labour cost which in turn would result in cost savings for our Group.

With the improved cashflow and financial position coupled with the reduced gearing ratios after the completion of the Corporate Exercises, our Group is expected to be in better positioned to embark on the initiatives above to enhance our Group's future financial performance. Against the backdrop of moderate growth but with strong domestic demands, the Board is cautiously optimistic that the prospects of our Group would be better for the FYE 2015.

(Source: The management of Hwa Tai)

10. WORKING CAPITAL, BORROWINGS, MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

10.1 Working capital

Our Board is of the opinion that after taking into account our Group's cash in hand, banking facilities available and the proceeds to be raised from the Rights Issue, our Group will have sufficient working capital for a period of twelve (12) months from the date of issue of this AP.

10.2 Borrowings

As at the LPD, our Group's total borrowings are as follows:

	Short-term RM'000	Long-term RM'000	Total RM'000
Fixed rate interest-bearing borrowings*	267	429	696
Floating rate interest-bearing borrowings	18,808	24	18,832
Total	19,075	453	19,528

Note:

* Interest rates ranging from 3.00% to 8.10% per annum.

All outstanding borrowings are interest-bearing and are denominated in RM. As at the LPD, our Group does not have any foreign currency borrowings.

There has been no default on payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) FYE and the subsequent financial period thereof, immediately preceding the LPD.

10.3 Material commitments and contingent liabilities

Save as disclosed below, as at the LPD, our Board is not aware of any material commitments for capital expenditure contracted or known to be contracted by our Group which may have a substantial impact on the results or financial position of our Group:

	RM'000
Capital expenditure contracted but not paid	23

As at LPD, there are no contingent liabilities which, upon becoming enforceable, may have a material impact on the results or the financial position of Hwa Tai.

11. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION FOR THE RIGHTS ISSUE

As an Entitled Shareholder, your CDS account(s) will be duly credited with the number of Provisional Rights Shares which you are entitled to subscribe for under the terms and conditions of the Rights Issue. You will find enclosed with this AP, the NPA notifying you of the crediting of the number of such Provisional Rights Shares into your CDS account(s) and the RSF to enable you to subscribe for such Rights Shares that you have been provisionally allotted, as well as apply for the Excess Rights Shares if you wish to do so.

The Provisional Rights Shares are renounceable in full or in part and as such, you may fully or partially renounce your rights entitlements to the Rights Shares.

FULL INSTRUCTIONS FOR THE ACCEPTANCE, PAYMENT, SALE/TRANSFER AND THE EXCESS RIGHTS SHARES APPLICATION ARE SET OUT IN THIS SECTION AND THE ACCOMPANYING RSF. YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS AP, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY. THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS AP.

The Provisional Rights Shares are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the Provisional Rights Shares will be by book entries through CDS accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your renouncee(s)/transferee(s) (if applicable) are required to have valid and subsisting CDS accounts when making the applications.

11.1 Procedures for acceptance and payment

Acceptance of and payment for the Provisional Rights Shares must be made on the RSF issued with this AP and completed in accordance with the notes and instructions printed in the RSF. At the absolute discretion of our Board, we may not accept acceptances which do not strictly conform to the terms of this AP or the RSF or the notes and instructions printed in these documents.

If you wish to accept all or part of your entitlement to the Provisional Rights Shares, please complete Part I(A) and Part II of the RSF in accordance with the notes and instructions contained in the RSF. You must despatch by ORDINARY POST or DELIVERED BY HAND the completed and signed RSF together with the relevant payment in the official envelope provided (at your own risk) to our Share Registrar at the following address:

Tricor Investor Services Sdn Bhd (118401-V)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 03-2264 3883
Fax: 03-2282 1886

and should reach our Share Registrar not later than 5.00 p.m. on Tuesday, 31 March 2015, being the last date and time for acceptance and payment, or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time.

If you lose, misplace or for any reason require another copy of the RSF, you and/or your renounee(s)/transferee(s) (if applicable) may obtain additional copies from your stockbrokers, our Share Registrar, our Registered Office or Bursa Securities' website (<http://www.bursamalaysia.com>).

One (1) RSF can only be used for the acceptance of the Provisional Rights Shares standing to the credit of one (1) CDS account. Separate RSF must be used for the acceptance of the Provisional Rights Shares standing to the credit of more than one (1) CDS account. If successful, the Rights Shares subscribed by you will be credited into the respective CDS accounts where the Provisional Rights Shares are standing to the credit.

A reply envelope is enclosed with this AP. To facilitate the processing of the RSFs by our Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

If you do not wish to accept the Provisional Rights Shares in full, you are entitled to accept part of your entitlement to the Provisional Rights Shares. The minimum number of the Provisional Rights Shares that can be accepted is one (1) Rights Share. You should take note that a trading board lot comprises of one hundred (100) Rights Shares.

Any fractional entitlement under the Rights Issue shall be dealt with by our Board as it may deem fit and expedient in the best interest of our Company.

Each completed RSF must be accompanied by remittance in RM for the full amount payable in the form of banker's draft(s) or cashier's order(s) or money order(s) or postal order(s) drawn on a bank or post office in Malaysia and should be made payable to "HWA TAI RIGHTS SHARES ACCOUNT", crossed "ACCOUNT PAYEE ONLY" and endorsed on the reverse side(s) with your name and CDS account number. The payment must be made in the exact amount. Any application accompanied by excess or insufficient payment or payment in the manner other than stated in this AP may be rejected at the absolute discretion of our Board. Cheques or any other modes of payment herein are not acceptable. Details of remittance must be filled in the appropriate boxes provided in the RSF.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR RECEIPT OF THE RSF OR SUBSCRIPTION MONIES IN RESPECT OF THE ACCEPTANCE OF THE PROVISIONAL RIGHTS SHARES. NOTICES OF ALLOTMENT WILL BE DESPATCHED TO THE SUCCESSFUL APPLICANTS BY ORDINARY POST AT THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF BURSA DEPOSITORY AT THEIR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES, OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES. PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY OUR SHARE REGISTRAR OR OUR COMPANY.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

APPLICATION SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY ACCEPTED APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS MONIES (AS THE CASE MAY BE) WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO YOU WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF BURSA DEPOSITORY AT YOUR OWN RISK.

If the acceptance of and payment for the Provisional Rights Shares is not received by our Share Registrar by 5.00 p.m. on Tuesday, 31 March 2015 or such later date and time as may be determined and announced by our Board, your and/or your renounee(s)/transferee(s)' (if applicable) provisional entitlement under the Rights Issue will be deemed to have been declined and will be cancelled.

Such Provisional Rights Shares not taken up will be allotted to applicants for the Excess Rights Shares in the manner as set out in Section 11.3 of this AP.

11.2 Procedures for sale/transfer of the Provisional Rights Shares

The Provisional Rights Shares are renouneable. If you wish to sell or transfer all or part of your Provisional Rights Shares to one (1) or more persons, you may do so through your stockbroker without first having to request for a split of the Provisional Rights Shares standing to the credit of your CDS account(s). To sell or transfer all or part of your entitlement to the Provisional Rights Shares, you may sell such entitlement in the open market or transfer such provisional allotments to such person(s) as may be allowed pursuant to the Rules of Bursa Depository for the period up to the last date and time for the sale/transfer of the Provisional Rights Shares.

In selling or transferring all or part of your Provisional Rights Shares, you need not deliver the RSF or any document to the stockbroker. **You are however advised to read and adhere to the RSF and the notes and instructions contained in the RSF as well as ensure that there is sufficient Provisional Rights Shares standing to the credit of your CDS account(s) before selling or transferring.**

Renounee(s)/transferee(s) of the Provisional Rights Shares may obtain a copy of this AP and the RSF from their stockbrokers, our Share Registrar, our Registered Office or Bursa Securities' website (<http://www.bursamalaysia.com>).

If you have sold or transferred only part of the Provisional Rights Shares, you may still accept the balance of the Provisional Rights Shares by using the procedures described in Section 11.1 of this AP.

If you sell or transfer all or part of your entitlement to the Provisional Rights Shares, you will automatically be selling or transferring your entitlement to all or part of the Rights Shares.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

11.3 Procedures for application for Excess Rights Shares

If you wish to apply for Excess Rights Shares in excess of your entitlement, you should complete Part I(B) – application for Excess Rights Shares of the RSF (in addition to Part I (A) and Part II) and forward it together with a **separate remittance** for the full amount payable in respect of the Excess Rights Shares applied for, to our Share Registrar not later than 5.00 p.m. on Tuesday, 31 March 2015, being the last date and time for acceptance and payment or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time.

Payment for the Excess Rights Shares applied for should be made in the same manner as described in Section 11.1 of this AP, with remittance in the form of banker's draft(s) or cashier's order(s) or money order(s) or postal order(s) drawn on a bank or post office in Malaysia and crossed "**ACCOUNT PAYEE ONLY**" and made payable to "**HWA TAI EXCESS RIGHTS SHARES ACCOUNT**" for the Excess Rights Shares and endorsed on the reverse side(s) with your name and CDS account number.

The payment must be made in the exact amount. Any application accompanied by excess or insufficient payment or payment in the manner other than stated in this AP may be rejected at the absolute discretion of our Board. Cheques or any other mode(s) of payment not prescribed herein are not acceptable. Details of remittance must be filled in the appropriate boxes provided in the RSF.

Our Board reserves the right to allot the Excess Rights Shares, if any, applied for under Part I(B) of the RSF on a fair and equitable basis as they deem fit and expedient in the best interest of our Company. Our Board reserves the right to accept any Excess Rights Shares application, in full or in part, without assigning any reason thereto.

The basis of allotment of the Excess Rights Shares are as follows:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, after the occurrence of (i) above, for allocation to our Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lot, calculated based on their respective shareholdings as at the Entitlement Date;
- (iii) thirdly, after the occurrence of (i) and (ii) above, for allocation to our Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares application; and
- (iv) lastly, after the occurrence of (i), (ii) and (iii) above, for allocation to the renounee(s)/transferee(s) who have applied for the Excess Rights Shares on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares application.

In the event of an under subscription by our Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable), even after all Excess Rights Shares applications have been taken into consideration, the remaining unsubscribed Rights Shares will be subscribed by certain shareholders as set out in Section 4.1 of this AP.

Nevertheless, our Board reserves the rights to allot any Excess Rights Shares applied for in such manner as it deems fit and expedient in the best interest of the Company subject always to allocation being made on a fair and equitable basis, and that the intention of our Board as set out in Section 11.3 (i)-(iv) are achieved. Our Board also reserves the rights to accept any excess Rights Shares application, in full or in part, without assigning any reason thereof.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR RECEIPT OF THE RSF OR SUBSCRIPTION MONIES IN RESPECT OF THE EXCESS RIGHTS SHARES. NOTICES OF ALLOTMENT WILL BE DESPATCHED TO THE SUCCESSFUL APPLICANTS BY ORDINARY POST AT THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF BURSA DEPOSITORY AT THEIR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES, OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES. PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY OUR SHARE REGISTRAR OR OUR COMPANY.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS MONIES (AS THE CASE MAY BE) WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO YOU WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF BURSA DEPOSITORY AT YOUR OWN RISK.

11.4 Procedures to be followed by renounee(s)/transferee(s)

A renounee/transferee who wishes to apply for the Provisional Rights Shares or the Excess Rights Shares may obtain a copy of this AP and the RSF from their stockbrokers, our Share Registrar for the Rights Issue, our Registered Office or Bursa Securities' website (<http://www.bursamalaysia.com>).

The procedures and payment for the acceptance of the Provisional Rights Shares and the Excess Rights Shares by the renounee(s)/transferee(s) are the same as those applicable to you as described in Sections 11.1 to 11.3, respectively, of this AP.

RENOUNCEES/TRANSFEREES ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

11.5 Form of issuance

Bursa Securities has already prescribed our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Provisional Rights Shares are prescribed securities and as such, all dealings in the Provisional Rights Shares will be by book entries through CDS accounts and will be governed by the SICDA and the Rules of Bursa Depository. You must have a valid and subsisting CDS account in order to subscribe for the Rights Shares.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS account number may result in the application being rejected.

No physical share certificates will be issued. The Rights Shares will be credited directly into your CDS account(s) and the notice of allotment will be despatched by ordinary post at your address shown in the Record of Depositors of Bursa Depository at your own risk within eight (8) Market Days from the last date for acceptance and payment for the Rights Shares.

If you have multiple CDS accounts into which the Provisional Rights Shares have been credited, you cannot use a single RSF for acceptance of all these Provisional Rights Shares. Separate RSF must be used for separate CDS accounts. If successful, the Rights Shares subscribed by you will be credited into the respective CDS accounts where the Provisional Rights Shares are standing to the credit.

11.5.1 Subscription for the Rights Shares by an Entitled Shareholder

Your subscription for the Provisional Rights Shares shall mean that you consent to receive such Rights Shares as prescribed or deposited securities which will be credited directly into your CDS account(s). Hence, the Rights Shares will be credited directly into your CDS account(s) upon allotment and issue.

11.5.2 Subscription for the Rights Shares by renounee(s)/transferee(s)

If you intend to subscribe for the Provisional Rights Shares, you must state your CDS account number in the RSF whereupon the Rights Shares will be credited directly as prescribed securities into your CDS account(s) upon allotment and issue.

11.5.3 Subscription for the Excess Rights Shares by an Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable)

If you are successful in applying for the Excess Rights Shares, such Rights Shares will be credited directly as prescribed securities into your CDS account(s) upon allotment and issuance. The allocation of the Excess Rights Shares will be made on a fair and equitable basis as set out in Section 11.3 of this AP.

11.6 Laws of foreign jurisdictions

The Documents have not been (and will not be) made to comply with the laws of any foreign jurisdiction, and have not been (and will not be) lodged, registered or approved under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any foreign jurisdiction, and the Rights Issue will not be made or offered in any foreign jurisdiction. The Documents will not be sent to shareholders without an address in Malaysia.

Foreign Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) may accept or renounce (as the case may be) all or part of their entitlements and exercise any other rights in respect of the Rights Issue only to the extent that it would be lawful to do so. Foreign Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable), shall be solely responsible to seek advice as to the laws of the jurisdictions to which they are or may be subjected to.

PIVB, our Company, our Board, our officers and other experts shall not accept any responsibility or liability in the event that any acceptance and/or renunciation made by any foreign Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable), is or shall become illegal, unenforceable, voidable or void in any such foreign jurisdiction.

Further, foreign Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in the foreign jurisdictions and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) for any issue, transfer or any other taxes or other requisite payments as such person may be required to pay. They will have no claims whatsoever against PIVB, our Company, our Board, our officers and other experts in respect of their rights or entitlements under the Rights Issue.

Such foreign Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue.

Persons receiving the Documents (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any foreign jurisdiction. If the Documents are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he or she must not seek to accept the offer unless he or she has complied with and observed the laws of the relevant jurisdiction in connection therewith.

Any person who does forward the Documents to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and our Company reserves the right to reject a purported acceptance of the Rights Shares from any such application by foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in our absolute discretion, to treat any acceptance of the Rights Shares as invalid if we believe that such acceptance may violate any applicable legal or regulatory requirements in Malaysia or other jurisdictions.

By signing any of the forms accompanying this AP, the foreign Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) PIVB, our Company, our Board, our officers and other experts that:

- (i) we would not, by acting on the acceptance and/or renunciation in connection with the Rights Issue, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) is or may be subjected to;
- (ii) the foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) has complied with the laws to which the foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) is or may be subjected to in connection with the acceptance and/or renunciation;
- (iii) the foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) is not a nominee or agent of a person in respect of whom we would, by acting on the acceptance and/or renunciation, be in breach of the laws of any jurisdiction to which that person is or may be subjected to;
- (iv) the foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) is aware that the Rights Shares can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) the foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) has received a copy of this AP and has had access to such financial and other information and has been afforded the opportunity to ask such questions to the representatives of our Company and receive answers thereto as the foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) deems necessary in connection with the foreign Entitled Shareholder's and/or his renounee's/ transferee's (if applicable) decision to subscribe for or purchase the Rights Shares; and
- (vi) the foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) has sufficient knowledge and experience in financial business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares, and is and will be able, and is prepared to bear the economic and financial risks of investing in and holding the Rights Shares.

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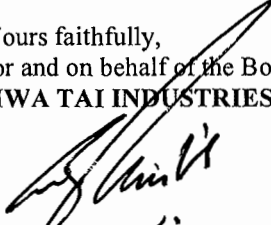
12. TERMS AND CONDITIONS

The issuance of the Rights Shares under the Rights Issue is governed by the terms and conditions as set out in the Documents.

13. ADDITIONAL INFORMATION

You are requested to refer to the attached appendices for additional information.

Yours faithfully,
for and on behalf of the Board of Directors of
HWA TAI INDUSTRIES BERHAD



Soo Thien Ming @ Soo Thien See
Chairman

CERTIFIED TRUE EXTRACT OF THE RESOLUTION PERTAINING TO THE RIGHTS ISSUE
PASSED AT OUR EGM ON 12 NOVEMBER 2014

HWA TAI INDUSTRIES BERHAD

Company No.: 19688-V
(Incorporated in Malaysia)

CERTIFIED EXTRACT of the Minutes of the Extraordinary General Meeting of the Company held on 12 November 2014.

ORDINARY RESOLUTION NO. 1

On the proposal of Lanjut Bestari Sdn. Bhd. (per proxy Teo Giap Cheng) seconded by Gan Tian Soo @ Gan Ah Kan (per proxy Low Chee Chong), it was RESOLVED that the following Ordinary Resolution No. 1 be passed:-

ORDINARY RESOLUTION NO. 1 – PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 60,063,600 NEW SHARES OF THE COMPANY OF RM0.40 EACH (“RIGHTS SHARES”) AT AN ISSUE PRICE OF RM0.40 PER RIGHTS SHARE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) EXISTING SHARES OF THE COMPANY HELD AFTER THE PROPOSED PAR VALUE REDUCTION, BASED ON A MINIMUM SUBSCRIPTION LEVEL OF 30,031,800 RIGHTS SHARES, ON AN ENTITLEMENT DATE (“PROPOSED RIGHTS ISSUE”)

“THAT, contingent upon the passing of Special Resolution 1 on the Proposed Par Value Reduction, Special Resolution 2 on the Proposed Amendment and Ordinary Resolution 2 on the proposed exemption to Mr. Soo Thien Ming @ Soo Thien See (“Mr. Soo”) and persons acting in concert with Mr Soo (“PACs”) from the obligation to undertake a mandatory take-over offer to acquire all the remaining shares of the Company not already owned by Mr. Soo and his PACs upon completion of the Proposed Rights Issue pursuant to Practice Note 9, Paragraph 16.1 of the Malaysian Code on Take-Overs and Mergers 2010 and the approval of all relevant authorities, including but not limited to the approval-in-principle granted by Bursa Securities for the listing of and quotation for all the Rights Shares to be issued hereunder (whether in its original form or with or subject to any condition, modification, variation and/or amendment imposed by Bursa Securities), approval be and is hereby given to the Directors of the Company to allot and issue by way of a renounceable rights issue of up to 60,063,600 Rights Shares at an issue price of RM0.40 per Rights Share on the basis of three (3) Rights Share for every two (2) existing shares of the Company held by the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined by the Board, after the Proposed Par Value Reduction based on a minimum subscription level of 30,031,800 Rights Shares;

THAT any Rights Shares which are not validly taken up or which are not allotted for any reason whatsoever shall be made available for excess applications in such manner as the Directors of the Company shall determine at its absolute discretion;

5 January 2015

...2/-

CERTIFIED TRUE EXTRACT OF THE RESOLUTION PERTAINING TO THE RIGHTS ISSUE PASSED AT OUR EGM ON 12 NOVEMBER 2014 (Cont'd)

CONTINUATION OF THE CERTIFIED EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF HWA TAI INDUSTRIES BERHAD HELD ON 12 NOVEMBER 2014

THAT the Directors of the Company be and are hereby empowered and authorised to deal with any fractional entitlements that may arise from the Proposed Rights Issue in such manner and on such terms and conditions as the Directors of the Company in their absolute discretion as they may deem fit or think expedient or in the best interest of the Company;

THAT the proceeds of the Proposed Rights Issue be utilised for the purposes as set out in Section 2.3.7 of the Circular to Shareholders of the Company dated 10 October 2014, and the Directors of the Company be authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Directors of the Company may deem fit, necessary and/or expedient, subject (where required) to the approval of the relevant authorities;

THAT the Rights Shares shall upon allotment and issue, rank *pari passu* in all respects with the then existing issued and fully paid-up shares in the capital of the Company, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions, which may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment of the Rights Shares;

THAT the Rights Shares shall be listed on Bursa Securities;

THAT the Directors of the Company be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposed Rights Issue with full power to assent to any conditions, variations, modifications and/ or amendments as may be required by any relevant authorities or deemed necessary by the Directors of the Company in the best interest of the Company, and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue;

AND THAT this resolution constitutes a specific approval for the issuance of securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue in full force and effect until all the Rights Shares have been fully allotted and issued in accordance with the terms of the Proposed Rights Issue.”

.....

CERTIFIED TRUE COPY



(JESSICA CHIN TENG LI)
Company Secretary (MAICSA 7003181)

Kuala Lumpur
5 January 2015

INFORMATION ON OUR COMPANY

1. HISTORY AND BUSINESS

Our Company was incorporated in Malaysia under the Act on 21 August 1974 as a private limited company under the name of Hwa Tai Food Industries Sdn. Bhd. Our Company was converted into a public limited company on 17 June 1991 under the name of Hwa Tai Food Industries Berhad and assumed the present name on 24 June 1997. Our Company was listed on the Second Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities) in 1992.

2. PRINCIPAL ACTIVITIES

The principal activities of our Company are that of a biscuit manufacturer and investment holding. The principal activities of our subsidiaries and associated companies are set out in Section 6 of this Appendix.

3. SHARE CAPITAL

The authorised and issued and paid-up share capital of our Company as at the LPD is as follows:

Type	No. of Shares	Par value (RM)	Amount (RM)
Authorised	2,500,000,000	0.40	1,000,000,000
Issued and paid-up	40,042,400	0.40	16,016,960

The changes in the issued and paid-up share capital of our Company for the past three (3) years up to the LPD are as follows:

Date of allotment	No. of Hwa Tai Shares allotted	Par value (RM)	Type of issue/ Consideration	Cumulative issued and paid-up share capital (RM)
As at 28 February 2012	-	1.00	-	40,042,400
13 January 2015	-	0.40	Par Value Reduction via the cancellation of RM0.60 from the par value of each existing ordinary share of RM1.00 each in the issued and paid-up share capital	16,016,960

INFORMATION ON OUR COMPANY (Cont'd)

4. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The Par Value Reduction does not have any effect on the Substantial Shareholders' shareholdings of Hwa Tai. The proforma effects of the Rights Issue on the Substantial Shareholders' shareholdings of Hwa Tai are as follows:

Minimum Scenario

	As at LPD				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
Substantial Shareholders	No. of Shares	%	No. of Shares	%	No. of Shares	% ^(a)	No. of Shares	%
Mr. Soo	12,379,827	30.92	-	-	42,411,627	60.52	-	-

Note:

(a) Based on enlarged issued and paid-up share capital of Hwa Tai of 70,074,200 Hwa Tai Shares after the Rights Issue.

Maximum Scenario

	As at LPD				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
Substantial Shareholders	No. of Shares	%	No. of Shares	%	No. of Shares	% ^(a)	No. of Shares	%
Mr. Soo	12,379,827	30.92	-	-	30,949,567	30.92	-	-

Note:

(a) Based on the enlarged issued and paid-up share capital of Hwa Tai of 100,106,000 Hwa Tai Shares after the Rights Issue.

INFORMATION ON OUR COMPANY (Cont'd)
5. PARTICULARS OF DIRECTORS
5.1 Details of Directors

The particulars of our Directors as at the LPD are as follows:

Name	Age	Profession	Designation	Nationality	Address
Soo Thien Ming @ Soo Thien See	67	Advocate & solicitor	Non-Independent Non-Executive Director	Malaysian	56, Lorong Buluh Perindu 5 Taman SA, Damansara Heights 59000 Kuala Lumpur
Soo Chung Yee	35	Company Director	Non-Independent Executive Director	Malaysian	56, Lorong Buluh Perindu 5 Taman SA, Damansara Heights 59000 Kuala Lumpur
Col. (Retd.) Dato' Ir. Cheng Wah	75	Engineer	Independent Non-Executive Director	Malaysian	95, Jalan Setiabakti 9 Damansara Heights 50490 Kuala Lumpur
Mohamed Razif Bin Tan Sri Abdul Aziz	54	Advocate & solicitor	Independent Non-Executive Director	Malaysian	30, Jalan SSI/39, Kg. Tunku 47300 Petaling Jaya Selangor Darul Ehsan
Soo Wei Chian	45	Accountant	Independent Non-Executive Director	Malaysian	46, Jalan USJ 16/3C 47600 Subang Jaya Selangor Darul Ehsan

INFORMATION ON OUR COMPANY (Cont'd)
5.2 Details of Directors' shareholdings

Our Directors' shareholdings as at the LPD and the proforma effects of the Rights Issue are set out below.

Minimum Scenario

	As at LPD				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	% ^(a)	No. of Shares	%
Mr. Soo	12,379,827	30.92	-	-	42,411,627	60.52	-	-
Col. (Rtd.) Dato' Ir. Cheng Wah	20,000	0.05	-	-	20,000	0.03	-	-
Soo Chung Yee	-	-	-	-	-	-	-	-
Mohamed Razif Bin Tan Sri Abdul Aziz	-	-	-	-	-	-	-	-
Soo Wei Chian	-	-	-	-	-	-	-	-

Note:

(a) Based on enlarged issued and paid-up share capital of Hwa Tai of 70,074,200 Hwa Tai Shares after the Rights Issue.

Maximum Scenario

	As at LPD				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	% ^(a)	No. of Shares	%
Mr. Soo	12,379,827	30.92	-	-	30,949,567	30.92	-	-
Col. (Rtd.) Dato' Ir. Cheng Wah	20,000	0.05	-	-	50,000	0.05	-	-
Soo Chung Yee	-	-	-	-	-	-	-	-
Mohamed Razif Bin Tan Sri Abdul Aziz	-	-	-	-	-	-	-	-
Soo Wei Chian	-	-	-	-	-	-	-	-

Note:

(a) Based on the enlarged issued and paid-up share capital of Hwa Tai of 100,106,000 Hwa Tai Shares after the Rights Issue.

INFORMATION ON OUR COMPANY (Cont'd)
6. SUBSIDIARIES AND ASSOCIATED COMPANIES

The details of our Company's subsidiaries as at the LPD are as follows:

Name of company	Date/place of incorporation	Issued and paid-up share capital (RM)	Effective ownership interest (%)	Principal activities
Epro Industries Sdn. Bhd	04.05.1977 Malaysia	470,000	100	Property holding
Suria Merah Manufactory (Segamat) Sdn. Bhd.	16.12.1976 Malaysia	400,000	100	Property holding
Hwa Tai Food Industries (Sabah) Sdn. Bhd.	02.06.1989 Malaysia	2,800,000	100	Biscuit manufacturer
Hwa Tai Wholesale Sdn. Bhd	18.01.1985 Malaysia	100,000	100	Trading
Hwa Tai Manufacturing Sdn. Bhd	09.06.2000 Malaysia	2	100	Dormant
Acetai Corporation Sdn. Bhd. ("Acetai")	04.06.1991 Malaysia	5,000,000	90	Trading
Hwa Tai Import Sdn. Bhd.	28.11.1996 Malaysia	200,000	100	Dormant
Hwa Tai (Sarawak) Sdn. Bhd.	10.01.1997 Malaysia	2	100	Dormant
Hwa Tai Distribution Sdn. Bhd.	12.12.1996 Malaysia	1,250,000	100	Trading
Hwa Tai Services Sdn. Bhd.	11.12.1996 Malaysia	2	100	Dormant
Absolute Focus Sdn. Bhd.	07.05.1997 Malaysia	2	100	Dormant
<u>Subsidiary of Acetai</u>				
Anika Bebas Sdn. Bhd.	21.01.2000 Malaysia	100,000	100	Trading
Esprit Classic Sdn. Bhd.	10.08.2000 Malaysia	300,000	100	Trading

The details of our Company's associated companies as at the LPD are as follows:

Name of company	Date/place of incorporation	Issued and paid-up share capital (Renminbi)	Effective ownership interest (%)	Principal activities
Shan Dong Yingerle Hwa Tai Food Industry Co. Ltd.	22.11.2001 China	10,500,000	48	Dealers, importers and exporters of biscuit, cake and baby products

INFORMATION ON OUR COMPANY (Cont'd)

7. PROFIT AND DIVIDEND RECORD

The following table summarises the audited consolidated financial results of our Group for the past three (3) FYEs 2011 to 2013 and the unaudited consolidated financial results of our Group for the FYE 2014:

	Audited			Unaudited
	FYE 2011 RM'000*	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000
Revenue	73,450	66,447	65,799	61,332
Gross profit	19,628	16,945	16,801	15,235
Other income	1,127	660	1,123	913
Share of results from associate company	(108)	45	(123)	(2)
Earnings/(Loss) before interest, taxation, depreciation and amortisation	1,186	2,700	3,825	596
Depreciation and amortisation	(1,839)	(1,968)	(1,964)	(2,008)
Finance costs	(1,189)	(1,208)	(1,116)	(1,057)
(LBT)/PBT	(1,842)	(476)	745	(2,469)
Taxation	50	(99)	(332)	34
(LAT)/PAT	(1,792)	(575)	413	(2,435)
Less: Non-controlling interests	-	-	(11)	(4)
(Loss)/Profit attributable to equity holders of our Company	(1,792)	(575)	402	(2,439)
Gross profit margin (%)	26.72	25.50	25.53	24.84
(LBT)/PBT margin (%)	(2.51)	(0.72)	1.13	(4.03)
(LAT)/PAT margin (%)	(2.44)	(0.87)	0.63	(3.97)
Weighted average number of ordinary shares in issue ('000)	40,042	40,042	40,042	40,042
Basic (Loss per share) ("LPS")/EPS (sen)#	(4.48)	(1.44)	1.00	(6.09)
Diluted EPS/(LPS) (sen)	(4.48)	(1.44)	1.00	(6.09)
Gross dividend per Share (sen)	-	-	-	-

Notes:

Computed by dividing the loss or profit attributable to equity holders of our Company from continuing operations by the weighted average number of ordinary shares in issue.

* Restated due to the adoption of the Malaysian Financial Reporting Standards

INFORMATION ON OUR COMPANY (Cont'd)

Commentaries on the past financial performance of Hwa Tai:FYE 2011

Our Group registered revenue of approximately RM73.45 million in the FYE 2011 as compared to approximately RM77.02 million in the preceding FYE 2010 which represents lower revenue by approximately RM3.57 million or approximately 4.64% mainly due to a loss of a major customer of our Group which contributed to approximately 6.00% of the revenue generated by our Group in the previous year, of which our Group was formally appointed as their OEM manufacturer for cake products, as well as lower sales generated from international markets.

Our Group recorded a LAT of approximately RM1.79 million in the FYE 2011 as compared to a PAT of approximately RM0.39 million achieved in the preceding FYE 2010, mainly due to the reduction in revenue that was insufficient to cover the fixed expenses which consists of staff cost, depreciation and maintenance of properties, plant and machineries and utilities expenses of our Group.

FYE 2012

Our Group's revenue of approximately RM66.45 million for the FYE 2012 had further reduced by approximately RM7.00 million or approximately 9.53% as compared to approximately RM73.45 million in the preceding FYE 2011 resulting from lower sales of both domestic and international markets due to lower demand as a result of increased competition from an increase in other biscuit brands and varieties in the markets.

Notwithstanding the reduction in revenue, our Group incurred a LAT of approximately RM0.58 million which was an improvement of approximately RM1.21 million or approximately 67.60% as compared to the LAT of approximately RM1.79 million generated for the FYE 2011. The reduction in LAT was due primarily to reduced marketing and promotional expenses.

FYE 2013

Further in the FYE 2013, our Group's revenue decreased slightly to approximately RM65.80 million as compared to approximately RM66.45 million in the preceding FYE 2012 by approximately RM0.65 million or approximately 0.98%. This arised from a drop in local demand for our Group's products amidst improvement in our Group's export sales to the Asian, African and Middle Eastern regions.

However, our Group managed to recognise a PAT of approximately RM0.41 million as compared to a LAT of approximately RM0.58 million achieved in the preceding FYE 2012 pursuant to lower advertising and promotional expenses incurred, lower selling and distribution expenses and also an increase in other income which comprised mainly of the write back of impairment loss on trade receivables no longer required of approximately RM0.29 million and gains from the foreign exchange of approximately RM0.41 million.

Unaudited FYE 2014

Our Group had recorded lower revenue of approximately RM61.33 million for the FYE 2014 as compared to the revenue of approximately RM65.80 million for the preceding FYE 2013. The lower revenue is mainly due to the further drop in sales from both domestic and international sales arising from continued increase in competition.

Consequently, our Group incurred a LAT of approximately RM2.44 million for the FYE 2014 as compared to a PAT of approximately RM0.41 million for the FYE 2013 mainly due to the lower revenue which was insufficient to cover our fixed cost such as staff cost and depreciation and utilities expenses in addition to the expenses in incurred in relation to the Corporate Exercises.

INFORMATION ON OUR COMPANY (Cont'd)

8. SHARE PRICES

The monthly highest and lowest prices of the Hwa Tai Shares as traded on Bursa Securities for the past twelve (12) months up to and including the LPD are set out in the table below:

	High (RM)	Low (RM)
2014		
March	0.585	0.435
April	0.655	0.435
May	0.590	0.420
June	0.530	0.455
July	0.520	0.465
August	0.545	0.495
September	0.590	0.480
October	0.535	0.430
November	0.500	0.420
December	0.470	0.380
2015		
January	0.490	0.410
February	0.445	0.390

(Source: Bloomberg Finance L.P.)

The last transacted price on 23 April 2014 (being the last Market Day prior to the Announcement) was RM0.540 per Hwa Tai Share.

The last transacted price on 18 February 2015 (being the last Market Day prior to the LPD, in which Hwa Tai Shares were traded prior to the printing of this AP) was RM0.440 per Hwa Tai Share.

The last transacted price on 11 March 2015 (being the last Market Day prior to the ex-date for the Rights Issue) was RM0.410 per Hwa Tai Share.

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OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON

CERTIFIED TRUE COPY


.....
BAKER TILLY
MONTEIRO HENG
Chartered Accountants (AF 0117)
HENG FU JOE
Partner
No. 2966/11/16 (J)

HWA TAI INDUSTRIES BERHAD
(19688 – V)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
31ST DECEMBER 2013

OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

HWA TAI INDUSTRIES BERHAD

(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2013**

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OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

HWA TAI INDUSTRIES BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of Hwa Tai Industries Berhad (“the Company”) and its subsidiary companies (“the Group”) for the financial year ended 31st December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of a biscuit manufacturer and investment holding. The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	413,406	972,525
Other comprehensive income	-	-
Total comprehensive income for the financial year	413,406	972,525
Profit for the year attributable to:-		
Owners of the Company	401,572	972,525
Non-controlling interest	11,834	-
	413,406	972,525

DIVIDENDS

No dividend was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31st December 2013.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liabilities or other liabilities of the Group and of the Company have become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares or debentures during the financial year.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:-

Soo Thien Ming @ Soo Thien See
Soo Chung Yee
Col. (Rtd.) Dato' Ir. Cheng Wah
Soo Wei Chian
Mohamed Razif Bin Tan Sri Abdul Aziz



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

DIRECTORS' INTERESTS

According to the register of directors' shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of those directors who held office at the end of the financial year in shares in the Company during the financial year ended 31st December 2013 are as follows:-

	Number of ordinary shares of RM1/- each			
	At 1.1.2013	Bought	Sold	At 31.12.2013
The Company				
Direct interests				
Soo Thien Ming @ Soo Thien See	12,372,627	-	-	12,372,627
Col. (Rtd.) Dato' Ir. Cheng Wah	20,000	-	-	20,000

Soo Thien Ming @ Soo Thien See is deemed to have an interest in the shares held by the Company in its subsidiary companies by virtue of his controlling interest in the Company.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors of the Company as shown in Note 16 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement, whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SIGNIFICANT SUBSEQUENT EVENT

Significant event that occurred after the financial year end are disclosed in Note 26 to the financial statements.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

AUDITORS

The auditors, Messrs. Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,



.....
SOO THIEN MING @ SOO THIEN SEE
Director



.....
SOO CHUNG YEE
Director

Kuala Lumpur

Date : **25** APR 2014



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

HWA TAI INDUSTRIES BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2013**

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	15,977,281	16,924,076	13,546,511	14,359,514
Prepaid land lease payments	5	1,157,113	1,200,547	679,761	706,558
Investment in subsidiaries	6	-	-	4,732,149	4,821,943
Investment in an associated company	7	1,633,215	1,756,406	1,791,457	1,791,457
Total non-current assets		18,767,609	19,881,029	20,749,878	21,679,472
Current assets					
Inventories	8	5,175,586	5,172,887	4,479,644	4,547,734
Trade and other receivables	9	24,624,077	25,679,086	22,522,805	23,421,692
Prepayments		344,187	278,949	315,530	241,959
Tax recoverable		135,749	186,601	-	67,485
Cash and bank balances		1,972,514	3,255,291	1,657,388	2,460,594
Total current assets		32,252,113	34,572,814	28,975,367	30,739,464
TOTAL ASSETS		51,019,722	54,453,843	49,725,245	52,418,936
Equity attributable to the owners of the Company					
Share capital	10	40,042,400	40,042,400	40,042,400	40,042,400
Accumulated losses		(24,965,368)	(25,366,940)	(21,097,021)	(22,069,546)
Shareholders' funds		15,077,032	14,675,460	18,945,379	17,972,854
Non-controlling interests		11,834	-	-	-
Total equity		15,088,866	14,675,460	18,945,379	17,972,854



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

HWA TAI INDUSTRIES BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2013 (Continued)

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Non-current liability					
Loans and borrowings	11	715,747	1,108,652	586,804	861,219
Total non-current liability		<u>715,747</u>	<u>1,108,652</u>	<u>586,804</u>	<u>861,219</u>
Current liabilities					
Trade and other payables	12	17,863,224	18,546,046	13,147,260	13,773,215
Loans and borrowings	11	17,120,900	19,967,621	16,970,881	19,811,648
Tax payable		230,985	156,064	74,921	-
Total current liabilities		<u>35,215,109</u>	<u>38,669,731</u>	<u>30,193,062</u>	<u>33,584,863</u>
Total liabilities		<u>35,930,856</u>	<u>39,778,383</u>	<u>30,779,866</u>	<u>34,446,082</u>
TOTAL EQUITY AND LIABILITIES		<u>51,019,722</u>	<u>54,453,843</u>	<u>49,725,245</u>	<u>52,418,936</u>

The accompanying notes form an integral part of these financial statements.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

HWA TAI INDUSTRIES BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2013**

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Revenue	13	65,799,286	66,446,623	51,451,517	52,892,742
Cost of sales	14	(48,998,011)	(49,501,691)	(36,598,983)	(38,256,228)
Gross Profit		16,801,275	16,944,932	14,852,534	14,636,514
Other income		1,122,737	660,339	913,668	639,604
Selling and distribution expenses		(9,404,457)	(9,653,922)	(8,242,604)	(8,682,306)
Administrative expenses		(6,304,772)	(6,876,388)	(4,888,351)	(5,475,060)
Other expenses		(230,612)	(387,990)	(278,193)	(357,204)
Share of results of an associated company		(123,191)	45,030	-	-
Finance costs	15	(1,116,029)	(1,207,955)	(1,036,351)	(1,119,885)
Profit/(loss) before taxation	16	744,951	(475,954)	1,320,703	(358,337)
Taxation	17	(331,545)	(98,735)	(348,178)	(98,735)
Profit/(loss) for the financial year		413,406	(574,689)	972,525	(457,072)
Other comprehensive income		-	-	-	-
Total comprehensive income/ (loss) for the financial year		413,406	(574,689)	972,525	(457,072)
Total comprehensive income/ (loss) attributable to:					
Owners of the Company		401,572	(574,689)	972,525	(457,072)
Non-controlling interests		11,834	-	-	-
		413,406	(574,689)	972,525	(457,072)
Earnings/(loss) per share (sen)	18				
- basic		1.00	(1.44)		
- diluted		1.00	(1.44)		

The accompanying notes form an integral part of these financial statements.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

HWA TAI INDUSTRIES BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2013**

Group	Attributable to Owners of the Company			Non- controlling Interests RM	Total RM
	Share Capital RM	Accumulated Losses RM	<u>Non-distributable</u>		
At 1st January 2012	40,042,400	(24,792,251)		-	15,250,149
Total comprehensive loss for the financial year	-	(574,689)		-	(574,689)
At 31st December 2012	40,042,400	(25,366,940)		-	14,675,460
Total comprehensive income for the financial year	-	401,572		11,834	413,406
At 31st December 2013	40,042,400	(24,965,368)		11,834	15,088,866

Company	Attributable to Owners of the Company			Non- controlling Interests RM	Total RM
	Share Capital RM	Accumulated Losses RM	<u>Non-distributable</u>		
At 1st January 2012	40,042,400	(21,612,474)		-	18,429,926
Total comprehensive loss for the financial year	-	(457,072)		-	(457,072)
At 31st December 2012	40,042,400	(22,069,546)		-	17,972,854
Total comprehensive income for the financial year	-	972,525		-	972,525
At 31st December 2013	40,042,400	(21,097,021)		-	18,945,379

The accompanying notes form an integral part of these financial statements.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

HWA TAI INDUSTRIES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2013

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
OPERATING ACTIVITIES:				
Profit/(loss) before taxation	744,951	(475,954)	1,320,703	(358,337)
Adjustments for:				
Impairment loss on receivables	227,612	381,348	188,399	319,737
Impairment loss on subsidiary companies	-	-	89,794	30,825
Impairment loss no longer required on trade receivables	(285,397)	(70,999)	(235,397)	(52,442)
Write down for inventories	78,088	220,854	78,088	185,762
Write down for inventories no longer required	(4,573)	-	-	-
Amortisation of prepaid land lease payments	43,434	43,430	26,797	26,793
Bad debts written off	3,000	6,642	-	6,642
Deposit written off	18,000	-	-	-
Depreciation of property, plant and equipment	1,920,895	1,924,456	1,634,555	1,648,244
Gain on disposal of property, plant and equipment	(32,533)	-	(32,533)	-
Interest income	(14,126)	(13,930)	(13,964)	(13,692)
Interest expenses	1,116,029	1,207,955	1,036,351	1,119,885
Property, plant and equipment written off	5,945	23,685	5,945	21,722
Loss on disposal of property, plant and equipment	-	948	-	948
Share of results in an associated company	123,191	(45,030)	-	-
(Gain)/loss on unrealised foreign exchange	(32,265)	98,999	(32,265)	98,999
Operating cash flows before changes in working capital	3,912,251	3,302,404	4,066,473	3,035,086
Changes In Working Capital:				
Inventories	(76,213)	651,826	(9,998)	666,628
Receivables	1,120,407	139,921	692,430	638,469
Prepayments	(65,238)	107,435	(73,571)	110,682
Payables	(682,821)	(2,261,308)	(697,831)	(2,296,041)
Net cash flows from operations	4,208,386	1,940,278	3,977,503	2,154,824
Interest paid	(958,929)	(985,989)	(902,733)	(926,856)
Tax paid	(255,353)	(132,796)	(205,772)	(83,215)
Tax refunded	49,580	111,505	-	-
Net cash flows from operating activities	3,043,684	932,998	2,868,998	1,144,753



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 - V

HWA TAI INDUSTRIES BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2013 (Continued)**

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	(a)	(589,380)	(574,900)	(472,197)	(502,055)
Proceeds from disposal of property, plant and equipment		54,890	545	54,890	545
Interest received		14,126	13,930	13,964	13,692
Advances from subsidiary companies		-	-	353,945	121,461
Repayment to subsidiary companies		-	-	-	(643,195)
Net cash flows from investing activities		(520,364)	(560,425)	(49,398)	(1,009,552)
FINANCING ACTIVITIES:					
Net (repayment)/drawdown of short term borrowings		(1,501,100)	128,605	(1,501,100)	128,605
Repayment of term loans		(521,599)	(481,179)	(521,599)	(481,179)
Repayment of finance lease liabilities		(593,683)	(723,005)	(433,874)	(524,893)
Interest paid		(157,100)	(221,966)	(133,618)	(193,029)
Net cash flows used in financing activities		(2,773,482)	(1,297,545)	(2,590,191)	(1,070,496)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(250,162)	(924,972)	229,409	(935,295)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		(234,297)	823,433	(1,028,994)	39,059
Effects of the exchange rate changes		3,652	(132,758)	3,652	(132,758)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	(b)	(480,807)	(234,297)	(795,933)	(1,028,994)



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

HWA TAI INDUSTRIES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2013 (Continued)

(a) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Purchase of property, plant and equipment	1,002,403	755,898	849,855	502,055
Financed by finance lease arrangement	413,023	180,998	377,658	-
Cash payments on purchase of property, plant and equipment	589,380	574,900	472,197	502,055

(b) Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:-

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Cash and bank balances		1,972,514	3,255,291	1,657,388	2,460,594
Bank overdrafts	11	(2,453,321)	(3,489,588)	(2,453,321)	(3,489,588)
		(480,807)	(234,297)	(795,933)	(1,028,994)

The accompanying notes form an integral part of these financial statements.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (*Cont'd*)

Company No. 19688 – V

HWA TAI INDUSTRIES BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activities of the Company are that of a biscuit manufacturer and investment holding. The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on Main Market of Bursa Malaysia Securities Berhad.

The registered office and the principal place of business of the Company are both located at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25th April 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 2.3 to the financial statements.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations (“IC Int”) and Amendments to IC Int

(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int

The Group and the Company had adopted the following new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:-

New MFRSs

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement

Revised MFRSs

MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 132	Financial Instruments: Presentation
MFRS 134	Interim Financial Reporting

New IC Int

IC Int 20	Stripping Costs in the Production Phase of a Surface Mine
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Amendments to IC Int

IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments
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OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (*Cont'd*)

Company No. 19688 – V

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations (“IC Int”) and Amendments to IC Int

(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)

The adoption of the above new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int do not have any effect on the financial statements of the Group and of the Company except for those as discussed below:-

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)

MFRS 10 replaces the consolidation part of the former MFRS 127 Consolidated and Separate Financial Statements. The revised MFRS 127 will deal only with accounting for investment in subsidiaries, joint controlled entities and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 10 brings about convergence between MFRS 127 and IC Int 12 Consolidation-Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that “an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee”. It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

The Group adopted MFRS 10 in the current financial year. This resulted in changes to the accounting policies as disclosed in Note 2.3 to the financial statements. The adoption of MFRS10 has no significant impact to the financial statements of the Group.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

*Company No. 19688 – V***2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations (“IC Int”) and Amendments to IC Int****(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)*****MFRS 12 Disclosures of Interests in Other Entities***

MFRS 12 is a single disclosure standard for interests in subsidiaries, jointly controlled entities, associates and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. The requirements in MFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries.

MFRS 13 Fair Value Measurement

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a result of the guidance in MFRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair values measurement of liabilities.

Application of MFRS13 has not materially impacted the fair value measurements of the Group. MFRS 13 requires more extensive disclosures. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (*Cont'd*)

Company No. 19688 – V

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations (“IC Int”) and Amendments to IC Int

(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)

Amendments to MFRS 101 Presentation of Financial Statements

The amendments to MFRS 101 introduces a grouping of items presented in other comprehensive income. Items that will be reclassified to profit or loss at future point in time have to be presented separately from items that will not be reclassified.

These amendments also clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1st January 2012.

The amendments also introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments, the ‘statement of comprehensive income’ is renamed as the ‘statement of profit or loss and other comprehensive income’.

The above amendments affect presentation only and have no impact on the Group’s financial position or performance.

MFRS 128 Investments in Associates and Joint Ventures (Revised)

MFRS 128 (Revised) incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associates, as the equity method was applicable for both investments in joint ventures and associates. However, the revised standard exempts the investor from applying equity accounting where the investment in the associate or joint venture is held indirectly via venture capital organisations or mutual funds, unit trusts and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*.

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 addresses disclosures to include information that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (*Cont'd*)

Company No. 19688 – V

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations (“IC Int”) and Amendments to IC Int (Continued)

(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)

Amendment to MFRS 116 Property, Plant and Equipment

Amendment to MFRS 116 clarifies that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 11 Joint Arrangements and MFRS 12 Disclosure of Interests in Other Entities

Amendments to MFRS 10 clarifies that the date of initial application is the beginning of the annual reporting period for which this MFRS is applied for the first time. Consequently, an entity is not required to make adjustments to the previous accounting if the consolidation conclusion reached upon the application of MFRS 10 is the same as previous accounting or the entity had disposed of its interests in investees during a comparative period. When applying MFRS10, these amendments also limit the requirement to present quantitative information required by Paragraph 28(f) of MFRS108 *Accounting Policies, Changes in Accounting Estimates and Errors* to the annual period immediately preceding the date of initial application. A similar relief is also provided in MFRS 11 and MFRS 12. Additionally, entities would no longer be required to provide disclosures for unconsolidated structure entities in periods prior to the first annual period that MFRS 12 is applied.

If, upon applying MFRS 10, an entity conclude that it shall consolidate an investee that was not previously consolidated and that control was obtained before the effective date of the revised versions of these standards issued by the Malaysian Accounting Standards Board in November 2011, these amendments also clarify that an entity can apply the earlier versions of MFRS 3 *Business Combinations* and MFRS 127.

These amendments are not expected to have any significant impact on the financial results and position of the Group and the Company.

Amendment to MFRS 132 Financial Instruments: Presentation

Amendment to MFRS 132 clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with MFRS 112 *Income Taxes*.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)

Amendment to MFRS 134 Interim Financial Reporting

To be consistent with the requirements in MFRS 8 *Operating Segments*, the amendment to MFRS 134 clarifies that an entity shall disclose the total assets and liabilities for a particular reportable segment only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that have been issued by the Malaysian Accounting Standards Board ("MASB") as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

	Effective for financial periods beginning on or after
<u>New MFRS</u>	
MFRS 9 Financial Instruments	To be announced by the MASB
<u>Amendments/Improvements to MFRSs</u>	
MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards	1 July 2014
MFRS 2 Share-based Payment	1 July 2014
MFRS 3 Business Combinations	1 July 2014
MFRS 7 Financial Instruments: Disclosures	Applies when MFRS 9 is applied
MFRS 8 Operating Segments	1 July 2014
MFRS 9 Financial Instruments	To be announced by the MASB
MFRS 10 Consolidated Financial Statements	1 January 2014
MFRS 12 Disclosure of Interests in Other Entities	1 January 2014
MFRS 13 Fair Value Measurement	1 July 2014
MFRS 116 Property, Plant and Equipment	1 July 2014
MFRS 119 Employee Benefits	1 July 2014
MFRS 124 Related Party Disclosures	1 July 2014



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations (“IC Int”) and Amendments to IC Int (Continued)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted

	Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs</u>	
MFRS 127 Separate Financial Statements	1 January 2014
MFRS 132 Financial Instruments: Presentation	1 January 2014
MFRS 136 Impairment of Assets	1 January 2014
MFRS 138 Intangible Assets	1 July 2014
MFRS 139 Financial Instruments: Recognition and Measurement	Applies when MFRS 9 is applied
MFRS 140 Investment Property	1 July 2014
<u>New IC Int</u>	
IC Int 21 Levies	1 January 2014

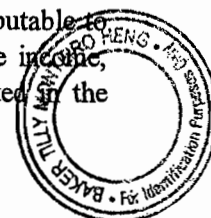
A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

MFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations (“IC Int”) and Amendments to IC Int (Continued)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)

Amendments to MFRS 3 Business Combinations

Amendments to MFRS 3 clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. It also clarifies that contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In addition, amendments to MFRS 3 clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 *Joint Arrangements*) in the financial statements of the joint arrangement itself.

Amendments to MFRS 8 Operating Segments

Amendments to MFRS 8 requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The Amendments also clarifies that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 127 Separate Financial Statements

Amendments to MFRS 10 introduces an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investment in particular subsidiaries at fair value through profit or loss in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement* instead of consolidating those subsidiaries in its consolidated financial statements. Consequently, new disclosure requirements related to investment entities are introduced in amendments to MFRS 12 and MFRS 127.

In addition, amendments to MFRS 127 also clarifies that if a parent is required, in accordance with paragraph 31 of MFRS 10, to measure its investment in a subsidiary at fair value through profit or loss in accordance with MFRS139, it shall also account for its investment in that subsidiary in the same way in its separate financial statements.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON

Company No. 19688 – V

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations (“IC Int”) and Amendments to IC Int (Continued)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)

Amendments to MFRS 13 Fair Value Measurement

Amendments to MFRS 13 relates to the IASB’s Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

The Amendments also clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* or MFRS 9 *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 *Financial Instruments: Presentation*.

Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets

Amendments to MFRS 116 and MFRS 138 clarifies the accounting for the accumulated depreciation/amortisation when an asset is revalued. It clarifies that:

- the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset; and
- the accumulated depreciation / amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

Amendments to MFRS 124 Related Party Disclosures

Amendments to MFRS 124 clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

Amendments to MFRS 132 Financial Instruments: Presentation

Amendments to MFRS 132 does not change the current offsetting model in MFRS 132. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’, that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. The amendments clarify that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations (“IC Int”) and Amendments to IC Int (Continued)

(c) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)

Amendments to MFRS 136 Impairment of Assets

Amendments to MFRS 136 clarifies that disclosure of the recoverable amount (based on fair value less costs of disposal) of an asset or cash generating unit is required to be disclosed only when an impairment loss is recognised or reversed. In addition, there are new disclosure requirements about fair value measurement when impairment or reversal of impairment is recognised.

Amendments to MFRS 139 Financial Instruments: Recognition and Measurement

Amendments to MFRS 139 provides relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. As a result of the amendments, continuation of hedge accounting is permitted if as a consequence of laws or regulations, the parties to hedging instrument agree to have one or more clearing counterparties replace their original counterparty and the changes to the terms arising from the novation are consistent with the terms that would have existed if the novated derivative were originally cleared with the central counterparty.

IC Int 21 Levies

IC Int 21 addresses the accounting for a liability to pay a government levy (other than income taxes and fine or other penalties that imposed for breaches of the legislation) if that liability is within the scope of MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*. This interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers the payment of the levy, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is recognised progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specific minimum threshold is reached.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

*Company No. 19688 – V***2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Significant Summary of Accounting Policies****(a) Basis of Consolidation****(i) Subsidiary Companies**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31st December 2013. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting period date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expense and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:-

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Summary of Accounting Policies (Continued)

(a) Basis of Consolidation (Continued)

(i) Subsidiary Companies (Continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(ii) Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.3 Significant Summary of Accounting Policies (Continued)****(a) Basis of Consolidation (Continued)****(ii) Business Combination and Goodwill (Continued)**

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Summary of Accounting Policies (Continued)

(a) Basis of Consolidation (Continued)

(ii) Business Combination and Goodwill (Continued)

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(b) Investment in Associates

Associate companies are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associate companies are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate companies, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate company, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate company.

When the Group ceases to have significant influence over an associate company, any retained interest in the former associate company at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate company decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Summary of Accounting Policies (Continued)

(b) Investment in Associates (Continued)

Investments in associate companies are measured in the Group's statements of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

The results of the associate company, Shan Dong Yingerle Hwa Tai Food Industry Co. Ltd. ("the associate company"), is accounted for in the consolidated financial statements based on the audited financial statements of the associate company made up from 1st January 2013 to 31st December 2013 and is prepared using accounting policies that conform to those used by the Group for like transactions in similar circumstances.

(c) Non-controlling interest

Non-controlling interests at the end of the financial year, being the equity in a subsidiary company not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

(d) Transactions Eliminated on Consolidation

Unrealised gains arising from transactions with equity accounted associate companies are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Summary of Accounting Policies (Continued)

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any except for freehold land. The policy of recognition of impairment losses is in accordance with Note 2.3(o) to the financial statements. Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

No depreciation is provided on the freehold land as it has infinite useful life. Capital work-in-progress will be depreciated when the property, plant and equipment are ready for their intended use. Depreciation of other property, plant and equipment is provided on the straight line basis to write off the cost or valuation of each asset to its residual value over their estimated useful life at the following rates:-

Leasehold land and buildings	2%
Renovation	10%
Plant and machinery	5% - 10%
Office equipment, furniture and fittings and motor vehicles	10% - 20%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposals proceeds and the net carrying amount, if any, is recognised in the profit or loss.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (*Cont'd*)

Company No. 19688 – V

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Summary of Accounting Policies (Continued)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Raw materials, packing materials and consumable stores comprise purchase price and carriage costs. Cost of manufactured finished goods and work-in-progress include direct materials, direct labour and an allocation of manufacturing overheads.

(g) Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instruments.

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

The Group and the Company categorise the financial instruments as follows:-

(i) Financial Assets

Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or a financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Summary of Accounting Policies (Continued)

(g) Financial Instruments (Continued)

(i) Financial Assets (Continued)

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risk of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Summary of Accounting Policies (Continued)

(g) Financial Instruments (Continued)

(ii) Financial Liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Summary of Accounting Policies (Continued)

(g) Financial Instruments (Continued)

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(h) Leases

(i) Finance Leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used in the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowings rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.3(e) to the financial statements.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Summary of Accounting Policies (Continued)

(h) Leases (Continued)

(ii) Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(i) Borrowing Costs

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In the subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings.

Interest, dividends, losses and gains relating to a financial instrument, or a component part classified as a liability is reported within finance cost in the profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(j) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contribution, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences sick leave, maternity and paternity leave are recognised when absences occur.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (*Cont'd*)

Company No. 19688 – V

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Summary of Accounting Policies (Continued)

(j) Employee benefits (Continued)

(ii) *Post-employment benefits*

The Group contributes to the Employees Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

(iii) *Unfunded Defined Benefits Scheme*

The Group and the Company operate an unfunded defined benefits scheme in respect of key personnel.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligation at each financial year end. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate of high quality corporate bonds in which the benefits will be paid.

Actuarial gains and losses arising from the changes in actuarial assumptions and experience adjustments are recognised in other comprehensive income within equity.

Net interest expenses relating to defined benefits plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past services or the gain or loss on curtailment is recognised immediately in profit or loss.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
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Company No. 19688 – V

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Summary of Accounting Policies (Continued)

(k) Foreign Currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the functional currency which is the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions and translations

Transactions in foreign currencies are translated to Ringgit Malaysia at exchange rates ruling at the transaction date. Monetary assets and liabilities in foreign currencies at the statement of financial position are translated into Ringgit Malaysia at the rates ruling at the reporting date. All exchange differences are included in the profit or loss.

Non-monetary items are measured in term of historical cost in a foreign currency or translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

(l) Provision

Provision are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect at the time value of money is material, provisions are discounted using current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
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Company No. 19688 – V

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Summary of Accounting Policies (Continued)

(m) Taxation

The tax expense in the profit or loss represents the aggregate amount of current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credit can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from transaction which is recognised in other comprehensive income or directly in equity, in which case the deferred tax is also charged or credited in other comprehensive income or directly in equity or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or bargain purchased.

(n) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income and rental income are recognised on an accrual basis.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.3 Significant Summary of Accounting Policies (Continued)****(o) Impairment of Assets****(i) Impairment of Financial Assets**

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiary companies and associate company) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Summary of Accounting Policies (Continued)

(o) Impairment of Assets (Continued)

(i) Impairment of Financial Assets (Continued)

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

(ii) Impairment of Non-financial Assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

For goodwill that has an indefinite useful life and are not available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Summary of Accounting Policies (Continued)

(p) Cash and Cash Equivalents

For the purpose of statement of cash flow, cash and cash equivalents comprise cash in hand, bank balances, demand deposits and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated net of bank overdrafts which are repayable on demand.

(q) Equity Instruments

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(r) Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (*Cont'd*)

Company No. 19688 – V

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Critical judgements in applying the Company's accounting policies

In the process of applying the Group's and the Company's accounting policies, which are described in Note 2.3 above, the management has made the following judgement, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements:-

Classification between operating lease and finance lease for leasehold land

The Group has developed certain criteria based on MFRS 117 Leases in making judgement whether a leasehold land should be classified either as operating lease or finance lease.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an assets and operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership. If the leasehold land meets the criteria of the financial lease, the lease will be classified as property, plant and equipment if it is for own use. Judgements are made on the individual leasehold land to determine whether the leasehold land qualifies as operating lease or finance lease.

The Group has classified the leases period of more than 50 years as finance leases as they have met the criteria of a finance lease under MFRS 117.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material judgement to the carrying amounts of assets and liabilities within the next financial year are as stated below:-

(i) *Useful lives of property, plant and equipment*

The Group and the Company estimate the useful lives of property, plant and equipment based on period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectation differs from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(ii) *Impairment of investment in subsidiary companies and recoverability of amount owing by subsidiary companies*

The Company tests investment in subsidiary companies and amount owing by subsidiary companies for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiary companies affects the result of the impairment test. Costs of investments in subsidiary companies which have ceased operations were impaired up to net assets of the subsidiary companies. The impairment made on investment in subsidiary companies entails an impairment to be made to the amount owing by these subsidiary companies.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiary companies, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Company's tests for impairment of investment in subsidiary companies and amount owing by subsidiary companies.

(iii) *Impairment of investment in associate company*

The Group and the Company test investment in associate company for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

Significant judgement is required in the estimation of the present value of future cash flows generated by the associate company, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's and the Company's tests for impairment of investment in associate company.

(iv) *Impairment of property, plant and equipment*

The Group and the Company review the carrying amount of its property, plant and equipment, to determine whether there is an indication that those assets have suffered an impairment loss in accordance with relevant accounting policies on the property, plant and equipment. Independent professional valuations to determine the carrying amount of these assets will be procured when the need arise.

As at the end of the financial years under review, the directors are of the view that there is no indication of impairment to these assets and therefore no independent professional valuation was procured by the Group during the financial year to determine the carrying amount of these assets. The carrying amounts of property, plant and equipment are disclosed in Note 4 to the financial statements.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**3.2 Key sources of estimation uncertainty (Continued)****(v) Allowance for write down in inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates can result in revisions to the valuation of inventories.

(vi) Impairment of receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's receivable at the reporting date is disclosed in Note 9 to the financial statements.

(vii) Taxation

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 - V

4. PROPERTY, PLANT AND EQUIPMENT

Group 2013	Properties # RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Total RM
Cost						
At 1st January 2013	8,640,569	41,399,087	3,340,814	584,279	1,529,536	55,494,285
Additions	237,085	411,837	90,881	5,800	256,800	1,002,403
Disposals/write-offs	-	(2,701,474)	(33,099)	-	(161,430)	(2,896,003)
At 31st December 2013	8,877,654	39,109,450	3,398,596	590,079	1,624,906	53,600,685
Accumulated Depreciation						
At 1st January 2013	3,414,990	30,568,929	3,125,444	535,443	925,403	38,570,209
Depreciation for the financial year	292,140	1,453,592	61,863	12,342	100,958	1,920,895
Disposals/write-offs	-	(2,675,079)	(31,191)	-	(161,430)	(2,867,700)
At 31st December 2013	3,707,130	29,347,442	3,156,116	547,785	864,931	37,623,404
Net Book Value at						
31st December 2013	5,170,524	9,762,008	242,480	42,294	759,975	15,977,281



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 - V

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group 2012	Properties # RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Total RM
Cost						
At 1st January 2012	8,530,289	40,827,167	3,325,319	617,103	1,662,498	54,962,376
Addition	110,280	601,854	43,764	-	-	755,898
Transfer	-	12,401	(16,671)	(32,824)	(132,962)	(170,056)
Disposals/write-offs	-	(42,335)	(11,598)	-	-	(53,933)
At 31st December 2012	8,640,569	41,399,087	3,340,814	584,279	1,529,536	55,494,285
Accumulated Depreciation						
At 1st January 2012	3,135,183	29,135,576	3,066,005	534,860	972,940	36,844,564
Depreciation for the financial year	279,807	1,443,403	78,175	32,424	90,647	1,924,456
Transfer	-	9,070	(9,101)	(31,841)	(138,184)	(170,056)
Disposals/write-offs	-	(19,120)	(9,635)	-	-	(28,755)
At 31st December 2012	3,414,990	30,568,929	3,125,444	535,443	925,403	38,570,209
Net Book Value at 31st December 2012	5,225,579	10,830,158	215,370	48,836	604,133	16,924,076



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Properties consist of:-

Group 2013	Freehold Land and Buildings RM	Leasehold Land and Buildings RM	Renovation RM	Total RM
Cost				
At 1st January 2013	132,515	7,731,963	776,091	8,640,569
Additions	-	-	237,085	237,085
At 31st December 2013	132,515	7,731,963	1,013,176	8,877,654
Accumulated Depreciation				
At 1st January 2013	-	3,163,745	251,245	3,414,990
Depreciation for the financial year	-	219,149	72,991	292,140
At 31st December 2013	-	3,382,894	324,236	3,707,130
Net Book Value at 31st December 2013	132,515	4,349,069	688,940	5,170,524



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Properties consist of:-

Group 2012	Freehold Land and Buildings RM	Leasehold Land and Buildings RM	Renovation RM	Total RM
Cost				
At 1st January 2012	132,515	7,652,403	745,371	8,530,289
Additions	-	79,560	30,720	110,280
Disposals/write-offs	-	-	-	-
At 31st December 2012	132,515	7,731,963	776,091	8,640,569
Accumulated Depreciation				
At 1st January 2012	-	2,950,020	185,163	3,135,183
Depreciation for the financial year	-	213,725	66,082	279,807
Disposals/write-offs	-	-	-	-
At 31st December 2012	-	3,163,745	251,245	3,414,990
Net Book Value at 31st December 2012	132,515	4,568,218	524,846	5,225,579



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 - V

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company 2013	Properties # RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Total RM
Cost						
At 1st January 2013	7,248,657	37,337,998	2,924,607	532,085	1,230,358	49,273,705
Additions	234,857	290,056	62,342	5,800	256,800	849,855
Disposals/write-offs	-	(1,766,504)	(33,099)	-	(161,430)	(1,961,033)
At 31st December 2013	7,483,514	35,861,550	2,953,850	537,885	1,325,728	48,162,527
Accumulated Depreciation						
At 1st January 2013	2,934,374	28,084,610	2,768,685	500,293	626,229	34,914,191
Depreciation for the financial year	224,673	1,259,435	40,922	8,567	100,958	1,634,555
Disposals/write-offs	-	(1,740,109)	(31,191)	-	(161,430)	(1,932,730)
At 31st December 2013	3,159,047	27,603,936	2,778,416	508,860	565,757	34,616,016
Net Book Value at 31st December 2013	4,324,467	8,257,614	175,434	29,025	759,971	13,546,511



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 - V

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company 2012	Properties #	Plant and Machinery	Office Equipment	Furniture and Fittings	Motor Vehicles	Total
	RM	RM	RM	RM	RM	RM
Cost						
At 1st January 2012	7,169,097	36,976,337	2,914,408	532,085	1,230,358	48,822,285
Additions	79,560	403,996	18,499	-	-	502,055
Disposals/write-offs	-	(42,335)	(8,300)	-	-	(50,635)
At 31st December 2012	7,248,657	37,337,998	2,924,607	532,085	1,230,358	49,273,705
Accumulated Depreciation						
At 1st January 2012	2,721,961	26,838,683	2,725,310	471,442	535,971	33,293,367
Depreciation for the financial year	212,413	1,265,047	51,675	28,851	90,258	1,648,244
Disposals/write-offs	-	(19,120)	(8,300)	-	-	(27,420)
At 31st December 2012	2,934,374	28,084,610	2,768,685	500,293	626,229	34,914,191
Net Book Value at 31st December 2012	4,314,283	9,253,388	155,922	31,792	604,129	14,359,514



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
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Company No. 19688 – V

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Properties consist of:-

Company 2013	Freehold Land RM	Leasehold Buildings RM	Renovation RM	Total RM
Cost				
At 1st January 2013	132,515	6,835,010	281,132	7,248,657
Additions	-	-	234,857	234,857
At 31st December 2013	132,515	6,835,010	515,989	7,483,514
Accumulated Depreciation				
At 1st January 2013	-	2,737,185	197,189	2,934,374
Depreciation for the financial year	-	201,252	23,421	224,673
At 31st December 2013	-	2,938,437	220,610	3,159,047
Net Book Value at 31st December 2013	132,515	3,896,573	295,379	4,324,467



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
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Company No. 19688 – V

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Properties consist of:-

Company 2012	Freehold Land RM	Leasehold Buildings RM	Renovation RM	Total RM
Cost				
At 1st January 2012	132,515	6,755,450	281,132	7,169,097
Additions	-	79,560	-	79,560
At 31st December 2012	132,515	6,835,010	281,132	7,248,657
Accumulated Depreciation				
At 1st January 2012	-	2,541,357	180,604	2,721,961
Depreciation for the financial year	-	195,828	16,585	212,413
At 31st December 2012	-	2,737,185	197,189	2,934,374
Net Book Value at 31st December 2012	132,515	4,097,825	83,943	4,314,283



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Company No. 19688 – V

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (a) The net book value of property, plant and equipment of the Group and of the Company includes the following property, plant and equipment acquired under finance lease:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
At Net Book Value				
Motor vehicles	576,433	376,933	576,433	376,933
Plant and machinery	2,350,292	2,349,449	1,368,636	1,251,825
Office equipment	-	5,656	-	5,656
	<u>2,926,725</u>	<u>2,732,038</u>	<u>1,945,069</u>	<u>1,634,414</u>

- (b) The leasehold building of the Group and of the Company with net book value of RM602,663/- (2012: RM629,749/-) have been pledged to the licensed bank as security for banking facility granted to the Group and the Company as disclosed in Note 11 to the financial statements.

5. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cost				
At 1st January/31st December	1,698,290	1,698,290	838,460	838,460
Accumulated Amortisation				
At 1st January	(497,743)	(454,313)	(131,902)	(105,109)
Charge for the year	(43,434)	(43,430)	(26,797)	(26,793)
At 31st December	<u>(541,177)</u>	<u>(497,743)</u>	<u>(158,699)</u>	<u>(131,902)</u>
Carrying amount at 31st December	<u>1,157,113</u>	<u>1,200,547</u>	<u>679,761</u>	<u>706,558</u>



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Company No. 19688 – V

5. PREPAID LAND LEASE PAYMENTS (Continued)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Analysed as:-				
Short-term prepaid land lease payments	1,157,113	1,200,547	679,761	706,558
Amount to be amortised				
- Not later than one year	43,434	43,430	26,797	26,793
- Later than one year but not later than five years	173,736	173,720	107,188	107,172
- Later than five years	939,943	983,397	545,776	572,593

Included in the prepaid land lease payments with net carrying amount of RM400,500/- (2012: RM418,500/-) have been pledged to the licensed bank as security for banking facility granted to the Group and the Company.

6. INVESTMENT IN SUBSIDIARY COMPANIES

	2013 RM	2012 RM
Unquoted shares, at cost	10,414,671	10,414,671
Less: Accumulated impairment losses	(5,682,522)	(5,592,728)
	4,732,149	4,821,943



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Company No. 19688 – V

6. INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

The details of the subsidiary companies which are all incorporated in Malaysia are as follows:-

Name of Companies	Effective Ownership Interest/ Voting Rights		Principal Activities
	31.12.2013	31.12.2012	
Held by the Company	%	%	
Epro Industries Sdn. Bhd.	100	100	Property holding
Suria Merah Manufactory (Segamat) Sdn. Bhd.	100	100	Property holding
Hwa Tai Food Industries (Sabah) Sdn. Bhd.	100	100	Biscuit manufacturer
Hwa Tai Wholesale Sdn. Bhd.	100	100	Trading
Hwa Tai Manufacturing Sdn. Bhd.	100	100	Dormant
Acetai Corporation Sdn. Bhd. *	90	90	Trading
Hwa Tai Import Sdn. Bhd. *	100	100	Dormant
Hwa Tai (Sarawak) Sdn. Bhd. *	100	100	Dormant
Hwa Tai Distribution Sdn. Bhd. *	100	100	Trading
Hwa Tai Services Sdn. Bhd. *	100	100	Dormant
Absolute Focus Sdn. Bhd. *	100	100	Dormant
Held through Acetai Corporation Sdn. Bhd.			
Anika Bebas Sdn. Bhd. *	100	100	Trading
Esprit Classic Sdn. Bhd. *	100	100	Trading

* *Subsidiary companies not audited by Baker Tilly Monteiro Heng.*



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Company No. 19688 – V

7. INVESTMENT IN AN ASSOCIATED COMPANY

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Unquoted shares - at cost	1,791,457	1,791,457	1,791,457	1,791,457
Share of post acquisition losses	(158,242)	(35,051)	-	-
	<u>1,633,215</u>	<u>1,756,406</u>	<u>1,791,457</u>	<u>1,791,457</u>

The details of the associate company which is incorporated in the People's Republic of China are as follows:-

Name of Company	Issued Share Capital Chinese Reminbi (RMB)	Effective Ownership Interest/ Voting Rights		Principal Activities
		31.12.2013 %	31.12.2012 %	
Shan Dong Yingerle Hwa Tai Food Industry Co. Ltd.*	10,500,000	48	48	Dealers, importers and exporters of biscuit, cake and baby products

* Associate company is not audited by Baker Tilly Monteiro Heng.

The summarised financial information of the associate company is as follows:-

Assets and Liability	2013 RM	2012 RM
Current assets	1,471,259	2,060,250
Non-current assets	7,717,085	7,430,377
Total assets	<u>9,188,344</u>	<u>9,490,627</u>
Current liabilities	4,267,570	4,770,076
Total liabilities	<u>4,267,570</u>	<u>4,770,076</u>

The Group's share of loss for the financial year of the associate company is RM 123,191/-.



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Company No. 19688 – V

8. INVENTORIES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
At Cost				
Work-in-progress	219,959	146,607	163,737	115,105
Finished goods	1,730,093	2,032,871	1,493,231	1,815,969
	1,950,052	2,179,478	1,656,968	1,931,074
At Net Realisable Value				
Raw materials	1,303,835	1,210,513	1,136,093	999,684
Packing materials	1,699,879	1,561,080	1,507,598	1,410,200
Consumable stores	221,820	221,816	178,985	206,776
	3,225,534	2,993,409	2,822,676	2,616,660
	5,175,586	5,172,887	4,479,644	4,547,734

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current				
Trade receivables				
Trade receivables	31,358,838	33,210,234	22,046,211	22,595,297
Amount owing by subsidiary companies	-	-	16,086,652	16,448,562
	31,358,838	33,210,234	38,132,863	39,043,859
Less: Allowance for impairment				
- Trade receivables	(7,339,770)	(8,279,024)	(2,036,723)	(2,083,721)
- Amount owing by subsidiary companies	-	-	(16,040,044)	(16,040,044)
	(7,339,770)	(8,279,024)	(18,076,767)	(18,123,765)
Trade receivables, net	24,019,068	24,931,210	20,056,096	20,920,094



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9. TRADE AND OTHER RECEIVABLES (Continued)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Other receivables				
Other receivables	520,898	599,738	122,030	200,760
Amount owing by subsidiary companies		-	2,349,155	2,269,314
Refundable deposits	95,957	159,984	48,917	84,917
	616,855	759,722	2,520,102	2,554,991
Less: Allowance for impairment				
- Other receivables	(11,846)	(11,846)	-	-
- Amount owing by subsidiary companies	-	-	(53,393)	(53,393)
	(11,846)	(11,846)	(53,393)	(53,393)
Other receivables, net	605,009	747,876	2,466,709	2,501,598
Total receivables	24,624,077	25,679,086	22,522,805	23,421,692
Add: Cash and bank balances	1,972,514	3,255,291	1,657,388	2,460,594
Total loans and receivables	26,596,591	28,934,377	24,180,193	25,882,286

Trade receivables are non-interest bearing and are generally on 14 to 90 days (2012: 14 to 90 days) terms. They are recognised on their original invoice amount which represents their fair values on initial recognition.

The currencies exposure profile of trade and other receivables is as follows:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
US Dollar	25,093	947,396	25,093	947,396
Singapore Dollar	172,131	112,839	172,131	112,839



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Company No. 19688 – V

9. TRADE AND OTHER RECEIVABLES (Continued)

Analysis on trade receivables

The ageing analysis of the Group's and the Company's trade receivables are as follows:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Neither past due nor impaired	13,111,366	13,762,077	10,496,398	11,001,256
Past due 1 - 30 days	1,821,386	3,160,689	1,459,141	2,896,790
Past due 31 - 120 days	2,690,466	2,462,324	2,416,829	2,231,504
Past due more than 120 days	6,395,850	5,546,120	5,683,728	4,790,544
	10,907,702	11,169,133	9,559,698	9,918,838
Impaired	7,339,770	8,279,024	18,076,767	18,123,765
	31,358,838	33,210,234	38,132,863	39,043,859

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Receivables that are past due but not impaired

The Group has not made any allowance for impairment for receivables that are past due but not impaired as there has not been a significant change in the credit quality of these receivables and the amounts due are still recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The Group has policies in place to ensure that credit is extended only to customers with acceptable credit history and payment track records. Allowances for impairment are made on specific trade receivable when there is objective evidence that the Group will not be able to collect the amounts due.



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9. TRADE AND OTHER RECEIVABLES (Continued)

Receivables that are impaired

The Group's trade receivables that are individually impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:-

	Individually Impaired			
	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade receivables:-				
Nominal amounts	15,391,265	18,657,206	25,281,173	27,657,230
Less: Allowance for impairment	(7,339,770)	(8,279,024)	(18,076,767)	(18,123,765)
	<u>8,051,495</u>	<u>10,378,182</u>	<u>7,204,406</u>	<u>9,533,465</u>

The Directors are of the opinion that no impairment is required based on the past experience and the likelihood of recoverability of these receivables.

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Amount owing by subsidiary companies is unsecured, non-interest bearing and repayable on demand.



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Company No. 19688 – V

10. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares of RM1/- each		Amount	
	2013	2012	2013	2012
	Unit	Unit	RM	RM
Authorised:				
At 1st January/				
At 31st December	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid:				
At 1st January/				
At 31st December	40,042,400	40,042,400	40,042,400	40,042,400

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

11. LOANS AND BORROWINGS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current				
Finance lease liabilities (secured)	384,729	684,778	234,710	528,805
Floating rate bank loan (secured)	100,770	93,190	100,770	93,190
Floating rate bank loan (unsecured)	392,680	409,565	392,680	409,565
Bankers' acceptances (unsecured)	13,789,400	15,290,500	13,789,400	15,290,500
Bank overdrafts (unsecured)	2,453,321	3,489,588	2,453,321	3,489,588
	<u>17,120,900</u>	<u>19,967,621</u>	<u>16,970,881</u>	<u>19,811,648</u>
Non-current				
Finance lease liabilities (secured)	559,164	439,775	430,221	192,342
Floating rate bank loan (secured)	156,583	260,726	156,583	260,726
Floating rate bank loan (unsecured)	-	408,151	-	408,151
	<u>715,747</u>	<u>1,108,652</u>	<u>586,804</u>	<u>861,219</u>
Total loans and borrowings	<u>17,836,647</u>	<u>21,076,273</u>	<u>17,557,685</u>	<u>20,672,867</u>



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Company No. 19688 – V

11. LOANS AND BORROWINGS (Continued)

(a) Finance lease liabilities

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Minimum lease payments				
- On demand and within one year	435,481	742,541	269,104	563,633
- Later than one year but not later than two years	283,468	288,899	190,525	130,367
- Later than two years but not later than five years	327,463	182,346	281,883	72,587
	1,046,412	1,213,786	741,512	766,587
Future interest charges	(102,519)	(89,233)	(76,581)	(45,440)
Present value of minimum lease payments	943,893	1,124,553	664,931	721,147
Represented by:-				
Current				
- On demand and within one year	384,729	684,778	234,710	528,805
Non-current				
- Later than one year but not later than two years	253,823	267,578	167,613	123,503
- Later than two years but not later than five years	305,341	172,197	262,608	68,839
	559,164	439,775	430,221	192,342
	943,893	1,124,553	664,931	721,147

The effective interest rate ranges from 3.00% to 4.75% (2012: 3.00% to 4.75%) per annum. Interest rates are fixed at the inception of the finance lease arrangements.

The finance lease liabilities are effectively secured on the rights of the assets under finance lease.



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Company No. 19688 – V

11. LOANS AND BORROWINGS (Continued)

(b) Loan and borrowings

The remaining maturities of the loans and borrowings as at 31st December 2013 are as follows:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
On demand and within one year	16,736,171	19,282,843	16,736,171	19,282,843
Later than one year but not later than two years	108,680	508,656	108,680	508,656
Later than two years but not later than five years	47,903	160,221	47,903	160,221
	<u>16,892,754</u>	<u>19,951,720</u>	<u>16,892,754</u>	<u>19,951,720</u>

Floating rate bank loan

The effective interest rate as at the reporting date ranges from 7.85% to 8.10% (2012: 7.85% to 8.10%) per annum.

Bankers' acceptances

The bankers' acceptances of the Group and the Company are granted on the undertaking that the Group and the Company will not pledge or execute any charges on its assets, other than those assets under finance lease.

Effective interest rates as at reporting date is range from 4.38% to 6.24% (2012: 4.41% to 6.21%) per annum.

Bank overdrafts

The bank overdrafts of the Group and the Company are granted on the undertaking that the Group and the Company will not pledge or execute any charges on its assets, other than those assets under finance lease.

The effective interest rates as at the reporting date range from 7.85% to 10.10% (2012: 7.85% to 9.10%) per annum.



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12. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current				
Trade payables				
Third parties	10,677,453	11,488,087	6,561,437	7,368,155
Other payables				
Accrued operating expenses	6,304,437	6,511,927	5,551,903	5,850,988
Other payables	814,059	493,307	705,711	312,489
Refundable deposits	67,275	52,725	67,275	52,525
Amount owing to subsidiary companies	-	-	260,934	189,058
	7,185,771	7,057,959	6,585,823	6,405,060
Total trade and other payables	17,863,224	18,546,046	13,147,260	13,773,215
Add: Loans and borrowings (Note 11)	17,836,647	21,076,273	17,557,685	20,672,867
Total financial liabilities carried at amortised cost	35,699,871	39,622,319	30,704,945	34,446,082

The trade and other payables are non-interest bearing and are normally settled on 30 to 120 days (2012: 30 to 120 days) terms.

The amount owing to subsidiary companies is unsecured, non-interest bearing and repayable on demand.

Trade and other payables are all denominated in Ringgit Malaysia.



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Company No. 19688 – V**13. REVENUE**

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Sales of trading goods	17,772,195	17,450,885	-	-
Sales of manufactured goods	48,027,091	48,995,738	51,451,517	52,892,742
	<u>65,799,286</u>	<u>66,446,623</u>	<u>51,451,517</u>	<u>52,892,742</u>

14. COST OF SALES

Cost of sales represents cost of inventories sold.

15. FINANCE COSTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Interest expenses				
- trade financing	808,582	840,020	752,386	780,887
- bank overdrafts	150,346	145,969	150,346	145,969
- finance lease	81,928	106,373	58,446	77,436
- term loans	75,173	115,593	75,173	115,593
	<u>1,116,029</u>	<u>1,207,955</u>	<u>1,036,351</u>	<u>1,119,885</u>



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16. PROFIT/ (LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
After charging:-				
Impairment loss				
- trade receivables	227,612	381,348	188,399	319,737
- subsidiary companies	-	-	89,794	30,825
Allowance for inventories obsolescence	78,088	220,854	78,088	185,762
Amortisation of prepaid land lease payments	43,434	43,430	26,797	26,793
Audit fee:				
- current year	113,220	95,420	78,000	60,000
- under/(over)accrual in prior year	16,100	(848)	15,000	-
Bad debts written off	3,000	6,642	-	6,642
Directors' remunerations				
- salaries, bonuses and allowances	888,000	888,000	888,000	888,000
- fees	100,000	100,000	100,000	100,000
- other emoluments	92,304	92,304	92,304	92,304
Deposit written off	18,000	-	-	-
Depreciation of property, plant and equipment	1,920,895	1,924,456	1,634,555	1,648,244
Hire of vehicles	175,135	180,344	175,135	180,344
Loss on foreign exchange				
- realised	100	-	-	-
- unrealised	-	98,999	-	98,999
Loss on disposal of property plant and equipment	-	948	-	948
Property, plant and equipment written off	5,945	23,685	5,945	21,722
Rental of premises	127,000	118,000	78,600	78,000
Staff costs:				
- salaries, wages and allowances	7,605,732	7,133,800	6,496,092	6,133,704
- bonus	141,869	340,066	136,844	318,414
- Employees Provident Fund	713,796	669,630	600,507	567,000
- SOCSO	81,523	77,602	67,741	65,898
- other staff related expenses	320,860	463,167	229,068	376,795



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16. PROFIT/ (LOSS) BEFORE TAXATION (Continued)

Profit/ (loss) before taxation has been arrived at: - (Continued)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
And crediting:-				
Allowance for inventories obsolescence no longer required	4,573	-	-	-
Bad debts recovered	-	188	-	-
Impairment loss no longer required on trade receivables	285,397	70,999	235,397	52,442
Interest income	14,126	13,930	13,964	13,692
Rental income	3,600	3,600	-	-
Gain on disposal of property, plant and equipment	32,533	-	32,533	-
Gain on foreign exchange				
- realised	380,731	482,858	380,731	482,858
- unrealised	32,265	-	32,265	-

(a) Directors' remuneration

Details of Directors' remuneration including the estimated monetary value of benefits-in-kind are as follows:-

	Group and Company	
	2013 RM	2012 RM
Executive Directors		
Directors' fees	10,000	10,000
Salaries	744,000	744,000
Allowances	24,000	24,000
Other emoluments	92,304	92,304
	870,304	870,304
Non-Executive Directors		
Directors' fees	90,000	90,000
Allowances	120,000	120,000
	210,000	210,000
Grand Total		
Directors' fees	100,000	100,000
Salaries	744,000	744,000
Allowances	144,000	144,000
Other emoluments	92,304	92,304
	1,080,304	1,080,304



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16. PROFIT/ (LOSS) BEFORE TAXATION (Continued)

(a) Directors' remuneration (Continued)

The number of directors of the Company whose total remuneration fall within the respective ranges are as follows:-

	← Number of Directors →			
	2013		2012	
	Executive Director	Non-Executive Director	Executive Director	Non-Executive Director
Ranges of Remuneration (RM)				
RM0 - RM50,000	-	3	-	3
RM100,001 - RM150,000	-	1	-	1
RM150,001 - RM200,000	-	-	-	-
RM850,000 - RM900,000	1	-	1	-
	1	4	1	4

(b) Key Management Personnel

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Directors' remuneration (Note 16(a))	1,080,304	1,080,304	1,080,304	1,080,304
Other key management personnel				
- salaries, bonus and other emoluments	1,984,963	1,527,870	1,663,001	1,233,321
- Defined contribution plans (Employees Provident Fund)	238,102	185,337	194,234	147,993
	3,303,369	2,793,511	2,937,539	2,461,618



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17. TAXATION

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Income tax				
- current year	(290,000)	(90,000)	(290,000)	(90,000)
- overaccrual in prior year	(41,545)	(8,735)	(58,178)	(8,735)
	<u>(331,545)</u>	<u>(98,735)</u>	<u>(348,178)</u>	<u>(98,735)</u>

Income tax is calculated at the statutory rate of 25% of the estimated taxable profit for the year. In the Budget Speech 2014, the Government announced that the corporate tax rate would be reduced to 24% from the current year's rate of 25% effective year of assessment 2015. Accordingly, the deferred tax was re-measured to reflect these changes.

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the average effective income tax rate of the Group and Company are as follows:-

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Profit/(loss) before taxation	744,951	(475,954)	1,320,703	(358,337)
Tax at applicable tax rate of 25%	(186,238)	118,989	(330,176)	89,584
Tax effects arising from				
- non-taxable income	67,400	164,159	43,808	13,111
- non-deductible expenses	(286,448)	(248,106)	(549,120)	(185,894)
- origination/(reversal) of deferred tax assets not recognised	156,733	(125,042)	562,763	(6,801)
- effect of changes in tax rate	(41,447)	-	(17,275)	-
- overaccrual in prior year	(41,545)	(8,735)	(58,178)	(8,735)
Tax expense for the financial year	<u>(331,545)</u>	<u>(98,735)</u>	<u>(348,178)</u>	<u>(98,735)</u>



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17. TAXATION (Continued)

Deferred tax assets have not been recognised for the following items:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Deductible temporary differences	9,629,264	9,368,900	10,256,046	9,768,703
Unabsorbed capital allowances	1,183,580	515,713	-	-
Unabsorbed industrial building allowances	90,339	90,339	-	-
Unabsorbed reinvestment allowances	3,526,888	6,431,604	2,833,878	5,048,678
Unutilised tax losses	20,407,649	17,664,588	-	-
	<u>34,837,720</u>	<u>34,071,144</u>	<u>13,089,924</u>	<u>14,817,381</u>
Potential deferred tax assets not recognised at 24% (2012: 25%)	8,361,053	8,517,786	3,141,582	3,704,345

18. EARNINGS/ (LOSS) PER ORDINARY SHARE

(a) Basic earnings/ (loss) per ordinary share

The basic earnings/(loss) per ordinary share for the financial year has been calculated based on the Group's profit/(loss) after taxation and non-controlling interests divided by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2013 RM	2012 RM
Profit/ (loss) attributable to owners of the Company	401,572	(574,689)
Weighted average number of ordinary shares in issue	40,042,400	40,042,400
Basic earnings/ (loss) per ordinary share (sen)	1.00	(1.44)

(b) Diluted earnings per share

The Group has no potential dilutive of ordinary shares. As such, there is no dilution effect on the earnings/ (loss) per share of the Group.



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19. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<i>Transactions with subsidiary companies</i>				
Sales to subsidiary companies				
- Hwa Tai Distribution Sdn. Bhd.	-	-	7,881,357	8,001,724
- Hwa Tai Wholesale Sdn. Bhd.	-	-	184,209	91,127
- Hwa Tai Food Industries (Sabah) Sdn. Bhd.	-	-	107,059	1,014,210
- Acetai Corporation Sdn. Bhd.	-	-	159,440	291,433
Management fees, administration fee and rental received/receivable from subsidiary companies				
- Hwa Tai Distribution Sdn. Bhd.	-	-	3,600	3,600
- Hwa Tai Wholesale Sdn. Bhd.	-	-	1,200	1,200
- Epro Industries Sdn. Bhd.	-	-	13,200	13,200
- Hwa Tai Food Industries (Sabah) Sdn. Bhd.	-	-	1,200	1,200
- Suria Merah Manufactory (Segamat) Sdn. Bhd.	-	-	13,200	13,200
<i>Transactions with a firm in which a director is a partner</i>				
Rental of premises paid to Soo Thien Ming & Nashrah, a firm in which a director is a partner				
	36,000	36,000	36,000	36,000
Legal and consultancy fees paid to Soo Thien Ming & Nashrah, a firm in which a director is a partner				
	13,870	11,050	12,000	7,350



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20. FINANCIAL GUARANTEE

	Company	
	2013	2012
	RM	RM
Unsecured		
Corporate guarantees issued to financial institutions for credit facilities granted to a subsidiary company	344,021	505,611

At the end of the reporting period, it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the fair value of the corporate guarantees is nil.

21. CAPITAL COMMITMENT

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Capital expenditure approved and contracted for				
- purchase of property, plant and equipment	533,052	104,486	533,052	89,533

22. SEGMENTAL INFORMATION

For management purposes, the Group is organised into operating units based on the nature of the business and has two reportable operating segments as follow:-

- (i) Manufacturing
- (ii) Trading

Management monitors the operating results of its operating units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluate based on profit or loss before tax of each unit. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

SEGMENTAL INFORMATION (Continued)

	MANUFACTURING		TRADING		OTHERS		TOTAL		ELIMINATION		CONSOLIDATED	
	2013 RM	2012 RM	2013 RM	2012 RM	2013 RM	2012 RM	2013 RM	2012 RM	2013 RM	2012 RM	2013 RM	2012 RM
OTHER INFORMATION												
Segmental assets	46,370,545	48,835,563	3,868,769	4,637,758	644,661	800,921	50,883,975	54,274,242	-	(7,000)	50,883,975	54,267,242
Total assets	46,505,125	49,020,996	3,869,936	4,638,926	644,661	800,921	51,019,722	54,460,843	-	(7,000)	51,019,722	54,453,843
Segmental liabilities	32,121,144	35,447,582	3,559,725	4,157,972	19,002	23,765	35,699,871	39,629,319	-	(7,000)	35,699,871	39,622,319
Total liabilities	32,196,065	35,447,582	3,559,725	4,157,972	175,066	179,829	35,930,856	39,785,383	-	(7,000)	35,930,856	39,778,383
Capital expenditure	982,038	740,672	20,365	15,226	-	-	1,002,403	755,898	-	-	1,002,403	755,898
Depreciation and amortisation	1,919,148	1,918,212	20,547	25,040	24,634	24,634	1,964,329	1,967,886	-	-	1,964,329	1,967,886
Non cash expenditure other than depreciation and amortisation	86,734	214,125	-	37,055	15,300	-	102,034	251,180	-	-	102,034	251,180

Note Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of their fair value:-

	Note
Trade and other receivables (current)	9
Trade and other payables (current)	12
Loans and borrowings	11

The Group classifies fair value measurements using a fair value hierarchy that reflects the significant of the inputs used in making the measurement. The fair value hierarchy has the following levels:-

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amounts of these financial assets and liabilities are a reasonable approximation of their fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date hence the fair value hierarchy is not presented.

The carrying amounts of the current portion of loans and borrowings are a reasonable approximation of their fair values due to the insignificant impact of discounting.

The fair values of loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or finance lease arrangements at the reporting date.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

(i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(i) Credit risk (Continued)

The Group and the Company does not hold any collateral as security and other credit enhancements for the above financial assets.

The management has a credit policy in place to monitor and minimise the exposure of default. The Group trades only with recognised and credit worthy third parties. Trade receivables are monitored on an ongoing basis.

At the reporting date, approximately 51% (2012: 53%) of the Group's trade receivables are due from 3 major customers. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial instrument.

Financial guarantee

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to third parties.

The Company monitors on an ongoing basis the repayments made by the Company and their financial performance.

The maximum exposure to credit risk amounts to RM344,021 (2012: RM505,611) representing the outstanding credit facilities guaranteed by the Company at the reporting date. At the reporting date, there was no indication that the Company would default on its repayment.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 9 to the financial statements. Deposits with banks that are neither past due nor impaired are placed with reputable financial institutions with no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are past due or impaired is disclosed in Note 9 to the financial statements.

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Liquidity risk (Continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Group		
	On demand or within one year RM	One to five years RM	Total RM
31st December 2013			
Financial assets			
Trade and other receivables	24,624,077	-	24,624,077
Cash and bank balances	1,972,514	-	1,972,514
Total undiscounted financial assets	26,596,591	-	26,596,591
Financial liabilities			
Trade and other payables	17,863,224	-	17,863,224
Loans and borrowings	17,171,652	767,514	17,939,166
Total undiscounted financial liabilities	35,034,876	767,514	35,802,390
	Company		
	On demand or within one year RM	One to five years RM	Total RM
31st December 2013			
Financial assets			
Trade and other receivables	22,522,805	-	22,522,805
Cash and bank balances	1,657,388	-	1,657,388
Total undiscounted financial assets	24,180,193	-	24,180,193
Financial liabilities			
Trade and other payables	13,147,260	-	13,147,260
Loans and borrowings	17,005,275	628,991	17,634,266
Total undiscounted financial liabilities	30,152,535	628,991	30,781,526



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Liquidity risk (Continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Group		
	On demand or within one year RM	One to five years RM	Total RM
31st December 2012			
Financial assets			
Trade and other receivables	25,679,086	-	25,679,086
Cash and bank balances	3,255,291	-	3,255,291
Total undiscounted financial assets	28,934,377	-	28,934,377
Financial liabilities			
Trade and other payables	18,546,046	-	18,546,046
Loans and borrowings	20,025,384	1,140,122	21,165,506
Total undiscounted financial liabilities	38,571,430	1,140,122	39,711,552
	Company		
	On demand or within one year RM	One to five years RM	Total RM
31st December 2012			
Financial assets			
Trade and other receivables	23,421,692	-	23,421,692
Cash and bank balances	2,460,594	-	2,460,594
Total undiscounted financial assets	25,882,286	-	25,882,286
Financial liabilities			
Trade and other payables	13,773,215	-	13,773,215
Loans and borrowings	19,846,476	871,831	20,718,307
Total undiscounted financial liabilities	33,619,691	871,831	34,491,522



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

The Group and the Company do not manage the net exposure to interest rate risk since they consider that the cost to manage such instruments outweigh the potential risk of interest rate fluctuation.

The information on maturity dates and effective interest rate of financial assets and liabilities are disclosed in their respective notes.

Sensitivity analysis for interest rate risk

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets at fair value through profit or loss and equity. Therefore a change in interest rates at the reporting date would not affect profit or loss and equity.

Cash flows sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iii) Interest rate risk (Continued)

	Profit or loss and Equity			
	2013		2012	
	100bp Increase RM	100bp Decrease RM	100bp Increase RM	100bp Decrease RM
Group				
Variable rate instruments	(168,928)	168,928	(11,716)	11,716
Company				
Variable rate instruments	(168,928)	168,928	(11,716)	11,716

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currency of Group entities, primarily Ringgit Malaysia (“RM”). The foreign currency in which these transactions are denominated is mainly US Dollar (“USD”).

The Group and the Company ensure that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Management does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential risk of exchange rate fluctuations.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

*Company No. 19688 – V***24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)****(iv) Foreign currency risk (Continued)**Sensitivity analysis for foreign currency risk

A 10% strengthening of the USD and SGD against the RM at the end of the financial year would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variable, in particular interest rates, remain constant.

Effect of profit or loss and equity	Group	
	2013 RM	2012 RM
USD		
- strengthen 10%	15,318	96,874
- weakened 10%	(15,318)	(96,874)
SGD		
- strengthen 10%	17,183	14,778
- weakened 10%	(17,183)	(14,778)

25. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During the financial year of 2013, the Group's strategy, which was unchanged from year 2012, was to maintain the debt-to-equity ratio at an appropriate level. The debt-to-equity ratio is calculated as net debts divided by total capital of the Group. The debt-to-equity ratios at 31st December 2013, 31st December 2012 were as follows:-

	Group	
	2013 RM	2012 RM
Total liabilities	35,930,856	39,778,383
Equity attributable to owners of the Company	15,077,032	14,675,460
Debt-to-equity ratio	2.38	2.71

There were no changes in the Group's approach to capital management during the financial year.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V**26. SIGNIFICANT SUBSEQUENT EVENT**

On 24th April 2014, the Company announced the proposal to undertake the following:

- (i) Proposed reduction of the issued and paid-up share capital of the Company pursuant to Section 64(1) of the Companies Act, 1965, involving the cancellation of RM0.60 of the par value of each ordinary share of RM1.00 in the Company,
- (ii) Proposed amendment to the Memorandum of Association of the Company to facilitate the Proposed Par Value Reduction;
- (iii) Proposed renounceable rights issue of up to 60,063,600 new shares of RM0.40 each at an issue price of RM0.40 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing shares held after the Proposed Par Value Reduction based on a minimum subscription level of 30,031,800 Rights Share on an entitlement date to be determined and announced later; and
- (iv) Proposed exemption to Mr. Soo Thien Ming @ Soo Thien See and persons acting in concert with Mr. Soo from the obligation to undertake a mandatory take-over offer to acquire all the remaining shares not already owned by Mr. Soo upon completion of the Proposed Rights Issue pursuant to Practice Note 9, Paragraph 16.1 of the Malaysian Code on Take-overs and Mergers 2010.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V

HWA TAI INDUSTRIES BERHAD

(Incorporated in Malaysia)

SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25th March 2010, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the accumulated losses of the Group and the Company as at 31st December 2013 and 31st December 2012 are as follows:-

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Accumulated losses of the Group and its subsidiaries:-				
- realised	(24,839,391)	(25,232,890)	(21,129,286)	(21,970,547)
- unrealised	32,265	(98,999)	32,265	(98,999)
As at 31st December	<u>(24,807,126)</u>	<u>(25,331,889)</u>	<u>(21,097,021)</u>	<u>(22,069,546)</u>
Associate company				
- realised	(158,242)	(35,051)	-	-
Total group accumulated losses as per statements of financial position	<u>(24,965,368)</u>	<u>(25,366,940)</u>	<u>(21,097,021)</u>	<u>(22,069,546)</u>

The determination of realised and unrealised profits is based on Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20th December 2010.

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 – V


HWA TAI INDUSTRIES BERHAD
(Incorporated in Malaysia)


STATEMENT BY DIRECTORS

We, **SOO THIEN MING @ SOO THIEN SEE** and **SOO CHUNG YEE**, being two of the directors of Hwa Tai Industries Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 6 to 81 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December 2013 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The supplementary information set out on Page 82 have been prepared in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

On behalf of the Board,


.....
SOO THIEN MING @ SOO THIEN SEE
Director


.....
SOO CHUNG YEE
Director

Kuala Lumpur

Date: **25 APR 2014**



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 - V

HWA TAI INDUSTRIES BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION

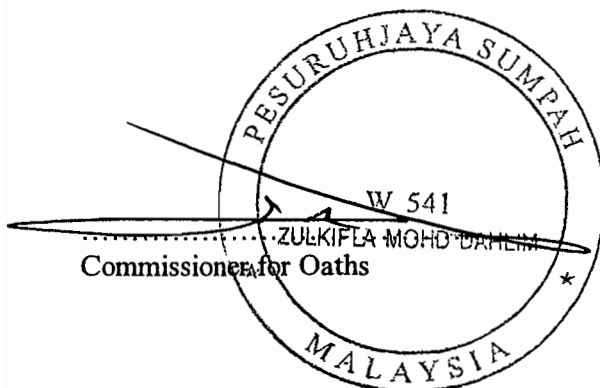
I, **LEE KIM HONG**, being the officer primarily responsible for the financial management of Hwa Tai Industries Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 6 to 81, and the supplementary information set out on page 82 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



.....
LEE KIM HONG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on
25 APR 2014

Before me,



NO: 17, JALAN PETALING
50000 KUALA LUMPUR



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (*Cont'd*)

Company No. 19688 - V



BAKER TILLY

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Chartered Accountants (AF0117)
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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HWA TAI INDUSTRIES BERHAD**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Hwa Tai Industries Berhad, which comprise the statements of financial position as at 31st December 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 81.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 - V*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31st December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.
- (b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification, or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out on page 82 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.



OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 2013 TOGETHER
WITH THE AUDITORS' REPORT THEREON (Cont'd)

Company No. 19688 - V



Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

A handwritten signature in black ink, appearing to read "Baker Tilly Monteiro Heng".

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

A handwritten signature in black ink, appearing to read "Lock Peng Kuan".

Lock Peng Kuan
No. 2819/10/14 (J)
Chartered Accountant

Kuala Lumpur

Date: 25th April 2014



OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2014

CERTIFIED TRUE COPY



 IRENE LEE
 Financial Controller

 HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)
 INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31-Dec-14 (RM'000)	31-Dec-13 (RM'000)	31-Dec-14 (RM'000)	31-Dec-13 (RM'000) Audited
Revenue	17,548	18,082	61,332	65,799
Operating Expenses	(17,789)	(17,505)	(63,655)	(64,937)
Other Operating Income	318	220	913	1,123
Finance Cost	(257)	(265)	(1,057)	(1,116)
Share Of Results Of An Associated Company	(131)	(48)	(2)	(123)
(Loss)/ Profit Before Tax	(311)	484	(2,469)	746
Taxation	-	(150)	34	(332)
(Loss)/ Profit For The Year	(311)	334	(2,435)	414
Attributable to:				
Owners Of the Company	(313)	322	(2,439)	402
Non-Controlling Interests	2	12	4	12
	(311)	334	(2,435)	414
(Loss)/ Earnings Per Share Attributable to Owners of the Company				
Basic (sen)	(0.78)	0.80	(6.09)	1.00
Diluted (sen)	N/A	N/A	N/A	N/A

N/A : Not applicable

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2014
(Cont'd)

CERTIFIED TRUE COPY

HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)
INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

IRENE LEE
Financial Controller

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31-Dec-14 RM'000	As at 31-Dec-13 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	15,319	15,977
Prepaid land lease payments	1,114	1,157
Investment in an associated company	1,631	1,633
	18,064	18,767
Current assets		
Inventories	4,900	5,176
Trade receivables	23,958	24,019
Other receivables	922	950
Tax recoverable	176	136
Cash and bank balances	1,666	1,972
	31,622	32,253
TOTAL ASSETS	49,686	51,020
EQUITY AND LIABILITIES		
Equity attributable to Owners Of the Company		
Share Capital	40,042	40,042
Capital reserves	-	-
Accumulated Losses	(27,404)	(24,965)
	12,638	15,077
Non-Controlling Interests	16	12
Total equity	12,654	15,089
Non-current liability		
Borrowings	501	716
Current liabilities		
Trade payables	9,916	10,677
Other payables	9,159	7,186
Borrowings	17,236	17,121
Tax payable	220	231
	36,531	35,215
Total liabilities	37,032	35,931
TOTAL EQUITY AND LIABILITIES	49,686	51,020
Net Assets Per Share Attributable to Ordinary Equity Holders of the Company (Sen)	31.56	37.65

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2014
(Cont'd)

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HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)
INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

IRENE LEE
Financial Controller

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	12 months ended 31-Dec-14 (RM'000)	12 months ended 31-Dec-13 (RM'000) Audited
Net (loss)/ profit before tax	(2,469)	745
Adjustment for non-cash items:-		
Impairment loss on receivables	357	227
Write down for inventories	97	78
Depreciation		
- property, plant and equipment	1,965	1,921
- prepaid land lease payments	43	43
Interest income	(8)	(14)
Interest expense	1,057	1,116
Non-cash and operating items - others	(419)	(205)
	<u>623</u>	<u>3,911</u>
Changes in working capital:-		
Decrease/ (increase) in inventories	179	(76)
Decrease in receivables	141	1,054
Increase/ (decrease) in payables	1,211	(683)
Payment of finance cost	(965)	(959)
Net payment of income tax	(16)	(205)
	<u>550</u>	<u>(869)</u>
Net cash flows from operating activities	<u>1,173</u>	<u>3,042</u>
Investment Activities		
Purchase of property, plant and equipment	(1,318)	(589)
Proceeds from disposal of property, plant and equipment	1	55
Interest received	8	14
	<u>(1,309)</u>	<u>(520)</u>
Financing Activities		
Net drawdown/ (repayment) of short term borrowings	762	(1,501)
Net repayment of long term borrowings	(689)	(1,115)
Interest paid	(92)	(157)
	<u>(19)</u>	<u>(2,773)</u>
Net Change in Cash & Cash Equivalents	(155)	(251)
Cash & Cash Equivalents at beginning of year	(481)	(234)
Effects of the exchange rate changes	21	4
Cash & Cash Equivalents at end of year	<u>(615)</u>	<u>(481)</u>
Cash and cash equivalents at the end of the financial year comprise the following:		
Cash and bank balances	1,666	1,972
Bank overdrafts	(2,281)	(2,453)
	<u>(615)</u>	<u>(481)</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2014 (Cont'd)

HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)
 INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2014

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IRENE LEE
 Financial Controller

	←-----Attributable to Owners of the Company-----→		Total	Non-Controlling Interests	Total Equity	
	Share Capital	Capital Reserves				Accumulated Losses
	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1st January 2014	40,042	-	(24,965)	15,077	12	15,089
Total comprehensive loss for the year	-	-	(2,439)	(2,439)	4	(2,435)
At 31st December 2014	40,042	-	(27,404)	12,638	16	12,654
At 1st January 2013	40,042	-	(25,367)	14,675	-	14,675
Total comprehensive profit for the year	-	-	402	402	12	414
At 31st December 2013	40,042	-	(24,965)	15,077	12	15,089

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2014
(Cont'd)

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HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

IRENE LEE
Financial Controller

A. NOTES TO INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards and the requirement of the Companies Act 1965 in Malaysia ; Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013. These explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

The financial statements of the Group have been prepared under the historical cost basis except as disclosed in the significant accounting policies in the audited financial statements for the year ended 31 December 2013.

The adoption of the MFRSs and Amendments do not have any material financial impact to these interim financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited financial statement for the financial year ended 31 December 2013.

3. AUDIT REPORTS

There was no qualification in the auditor's report of the preceding annual financial statements for the financial year ended 31 December 2013.

4. SEASONAL OR CYCLICAL FACTORS

The Group is principally engaged in the manufacturing and trading of biscuits and food products. The demand for the Group's products generally picks up during festive seasons.

5. UNUSUAL ITEMS

There were no material unusual items affecting the Group for the current quarter ended 31 December 2014.

6. CHANGES IN ESTIMATES

There were no material changes in the estimates in the prior financial years which have a material effect on the results for the current quarter and financial year to date.

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2014
(Cont'd)

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HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

IRENE LEE
Financial Controller

7. ISSUANCE OR REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter ended 31 December 2014.

8. DIVIDENDS PAID

There were no dividends paid for current quarter ended 31 December 2014.

9. SEGMENTAL REPORT

	12 months ended 31 December 2014	
	<u>Revenue</u> <u>RM'000</u>	<u>Loss before</u> <u>taxation</u> <u>RM'000</u>
Manufacturing	46,135	(2,140)
Trading & others	<u>15,197</u>	<u>(329)</u>
Total	<u>61,332</u>	<u>(2,469)</u>

10. PROPERTY, PLANT AND EQUIPMENT

The valuations of property, plant and equipment were brought forward without any amendments from the previous annual financial statements.

11. MATERIAL SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current quarter ended 31 December 2014 other than as disclosed in Note 21.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter ended 31 December 2014.

13. CAPITAL COMMITMENTS

There were no capital commitments for the current quarter ended 31 December 2014 other than as follows :

	<u>RM'000</u>
Contracted but not provided for property, plant and equipment	<u>186</u>

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2014
(Cont'd)

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HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

IRENE LEE
Financial Controller

14. CONTINGENT LIABILITIES

RM'000

Bank guarantees issued in favour of third parties

208

B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS

15. PERFORMANCE REVIEW

The Group incurred a loss before taxation of RM2.47 million in the current year to-date as compared to a profit before taxation of RM0.75 million in the preceding year corresponding period. The loss was mainly due to a drop in revenue from both the domestic and international sales in the current year to-date and the charging out of progressive expenses incurred of approximately RM300,000 on the Corporate Proposals as disclosed in Note 21 in the current year to-date.

16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

The lower loss before taxation in the current quarter of RM311,000 as compared to a loss before taxation of RM603,000 in the immediate preceding quarter was mainly caused by the increase of sales from both the international and domestic markets during the year end festive season.

17. PROSPECTS OF THE GROUP

The Group continues to operate in a challenging environment at the current soft and competitive market with the uncertainty on raw materials and packing materials costs which might be impacted by the implementation of Good and Service Tax effective 1st April 2015. The Group will continue to operate in a cost effective manner to increase the production efficiency in the manufacturing division.

18. PROFIT FORECAST OR PROFIT GUARANTEE

There were no profit forecast or profit guarantee issued by the Group.

19. LOSS OR PROFIT BEFORE TAXATION

Loss or profit before taxation has been arrived after charging/(crediting):-

	<u>RM'000</u> <u>31.12.14</u>	<u>RM'000</u> <u>31.12.13</u>
Interest income	(8)	(14)
Interest expense	1,057	1,116
Depreciation		
- property, plant & equipment	1,965	1,921
- prepaid land lease properties	43	43
Impairment loss on third parties	357	227
Allowance for inventories obsolescence	97	78
Impairment loss on third parties no longer required	(278)	(285)
Loss/ (gain) on disposal of property, plant and equipment	4	(33)
Net gain on foreign exchange	(453)	(419)

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2014
(Cont'd)

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HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

IRENE LEE
Financial Controller

20. TAXATION

The breakdown of taxation is as follows:

	Individual Quarter		Cummulative Quarter	
	Current year Quarter 31.12.14 <u>RM'000</u>	Preceding year Quarter 31.12.13 <u>RM'000</u>	Current year Quarter 31.12.14 <u>RM'000</u>	Preceding year Quarter 31.12.13 <u>RM'000</u>
Income tax - current period	-	150	64	290
- (over) / under provision in prior year	-	-	(98)	42
	<u>-</u>	<u>150</u>	<u>(34)</u>	<u>332</u>

21. CORPORATE PROPOSALS

On 24 April 2014, the Company announced the proposal to undertake the following:

- (i) Proposed reduction of the issued and paid-up share capital of the Company pursuant to Section 64(1) of the Companies Act, 1965, involving the cancellation of RM0.60 of the par value of each ordinary share of RM1.00 in the Company ("the Proposed Par Value Reduction"),
- (ii) Proposed amendment to the Memorandum of Association of the Company to facilitate the Proposed Par Value Reduction ("the Proposed Amendment);
- (iii) Proposed renounceable rights issue of up to 60,063,600 new shares of RM0.40 each at an issue price of RM0.40 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing shares held after the Proposed Par Value Reduction based on a minimum subscription level of 30,031,800 Rights Share on an entitlement date to be determined and announced later ("the Proposed Rights Issue); and
- (iv) Proposed exemption to Mr. Soo Thien Ming @ Soo Thien See and persons acting in concert with Mr. Soo from the obligation to undertake a mandatory take-over offer to acquire all the remaining shares not already owned by Mr. Soo upon completion of the Proposed Rights Issue pursuant to Practice Note 9, Paragraph 16.1 of the Malaysian Code on Take-overs and Mergers 2010 ("the Proposed Exemption").

The Shareholders had approved the above Proposals at the Extraordinary General Meeting held on 12 November 2014 and the Proposed Exemption was approved by Securities Commission on 15 December 2014.

The High Court of Malaya in Kuala Lumpur, had also on 5 January 2015, granted an order confirming the Proposed Par Value Reduction pursuant to Section 64(1) of the Companies Act, 1965 ("Court Order"). The sealed Court Order had been lodged with the Companies Commission of Malaysia on 13 January 2015. Hence the Proposed Par Value Reduction is deemed completed on 13 January 2015. Pursuant to the completion of the Proposed Par Value Reduction, the par value of each existing ordinary share in the Company has been reduced from RM1.00 to RM0.40 each. In addition to the Proposed Par Value Reduction, the Proposed Amendment was also completed on 13 January 2015.

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2014
(Cont'd)

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HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

IRENE LEE
Financial Controller

Barring any unforeseen circumstances and subject to all relevant requisite approvals being obtained, the said Proposals are expected to be completed before the second quarter of 2015.

22. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowings as at 31 December 2014:

	<u>Unsecured</u> <u>RM'000</u>	<u>Secured</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
Short term borrowings	16,832	404	17,236
Long term borrowings	-	501	501
Total borrowings	<u>16,832</u>	<u>905</u>	<u>17,737</u>

23. FINANCIAL INSTRUMENTS

There were no financial instruments with off balance sheet risk as at the date of this announcement.

24. MATERIAL LITIGATION

As at the date of this announcement, the Group is not engaged in any material litigation, which have a material effect on the financial position or the business of the Group.

25. DIVIDEND

No interim dividend is recommended for the quarter ended 31 December 2014.

26. (LOSS)/EARNINGS PER SHARE

Basic loss or earnings per share is calculated by dividing the net loss or profit for the year by the weighted average number of ordinary shares in issue during the year:

	<u>Cumulative Quarter</u> <u>31-December-2014</u>	<u>Cumulative Quarter</u> <u>31-December-2013</u>
Net (loss) /profit for the year attributable to owners of the Company (RM'000)	(2,439)	402
Weighted average number of shares ('000)	40,042	40,042
Basic (loss) /earnings per share (sen)	(6.09)	1.00

OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2014
(Cont'd)

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HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

IRENE LEE
Financial Controller

27. DISCLOSURE OF REALISED AND UNREALISED PROFIT/LOSSES

The following analysis of realised and unrealised retained profits/(accumulated losses) is prepared pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No.1 - Determination of Realised and Unrealised Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

The Group's accumulated losses as at 31 December 2014 and 31 December 2013 is analysed as follows:

	<u>31.12.14</u> <u>RM'000</u>	<u>31.12.13</u> <u>RM'000</u>
Accumulated losses		
- realized	(27,402)	(24,839)
- unrealized	<u>158</u>	<u>32</u>
	(27,244)	(24,807)
Associated company:		
- realised	<u>(160)</u>	<u>(158)</u>
Total group accumulated losses as per statements of financial position	<u>(27,404)</u>	<u>(24,965)</u>

28. AUTHORISATION FOR ISSUE

The interim financial reports were authorised for release by the Board of Directors.

By Order of the Board
JESSICA CHIN TENG LI (MAICSA 7003181)
Company Secretary
Dated : 13th February 2015

OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON



BAKER TILLY

2 March 2015

The Board of Directors
Hwa Tai Industries Berhad
 No. 12, Jalan Jorak
 Kawasan Perindustrian Tongkang Pecah
 83010 Batu Pahat
 Johor Darul Takzim

Baker Tilly Monteiro Heng
 Chartered Accountants (AF0117)
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Dear Sirs,

STRICTLY CONFIDENTIAL

**HWA TAI INDUSTRIES BERHAD AND ITS SUBSIDIARIES
 REPORT ON THE COMPILATION OF PROFORMA CONSOLIDATED
 STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013**

We have completed our assurance engagement to report on the compilation of Proforma Consolidated Statements of Financial Position of Hwa Tai Industries Berhad (“Hwa Tai” or “the Company”) and its subsidiaries (“the Group”) as at 31 December 2013 for which the directors of Hwa Tai are solely responsible. The Proforma Consolidated Statements of Financial Position consists of the proforma consolidated statements of financial position as at 31 December 2013 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the directors of Hwa Tai have compiled the Proforma Consolidated Statements of Financial Position are as described in Note 1 to the Proforma Consolidated Statements of Financial Position (“Applicable Criteria”).

The Proforma Consolidated Statements of Financial Position of the Group as at 31 December 2013 has been compiled by the directors of Hwa Tai to illustrate the impact of the renounceable rights issue of up to 60,063,600 new ordinary shares of RM0.40 each in Hwa Tai (“Hwa Tai Shares”) (“Rights Share(s)”) at an issue price of RM0.40 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing Hwa Tai Shares held at 5.00 p.m. on 16 March 2015 (“Entitlement date”), based on a minimum subscription level of 30,031,800 Rights Shares (“Rights Issue”) on the Group’s financial position as at 31 December 2013, as if the transaction had taken place at 31 December 2013.

As part of this process, information about the Group’s financial position has been extracted by the directors of Hwa Tai from the audited financial statements of the Group for the financial year ended 31 December 2013, which we reported to the members of Hwa Tai on 25 April 2014 without any modification.

Directors’ Responsibility for the Proforma Consolidated Statements of Financial Position

The directors of Hwa Tai are responsible for compiling the Proforma Consolidated Statements of Financial Position based on the Applicable Criteria.

OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (*Cont'd*)



BAKER TILLY

HWA TAI INDUSTRIES BERHAD AND ITS SUBSIDIARIES
Report on the Compilation of the Proforma Consolidated Statements
of Financial Position as at 31 December 2013

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, whether the Proforma Consolidated Statements of Financial Position has been compiled, in all material respects, by directors of Hwa Tai based on the Applicable Criteria.

We conducted our engagement in accordance with *the International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Proforma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of Hwa Tai have compiled, in all material respects, the Proforma Consolidated Statements of Financial Position based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Proforma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Proforma Consolidated Statements of Financial Position.

The purpose of the Proforma Consolidated Statements of Financial Position included in the Abridged Prospectus of Hwa Tai is solely to illustrate the impact of the Rights Issue on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Proforma Consolidated Statements of Financial Position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors of Hwa Tai in the compilation of the Proforma Consolidated Statements of Financial Position of the Group provide a reasonable basis for presenting the significant effects directly attributable to the Rights Issue, and to obtain sufficient appropriate evidence about whether:-

- (i) The related proforma adjustments give appropriate effects to those criterias; and
- (ii) The Proforma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Proforma Consolidated Statements of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Proforma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (*Cont'd*)

HWA TAI INDUSTRIES BERHAD AND ITS SUBSIDIARIES
Report on the Compilation of the Proforma Consolidated Statements
of Financial Position as at 31 December 2013



Opinion

In our opinion:-

- (i) the Proforma Consolidated Statements of Financial Position of the Group as at 31 December 2013 have been properly compiled on the basis set out in the accompanying notes to the Proforma Consolidated Statements of Financial Position based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2013 (which have been prepared by directors of the Company in accordance with the Malaysian Financial Reporting Standards), and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited financial statements for the financial year ended 31 December 2013; and
- (ii) each material adjustment made to the information used in the preparation of the Proforma Consolidated Statements of Financial Position of the Group as at 31 December 2013 is appropriate for the purposes of preparing the Proforma Consolidated Statements of Financial Position.

Other matters

This report has been prepared solely for inclusion in the Abridged Prospectus of Hwa Tai in connection with the Rights Issue. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

BAKER TILLY MONTEIRO HENG

OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (Cont'd)

HWA TAI INDUSTRIES BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

The Proforma Consolidated Statements of Financial Position of Hwa Tai Industries Berhad ("Hwa Tai" or "the Company") and its subsidiaries ("the Group") as at 31 December 2013 as set out below for which the directors of Hwa Tai are solely responsible, have been prepared for illustrative purposes only to show the effects on the audited consolidated statement of financial position of the Group as at 31 December 2013 had the transaction as described in Note 2 and the Rights Issue as described in Note 3 been effected on that date, and should be read in conjunction with the notes accompanying to the Proforma Consolidated Statements of Financial Position.

Minimum Scenario

	Audited Consolidated Statement of Financial Position as at 31 December 2013 RM'000	Adjusted Consolidated Statement of Financial Position as at 31 December 2013 RM'000	Proforma I After the Rights Issue RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	15,977	15,977	22,977
Prepaid land lease payments	1,157	1,157	1,157
Investment in an associated company	1,633	1,633	1,633
Total non-current assets	18,767	18,767	25,767
Current assets			
Inventories	5,176	5,176	5,176
Trade and other receivables	24,624	24,624	24,624
Prepayments	344	344	344
Tax recoverable	136	136	136
Cash and bank balances	1,973	1,973	5,186
Total current assets	32,253	32,253	35,466
TOTAL ASSETS	51,020	51,020	61,233
EQUITY AND LIABILITIES			
Equity attributable to the owners of Hwa Tai			
Share capital	40,042	16,017	28,030
Accumulated losses	(24,965)	(940)	(1,240)
Shareholders' funds	15,077	15,077	26,790
Non-controlling interests	12	12	12
Total equity	15,089	15,089	26,802



OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (Cont'd)

HWA TAI INDUSTRIES BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (Continued)

Minimum Scenario (Continued)

	Audited Consolidated Statement of Financial Position as at 31 December 2013 RM'000	Adjusted Consolidated Statement of Financial Position as at 31 December 2013 RM'000	Proforma I After the Rights Issue RM'000
Non-current liabilities			
Loans and borrowings	716	716	716
Current liabilities			
Trade and other payables	17,863	17,863	17,863
Loans and borrowings	17,121	17,121	15,621
Tax payable	231	231	231
Total current liabilities	35,215	35,215	33,715
Total liabilities	35,931	35,931	34,431
TOTAL EQUITY AND LIABILITIES	51,020	51,020	61,233
 Number of ordinary shares in issue			
- RM1.00 each ('000)	40,042	-	-
- RM0.40 each ('000)	-	40,042	70,074
 Net assets ("NA") (RM'000) *	15,077	15,077	26,790
NA per ordinary share (RM) *	0.38	0.38	0.38

* Attributable to the owners of Hwa Tai



OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (Cont'd)

HWA TAI INDUSTRIES BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (Continued)

Maximum Scenario

	Audited Consolidated Statement of Financial Position as at 31 December 2013 RM'000	Adjusted Consolidated Statement of Financial Position as at 31 December 2013 RM'000	Proforma I After the Rights Issue RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	15,977	15,977	30,977
Prepaid land lease payments	1,157	1,157	1,157
Investment in an associated company	1,633	1,633	1,633
Total non-current assets	18,767	18,767	33,767
Current assets			
Inventories	5,176	5,176	5,176
Trade and other receivables	24,624	24,624	24,624
Prepayments	344	344	344
Tax recoverable	136	136	136
Cash and bank balances	1,973	1,973	6,698
Total current assets	32,253	32,253	36,978
TOTAL ASSETS	51,020	51,020	70,745
EQUITY AND LIABILITIES			
Equity attributable to the owners of Hwa Tai			
Share capital	40,042	16,017	40,042
Accumulated losses	(24,965)	(940)	(1,240)
Shareholders' funds	15,077	15,077	38,802
Non-controlling interests	12	12	12
Total equity	15,089	15,089	38,814



OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (Cont'd)

HWA TAI INDUSTRIES BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (Continued)

Maximum Scenario (Continued)

	Proforma I		
	Audited Consolidated Statement of Financial Position as at 31 December 2013 RM'000	Adjusted Consolidated Statement of Financial Position as at 31 December 2013 RM'000	After the Rights Issue RM'000
Non-current liabilities			
Loans and borrowings	716	716	716
Current liabilities			
Trade and other payables	17,863	17,863	17,863
Loans and borrowings	17,121	17,121	13,121
Tax payable	231	231	231
Total current liabilities	<u>35,215</u>	<u>35,215</u>	<u>31,215</u>
Total liabilities	<u>35,931</u>	<u>35,931</u>	<u>31,931</u>
TOTAL EQUITY AND LIABILITIES	<u>51,020</u>	<u>51,020</u>	<u>70,745</u>
Number of ordinary shares in issue			
- RM1.00 each ('000)	40,042	-	-
- RM0.40 each ('000)	-	40,042	100,106
NA (RM'000) *	<u>15,077</u>	<u>15,077</u>	<u>38,802</u>
NA per ordinary share (RM) *	<u>0.38</u>	<u>0.38</u>	<u>0.39</u>

* Attributable to the owners of Hwa Tai



OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (Cont'd)

HWA TAI INDUSTRIES BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

1. Basis of Preparation

- 1.1 The Proforma Consolidated Statements of Financial Position of the Group as at 31 December 2013, for which the directors of Hwa Tai are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of the Group as at 31 December 2013 had the transaction as described in Note 2 and the Rights Issue as described in Note 3 been effected on that date, and should be read in conjunction with the notes accompanying thereto.
- 1.2 The Proforma Consolidated Statements of Financial Position of the Group as at 31 December 2013 have been prepared in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited consolidated financial statements for the financial year ended 31 December 2013, which have been prepared in accordance with the Malaysian Financial Reporting Standards.
- 1.3 The audited financial statements of the Company for the financial year ended 31 December 2013 were reported by the auditors to the members on 25 April 2014 without any modification.

2. Adjustments to the Audited Consolidated Statement of Financial Position

Subsequent to 31 December 2013, Hwa Tai had undertaken the following transactions:-

Par Value Reduction

On 13 January 2015, the sealed order dated 5 January 2015 granted by the High Court of Malaya in Kuala Lumpur had been duly lodged with the Companies Commission of Malaysia pursuant to Section 64(1) of the Companies Act, 1965, involving the cancellation of RM0.60 of the par value of each existing ordinary share of RM1.00 each in Hwa Tai ("Par Value Reduction"). Consequently, the Par Value Reduction reduced the par value of each existing ordinary share from RM1.00 to RM0.40 each ("Hwa Tai Share(s)") effective 13 January 2015. With this, the Par Value Reduction has completed.

The reduction of the issued and paid-up share capital of Hwa Tai amounting to RM24,025,440 arising from the Par Value Reduction was credited to the Accumulated Losses Account.



OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (Cont'd)

HWA TAI INDUSTRIES BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (Continued)

2. Adjustments to the Audited Consolidated Statement of Financial Position (Continued)

Par Value Reduction (Continued)

The Par Value Reduction had the following impact on the audited consolidated statement of financial position of the Group:-

	Increase / (Decrease) Effects on Total Equity RM'000
Share capital	(24,025)
Accumulated losses	24,025
	<u>-</u>

3. Rights Issue

Hwa Tai will undertake the renounceable rights issue of up to 60,063,600 new Hwa Tai Shares ("Rights Share(s)") at an issue price of RM0.40 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing Hwa Tai Shares held at 5.00 p.m. on 16 March 2015 ("Entitlement date"), based on a minimum subscription level of 30,031,800 Rights Shares ("Rights Issue").

Utilisation of the Proceeds from the Rights Issue

The proceeds from the Rights Issue will be utilised in the following manner:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
Repayment of bank borrowings	1,500	4,000
Capital expenditure for business expansion	7,000	15,000
Working capital	3,213	4,725
Defrayment of estimated expenses	300	300
	<u>12,013</u>	<u>24,025</u>



OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (Cont'd)

HWA TAI INDUSTRIES BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (Continued)

4. Proforma Consolidated Statements of Financial Position

4.1 Minimum Scenario

The minimum scenario assumes that:-

- (i) The Rights Issue will be undertaken on a minimum subscription level basis via the issuance of 30,031,800 Rights Shares at the issue price of RM0.40 per Rights Share ("Minimum Subscription Level"). The total proceeds to be raised from the Minimum Subscription Level is RM12.013 million.
- (ii) The Board has procured a written irrevocable undertaking from Mr. Soo Thien Ming @ Soo Thien See on 23 April 2014 to subscribe for his Rights Shares entitlements pursuant to the Rights Issue and the requisite number of excess Rights Shares not subscribed by the other entitled shareholders in order to achieve the Minimum Subscription Level.

4.1.1 Proforma I

Proforma I incorporates the cumulative effects of the adjusted consolidated statement of financial position of the Group and the Rights Issue as described in Notes 3 and 4.1 and the utilisation of the proceeds from the Right Issue.

The proceeds arising from the Rights Issue earmarked for the working capital of RM3.213 million will be included in the Cash and Bank Balances Account.

The estimated expenses of RM300,000 will be debited to the Accumulated Losses Account.

The Rights Issue will have the following impact on the adjusted consolidated statement of financial position of the Group as at 31 December 2013:-

	Increase / (Decrease)	
	Effects on Total Assets RM'000	Effects on Total Equity and Liabilities RM'000
Cash and bank balances	3,213	-
Property, plant and equipment	7,000	-
Loans and borrowings	-	(1,500)
Share capital	-	12,013
Accumulated losses	-	(300)
	10,213	10,213



OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (Cont'd)

HWA TAI INDUSTRIES BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (Continued)

4. Proforma Consolidated Statements of Financial Position (Continued)

4.2 Maximum Scenario

The Maximum scenario assumes that all the entitled shareholders will fully subscribe for their respective entitlements under the Rights Issue at the issue price of RM0.40 per share.

4.2.1 Proforma I

Proforma I incorporates the cumulative effects of the adjusted consolidated statement of financial position of the Group and the Rights Issue as described in Notes 3 and 4.2 and the utilisation of the proceeds from the Right Issue.

The proceeds arising from the Rights Issue earmarked for the working capital of RM4.725 million will be included in the Cash and Bank Balances Account.

The estimated expenses of RM300,000 will be debited to the Accumulated Losses Account.

The Rights Issue will have the following impact on the adjusted consolidated statement of financial position of the Group as at 31 December 2013:-

	Increase / (Decrease)	
	Effects on Total Assets RM'000	Effects on Total Equity and Liabilities RM'000
Cash and bank balances	4,725	-
Property, plant and equipment	15,000	-
Loans and borrowings	-	(4,000)
Share capital	-	24,025
Accumulated losses	-	(300)
	19,725	19,725



OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (Cont'd)

HWA TAI INDUSTRIES BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (Continued)

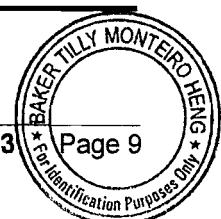
5. Movements in Share Capital and Reserves

5.1 Minimum Scenario

	Share capital		Accumulated Losses RM'000
	Number of Shares '000	Amount RM'000	
Audited consolidated statement of financial position as at 31 December 2013	40,042	40,042	(24,965)
Arising from the Par Value Reduction	-	(24,025)	24,025
Adjusted consolidated statement of financial position as at 31 December 2013	40,042	16,017	(940)
Arising from the Rights Issue			
- proceeds from the Rights Issue	30,032	12,013	-
- defrayment of estimated expenses	-	-	(300)
Per Proforma I	70,074	28,030	(1,240)

5.2 Maximum Scenario

	Share capital		Accumulated Losses RM'000
	Number of Shares '000	Amount RM'000	
Audited consolidated statement of financial position as at 31 December 2013	40,042	40,042	(24,965)
Arising from the Par Value Reduction	-	(24,025)	24,025
Adjusted consolidated statement of financial position as at 31 December 2013	40,042	16,017	(940)
Arising from the Rights Issue			
- proceeds from the Rights Issue	60,064	24,025	-
- defrayment of estimated expenses	-	-	(300)
Per Proforma I	100,106	40,042	(1,240)



OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (Cont'd)

HWA TAI INDUSTRIES BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (Continued)

6. Movements in Cash and Bank Balances

6.1 Minimum Scenario

	Cash and Bank Balances RM'000
Audited consolidated statement of financial position as at 31 December 2013	1,973
Arising from the Par Value Reduction	-
Adjusted consolidated statement of financial position as at 31 December 2013	1,973
Arising from the Rights Issue	
- proceeds from the Rights Issue	12,013
- repayment of bank borrowings	(1,500)
- capital expenditure for business expansion	(7,000)
- defrayment of estimated expenses	(300)
Per Proforma I *	5,186

* Included in the cash and bank balances is an amount of approximately RM3.213 million resulting from the Rights Issue earmarked for working capital purposes.



OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (Cont'd)

HWA TAI INDUSTRIES BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (Continued)

6. Movements in Cash and Bank Balances (Continued)

6.2 Maximum Scenario

	Cash and Bank Balances RM'000
Audited consolidated statement of financial position as at 31 December 2013	1,973
Arising from the Par Value Reduction	-
Adjusted consolidated statement of financial position as at 31 December 2013	<u>1,973</u>
Arising from the Rights Issue	
- proceeds from the Rights Issue	24,025
- repayment of bank borrowings	(4,000)
- capital expenditure for business expansion	(15,000)
- defrayment of estimated expenses	(300)
Per Proforma I *	<u>6,698</u>

* Included in the cash and bank balances is an amount of approximately RM4.725 million resulting from the Rights Issue earmarked for working capital purposes.



OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (Cont'd)

HWA TAI INDUSTRIES BERHAD AND ITS SUBSIDIARIES

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Hwa Tai Industries Berhad in accordance with a resolution dated 27 February 2015



.....
SOO THEN MING @ SOO THIEN SEE
Director

DIRECTORS' REPORT



Hwa Tai Industries Berhad

华大工业有限公司

(Company No. 19688-V)

Registered Office:

No. 12, Jalan Jorak
Kawasan Perindustrian Tongkang Pecah
83010 Batu Pahat
Johor Darul Takzim

4 March 2015

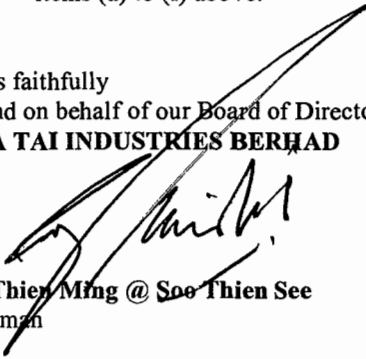
To: The Shareholders of Hwa Tai Industries Berhad ("Hwa Tai")

Dear Sir/Madam,

On behalf of the Board of Directors of Hwa Tai, I wish to report that after making due enquiry that during the period from 31 December 2013 (being the date on which the last audited consolidated financial statements of Hwa Tai and its subsidiaries ("Group") have been made) up to the date hereof (being a date not earlier than fourteen (14) days before the date of issue of this Abridged Prospectus ("AP")):

- (a) the business of our Group has, in the opinion of our Directors, been satisfactorily maintained;
- (b) in the opinion of our Directors, no circumstances have arisen since the last audited consolidated financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (c) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;
- (e) there has been no default or any known event that could give rise to a default situation in respect of payments of either interest and/or principal sums in relation to any borrowings of our Group in which our Directors are aware of since the last audited consolidated financial statements of our Group;
- (f) save as disclosed in this AP, there have been no material changes in the published reserves or any unusual factors affecting the profits of our Group since the last audited consolidated financial statements of our Group; and
- (g) save as disclosed above and up to the date of this letter, no other reports are required in relation to items (a) to (f) above.

Yours faithfully
for and on behalf of our Board of Directors of
HWA TAI INDUSTRIES BERHAD


Soo Thien Ming @ Soo Thien See
Chairman

19, Jalan ML 16, ML-16 Industrial Park, 43300 Seri Kembangan, Selangor.
Corporate Office : No. 8, Jalan 1/1, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan, Malaysia. Tel: +60(3)8964 5600 / 5203 Fax: +60(3)8964 5400
Main Factory : No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor, Malaysia. Tel: +60(7)4151 688 Fax: +60(7)4151 135
Sabah Factory : Lot 40 & 41, Phase 1, Lok Kawi Industrial Estate, Kinarut, 88848 Kota Kinabalu, Sabah, Malaysia. Tel: +60(88)750 396 Fax: +60(88)750 395
China Company : ShanDong Yingerle Hwa Tai Food Industry Co. Ltd. 山东婴儿乐华大食品工业有限公司
Add: No. 569, Economic Development Zone, Qingyun County, Dezhou City, Shandong Province, China 253700. Tel: +86(534) 3423 007 Fax: +86(534) 3327 509

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FURTHER INFORMATION

1. SHARE CAPITAL

- (i) Save for the Rights Shares, no other securities will be allotted or issued on the basis of this AP later than twelve (12) months after the date of issue of this AP.
- (ii) We have only one (1) class of shares, namely ordinary shares of RM0.40 each, all of which rank *pari passu* with one another as at the date of this AP.
- (iii) Save for the Rights Shares, no other securities have been issued or are proposed or intended to be issued as fully or partly in cash or otherwise than in cash within the two (2) years preceding the date of this AP.
- (iv) As at the date of this AP, save for our Entitled Shareholders who will be provisionally allotted the Rights Shares to be issued pursuant to the Rights Issue, no other person has been or is entitled to be given an option to subscribe for any securities of our Company.

2. REMUNERATION OF DIRECTORS

The following provisions are reproduced from our Company's Articles of Association. Terms defined in our Articles of Association shall have the same meanings when used herein unless they are otherwise defined herein or the context otherwise requires.

Article 70 – Remuneration for Executive Directors

Any Director who is appointed to any executive office including the office of Chairman or who serves on any committee or who performs services which in the opinion of the Directors are executive in nature and outside the scope of the ordinary duties of a Director shall be known as an "Executive Director" and shall be remunerated by way of a salary as the Directors may determine. Salaries payable to Executive Directors may not include a commission on or a percentage of turnover. Fees payable to Executive Directors shall not be increased except pursuant to a resolution passed at an Extraordinary General Meeting, where notice of the proposed increase has been given in the notice convening the Extraordinary General Meeting. All Directors who are not Executive Directors shall be known as "Non-Executive Directors"

Article 71 – Remunerations of Non-Executive Directors

Fees payable to Non-Executive Directors shall be by a fixed sum as shall from time to time be determined by an Ordinary Resolution of the Company and not by a commission on or percentage of profits or of turnover except that any Director who shall hold office for part only of the period in respect of which such fees is payable shall be entitled only to a proportion of the fees related to the period during which he has held office. Fees payable to Non-Executive Directors shall not be increased except pursuant to a resolution passed at an Extraordinary General Meeting, where notice of the proposed increase has been given in the notice convening the Extraordinary General Meeting.

Article 85 – Remuneration of Managing Director

The remuneration of the Managing Director shall subject to any contract between him and the Company be fixed by the directors and may be by way of fixed salary or commission or participation in profits or by all or any of these modes but such salary shall not include a commission on or a percentage of turnover.

FURTHER INFORMATION (Cont'd)

Article 95 – Expenses and remuneration of Alternative Directors

An alternate or substitute Director maybe repaid by the Company such expenses as might properly be repaid to him if he were a Director and he shall be entitled to receive from the Company such proportion (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct, but save as aforesaid he shall not in respect of such appointment be entitled to receive any remuneration from the Company. Any remuneration as aforesaid paid by the Company to the alternate or substitute Director shall be deducted from the remuneration of that Director being his appointor.

3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Directors have no knowledge of any proceedings pending or threatened against the our Group or of any fact likely to give rise to any proceedings which might adversely and materially affect the financial position or business of our Group.

4 MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) entered into by Hwa Tai within two (2) years immediately preceding the LPD.

5. GENERAL

- (i) The nature of our Group's business is described in Sections 2 and 6 of Appendix II of this AP. There are no corporations which are deemed related to us by virtue of Section 6 of the Act, except as disclosed in Section 6 of Appendix II of this AP.
- (ii) The estimated expenses in relation to the Corporate Exercises of RM300,000 will be borne by our Company.
- (iii) There are no existing or proposed service contracts between our Directors and our Company or our subsidiaries excluding contracts expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year from the date of this AP.
- (iv) Our Directors are not aware of any material information, including special trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group, except as disclosed in Sections 7 and 9 of this AP.
- (v) Save as disclosed in this AP, the financial conditions and operations of our Group are not affected by any of the following:
 - (a) known trends or known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the liquidity of our Group increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure of our Group;
 - (c) unusual or infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from our operations; and
 - (d) known trends or uncertainties that have had, or that our Group reasonably expects will have, a material favourable or unfavourable impact on our revenues or operating income.

FURTHER INFORMATION (Cont'd)

6. CONSENTS

Our Adviser, Due Diligence Solicitors, Share Registrar, Company Secretary and Principal Bankers have given and have not subsequently withdrawn their respective written consents to the inclusion of their names in the form and context in which such names appear in this AP.

Messrs. Baker Tilly Monterio Heng, our Auditors and Reporting Accountants, have given and have not subsequently withdrawn their written consent to the inclusion of its name, the audited consolidated financial statements for the FYE 2013 together with the auditors' report of our Company, the proforma consolidated statements of financial position of our Company as at 31 December 2013 together with the Reporting Accountants' report thereon and all references thereto, in the form and context in which they appear in this AP.

7. CONFLICT OF INTEREST

PIVB, Messrs. Mohd Daud Leong & Co. and Messrs. Baker Tilly Monterio Heng, have given their respective confirmations that they have no directorship with our Group nor any equity and/or financial relationship with our Group, our Directors and/or our substantial shareholders that may give rise to a situation of conflict of interest in their capacity as the Adviser, Due Diligence Solicitors and Reporting Accountants, respectively, in connection with the Rights Issue.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents will be made available for inspection at our Registered Office from Mondays to Fridays (excluding public holidays) during business hours for a period of twelve (12) months from the date of this AP:

- (i) our Memorandum and Articles of Association;
- (ii) our audited consolidated financial statements for the past two (2) FYEs 2012 and 2013;
- (iii) our unaudited consolidated financial statements for the FYE 2014;
- (iv) our proforma consolidated statements of financial position as at 31 December 2013 together with the Reporting Accountants' report thereon as set out in Appendix V of this AP;
- (v) the letters of Undertaking by Mr. Soo as referred to in Section 4 of this AP;
- (vi) our Directors' Report as set out in Appendix VI of this AP;
- (vii) the letters of consent as referred to in Section 6 of this Appendix.

9. RESPONSIBILITY STATEMENTS

- (i) Our Directors have seen and approved this AP together with the NPA and RSF and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading; and
- (ii) PIVB, being our Adviser, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue.