

**HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)**  
**INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 September 2003**

**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 2002.

2 **AUDIT REPORTS**

There were no qualification for the preceding annual financial statement for the financial year ended 31 December 2002.

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 30 September 2003 except the following

a) Disposal of quoted securities during the quarter as disclosed in Note 19.

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 30 September 2003.

7 **DIVIDENDS PAID**

There were no dividend paid during the interim period ended 30 September 2003.

8 **SEGMENTAL REPORT**

	<b>As at 30 September 2003</b>	
	Turnover	Profit before
	RM'000	taxation
		RM'000
Manufacturing	43,173	(845)
Trading & others	25,129	(1,836)
Total	<u>68,302</u>	<u>(2,681)</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 30 September 2003.

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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.

12 **CONTINGENT LIABILITIES**

	<u>RM'000</u>
Bank guarantees issued in favour of third parties -unsecured	567

**B. ADDITIONAL INFORMATION - KLSE'S REQUIREMENTS**

13 **REVIEW OF PERFORMANCE**

The group's revenue for the 3rd quarter ended 30 Sep 2003 increased by 6.1% from RM 23.9 million to RM25.4 million as compared to previous year same quarter.

This is mainly due to the increased in domestic biscuits sales resulted from the advertising & promotion activities and improved export sales.

For the quarter ended 30 Sep 2003, the Group recorded a loss before tax of RM0.65 million as compared to loss before tax of RM0.21 million for previous year same quarter. This is mainly due to the high initial commissioning cost for a new production line & losses incurred in the disposal of quoted shares.

14 **VARIATIONS OF RESULTS AGAINST PRECEDING QUARTER**

The group's revenue for the quarter ended 30 Sep 03 increased by 18% to RM25.4 million as compared to previous preceding quarter. This is mainly due to improved domestic consumer sentiment after SARS ended and improved export market after Iraq war.

The group's loss before tax for the quarter decreased from RM1.4 million to RM0.6 million. This is mainly due to the improved revenue.

15 **CURRENT YEAR PROSPECT**

In view of the resumption of the export orders and improved consumer market, barring unforeseen circumstances, the Board expects the group's operating performance for the year 2003 to remain at profitable level.

16 **PROFIT FORECAST**

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

17 **TAXATION**

	Group	
	Current quarter	Cumulative quarter to date
	<u>RM'000</u>	<u>RM'000</u>
Income Tax - current year	(44)	(44)
Deferred taxation	0	(363)
	(44)	(407)

For the period ended 30 September 2003, there is no tax liability for the group due to loss in the current quarter.

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 30 September 2003.

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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	949
Total loss on disposals	655
(b) <u>Investment in quoted shares as at 30 September 2003</u>	<u>RM'000</u>
Total investments at costs	-
Total investments at carrying value/book value	-
Total investments at market value	-

20 **CORPORATE PROPOSALS**

The Company has announced the following proposals on 26 Aug 2003 to increase the paid up capital to RM40 million in meeting its minimum paid up capital requirement :

- a) Renounceable two-call rights issue free detachable warrants on the basis of four (4) rights shares together with three(3) warrants for every two (2) existing ordinary shares.
- b) Employee Share Option Scheme

Subsequently on 7 November 2003, The Company has announced that the Securities Commission ("SC") has approved the above proposal via its letter dated 4 November 2003.

21 **GROUP BORROWING AND DEBT SECURITIES**

Group borrowings as at 30 September 2003

<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	1,474	1,474
Trade financing facilities	15,852	5,426	21,278
Bank overdrafts	5,936	0	5,936
Term loan repayable within 1 year	0	1,965	1,965
Revolving credit	4,000	0	4,000
	<u>25,788</u>	<u>8,865</u>	<u>34,653</u>
<u>Long term borrowings</u>			
Hire purchase repayable after 1 year	0	1,693	1,693
Term loan repayable after 1 year	0	8,926	8,926
	<u>0</u>	<u>10,619</u>	<u>10,619</u>
Total borrowings	<u>25,788</u>	<u>19,484</u>	<u>45,272</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**

No interim dividend is recommended for the quarter ended 30 September 2003.

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**25 EARNINGS PER SHARE**

- a) The amount used as the numerator in calculating basic and diluted earnings per share is RM604,000 and RM2,176,000 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**

The status of proposal in meeting up the minimum capital requirement is disclosed in Note 20.

**27 RECLASSIFICATION OF ACCOUNTS**

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