

HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2002

Unaudited Condensed Consolidated Income Statements

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31-Dec-02 (RM'000)	31-Dec-01 (RM'000)	31-Dec-02 (RM'000)	31-Dec-01 (RM'000)
Revenue	24,403	27,229	95,133	104,509
Operating Expenses	(27,138)	(26,253)	(96,601)	(100,851)
Other Operating Income	58	174	451	276
Profit from Operation	(2,677)	1,150	(1,017)	3,934
Finance Cost	(394)	(461)	(1,579)	(1,719)
Investing Results	(4,454)	-	(5,764)	-
Profit before tax	(7,525)	689	(8,360)	2,215
Taxation	331	(319)	(887)	(869)
Profit after tax	(7,194)	370	(9,247)	1,346
Minority Interest	171	(115)	299	273
Net Profit for the period	(7,023)	255	(8,948)	1,619
EPS - Basic (sen)	(53.08)	1.93	(67.63)	12.24
- Diluted (sen)	N/A	N/A	N/A	N/A

(The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2001)

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Unaudited Condensed Consolidated Balance Sheet

	As At 31-Dec-02 (RM'000)	As At 31-Dec-01 (RM'000)
Property, Plant & Equipment	49,131	48,376
Intangible Assets		
Goodwill	2,301	2,307
Investments in Associate and Joint Ventures		
Other Investments	949	5,142
Current Assets		
Inventories	11,039	12,413
Trade & Other Debtors	27,951	33,472
Cash and Cash Equivalents	2,318	2,934
	41,308	48,819
Current Liabilities		
Trade & Other Creditors	22,018	28,342
Overdraft & Short Term Borrowings	33,822	25,648
Taxation	2,102	3,543
	57,942	57,533
Net Current Assets / (Liabilities)	(16,634)	(8,714)
	35,747	47,111
Shareholder's Fund		
Share Capital	13,230	13,230
Reserves		
Revaluation Reserve	8	8
Retained Profit	8,367	17,601
	21,605	30,839
Minorities Interest	149	1,292
Long Term Liabilities		
Borrowings	12,377	13,251
Bonds (Debt Securities)	-	-
Other Deferred Liabilities	1,616	1,729
	35,747	47,111
	35,747	47,111
Net Tangible Assets Per Share (Sen)	145.91	215.66
Total Assets Employed	93,689	104,644

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Unaudited Condensed Consolidated Cash Flow Statement for the quarter ended 31 December 2002

	2002 12 months ended 31-Dec (RM'000)	2001 12 months ended 31-Dec (RM'000)
Net Profit before tax	(8,360)	2,215
Adjustment for non-cash flow		
Non-cash items	3,591	3,673
Non-operating items	4,355	-
Operating profit before changes in working capital	<u>(414)</u>	<u>5,888</u>
Changes in working capital		
Net change in current assets	6,895	(7,202)
Net change in current liabilities	(6,324)	6,346
Tax paid	(2,441)	(649)
Net cash flows from operating activities	<u>(2,284)</u>	<u>4,383</u>
Investment Activities		
Equity Investments	(1,000)	1,080
Other Investments	(4,346)	(15,451)
	<u>(5,346)</u>	<u>(14,371)</u>
Financing Activities		
Transactions with owner as owner	(286)	(476)
Bank borrowings	7,300	11,635
Debts securities issued	-	-
	<u>7,014</u>	<u>11,159</u>
Net Change in Cash & Cash Equivalents	(616)	1,171
Cash & Cash Equivalents at beginning of year	2,934	1,763
Cash & Cash Equivalents at end of year	2,318	2,934

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2001)

HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2002

Condensed Consolidated Statement of Changes in Equity

	Share Capital RM'000	Reserve attributable to Capital RM'000	Reserve attributable to Revenue RM'000	Retained Profits RM'000	Total RM'000
<u>12 months ended 31 December 2002</u>					
Balance as at 1 Jan 2002	13,230	-	8	17,601	30,839
Movement during the peri	-	-	-	(8,948)	(8,948)
Dividend paid				(286)	(286)
Balance as at 31 Dec. 2002	<u>13,230</u>	<u>-</u>	<u>8</u>	<u>8,367</u>	<u>21,605</u>
<u>12 months ended 31 December 2001</u>					
Balance as at 1 Jan 2001	13,230	-	8	16,458	29,696
Movement during the peri	-	-	-	1,619	1,619
Dividend paid				(476)	(476)
Balance as at 31 Dec. 2001	<u>13,230</u>	<u>-</u>	<u>8</u>	<u>17,601</u>	<u>30,839</u>

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 Decemeber 2001)

HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2002

A. NOTES TO INTERIM REPORT

1 **ACCOUNTING POLICIES AND METHODS**

The Interim financial report has been prepared in accordance with MASB 26 and the same accounting policies and method of computation are followed in the interim financial statement as compared with the annual audited accounts of the Group for the year ended 31 December 2001.

2 **AUDIT REPORTS**

There were no qualification for the preceding annual financial statement for the financial year ended 31 December 2001.

3 **SEASONAL OR CYCLICAL FACTORS**

The group is principally engaged in manufacturing & trading of biscuits & food products. The demand for the Group's products will pick up during the second half of the financial year especially during the year end festive season.

4 **UNUSUAL ITEMS**

There were no unusual items for the quarter ended 31 December 2002 except the following:

- a. The penalty imposed by KLSE on the Company for failing to comply with certain provisions of the KLSE's Second Board Listing Requirement (KLSESBLR) in respect of the acquisitions and disposals of quoted shares during the financial years 1996 to 1999 and the incidental expenses incurred in compliance with the KLSESBLR retrospectively.
- b. Diminution in value of marketable securities
- c. Impairment of assets related to goodwill written off for investment in a subsidiary company.

	Current Quarter RM'000	Cumulative Year-To-Date RM'000
Penalty imposed by KLSE	0	1,188
Incidental Expenses in compliance of KLSESBLR	99	221
Diminution in value of marketable securities	4,193	4,193
Impairment of assets - goodwill	162	162
Investing Results	<u>4,454</u>	<u>5,764</u>

5 **CHANGES IN ESTIMATES**

There were no material changes in estimates of amounts previously reported in prior interim period of the current financial year or in prior financial year.

6 **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 interim period and year to date ended 31 December 2002.

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7 **DIVIDENDS PAID**

A final dividend of 3% less 28% income tax amounting to RM285.768 in respect of financial year 31 December 2001 was paid on 22 August 2002.

8 **SEGMENTAL REPORT**

As at 31 December 2002		
	Turnover	Profit before taxation
	<u>RM'000</u>	<u>RM'000</u>
Manufacturing	56,580	935
Trading & others	38,553	(9,295)
Total	<u><u>95,133</u></u>	<u><u>-8,360</u></u>

9 **PROPERTY, PLANT AND EQUIPMENT**

The valuation of property, plant and equipment is brought forward without any amendments from the previous annual financial statements.

10 **MATERIAL SUBSEQUENT EVENTS**

There were no material events subsequent to the end of the interim period ended 31 December 2002.

11 **CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the group during the interim period and current financial year to date except the following:

a) on 1st April 2002, the Company increased its equity interest in its subsidiary company, Acetai Corporation Sdn. Bhd. ("Acetai"), from 70% to 90% by acquiring 1,000,000 ordinary shares of RM1/- each in Acetai at par from Murni Sakti Sdn. Bhd. ("MSSB") for a total consideration of RM1,000,000/-. The consideration was paid by way of an offset against the amount owing by MSSB to the Company. The Company's shareholdings in Acetai were accordingly increased to 4,500,000 ordinary shares of RM1 - each after the acquisition.

12 **CONTINGENT LIABILITIES**

	<u>RM'000</u>
Bank guarantees issued in favour of third parties -unsecured	440

B. ADDITIONAL INFORMATION - KLSE'S REQUIREMENTS

13 **REVIEW OF PERFORMANCE**

The group's revenue for the year ended 31 December 2002 decreased by 9.0% from RM105 millions to RM95 millions as compared to previous year.

This is mainly due to the competitive business environment & discontinuation of the distributorship of two agency products.

For the year ended 31 Dec 2002, the Group recorded a loss before tax of RM8.4 millions as compared to profit before tax of RM2.2 million for previous year. This is mainly due to the lower revenue and lower margin resulted from the competitive business environment especially for the subsidiary

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companies and the unusual items disclosed in Note 4.

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14 **VARIATIONS OF RESULTS AGAINST PRECEDING QUARTER**

The group's revenue for the final quarter ended 31 Dec 2002 has marginally increased from RM23.9 millions to RM24.4 millions. The group's loss before tax for the final quarter increased to RM7.5 million mainly due to the competitive trading condition and unusual items as disclosed in Note 4 above.

15 **FUTURE YEAR PROSPECT**

The impending war between USA & Iraq, poor market sentiments and low consumers confidence will continue to play a negative role in the consumer market.

Barring unforeseen circumstances, the Board expects the Group's operating performance for the year 2003 to recover at a satisfactory level of profits after consolidating the trading companies' business and launching of new products.

16 **PROFIT FORECAST**

The company does not have any comparable profit forecast in respect of actual profit.

17 **TAXATION**

	<u>Group</u>	
	Current quarter <u>RM'000</u>	Cumulative quarter to date <u>RM'000</u>
Income Tax - current year	257	547
Income Tax - prior year	(164)	453
Deferred taxation-current year	(424)	-114
Real Property Gain Tax- under provision in previous year	0	1
	<u>-331</u>	<u>887</u>

The effective tax rate of the group for the current quarter and financial year to date is higher than the statutory tax rate mainly due to certain expenses being disallowed for tax reporting purposes and the losses of certain subsidiary companies that are not available to set off against taxable profit of the company.

The prior year tax charged was mainly due to accelerated tax imposed by IRB on a subsidiary company.

18 **PROFIT ON SALES OF INVESTMENTS AND OR PROPERTIES**

There were no profit / (loss) on sales of investments and/or properties for the cumulative quarter ended 31 December 2002 except the following:

	<u>Group</u>	
	Current quarter <u>RM'000</u>	Cumulative quarter to <u>RM'000</u>
Profit from disposal of properties	0	31

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19 **PURCHASE OR DISPOSAL OF QUOTED SECURITIES**

(a) <u>Cumulative quarter to date</u>	<u>RM'000</u>
Total purchases	NIL
Total disposals	NIL
Total loss on disposals	NIL
(b) <u>Investment in quoted shares as at 31 Dec 2002</u>	<u>RM'000</u>
Total investments at costs	5,142
Total investments at carrying value/book value	949
Total investments at market value	949

20 **CORPORATE PROPOSALS**

There were no corporate proposals announced but not completed as at the date of this announcement.

21 **GROUP BORROWING AND DEBT SECURITIES**

Group borrowings as at 31 Dec 2002:

<u>Short term borrowings</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Hire purchase repayable within 1 year	0	1,410	1,410
Trade financing facilities	20,127	0	20,127
Bank overdrafts	6,067	0	6,067
Term loan repayable within 1 year	0	2,218	2,218
Revolving credit	4,000	0	4,000
	<u>30,194</u>	<u>3,628</u>	<u>33,822</u>
<u>Long term borrowings</u>			
Hire purchase repayable after 1 year	0	2,062	2,062
Term loan repayable after 1 year	0	10,315	10,315
	<u>0</u>	<u>12,377</u>	<u>12,377</u>
Total borrowings	<u>30,194</u>	<u>16,005</u>	<u>46,199</u>

22 **FINANCIAL INSTRUMENTS**

There were no financial instruments with off balance sheet risk as at the date of this announcement.

23 **MATERIAL LITIGATION**

There were no material litigation as at the date of this announcement.

24 **DIVIDEND**

The decision regarding the payment of dividend for the current financial year under review has not been made by the Board as yet.

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25 EARNINGS PER SHARE

- a) The amount used as the numerator in calculating basic and diluted earnings per share is RM7,023,000 and RM8,948,000 respectively for the quarter and financial year to date which is same as the net loss reported for the reporting period.

- b) The number of ordinary shares used as the denominator in calculating basic and diluted earnings per share is 13,230,000 shares which is same as the existing paid up capital.

26 MINIMUM CAPITAL REQUIREMENT

As at date of announcement, the Company is considering various proposals in meeting the minimum paid up capital requirement and the decision has not been made by the Board as yet.

27 RECLASSIFICATION OF ACCOUNTS

Certain comparative figures of the Group have been reclassified to conform with their presentation in current interim reporting.