

HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2004

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 2003.

2 **AUDIT REPORTS**

There were no qualification for the preceding annual financial statement for the financial year ended 31 December 2003.

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 2004.

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 March 2004.

7 **DIVIDENDS PAID**

There were no dividend paid during the interim period ended 31 March 2004.

8 **SEGMENTAL REPORT**

	As at 31 March 2004	
	Turnover	Profit before taxation
	<u>RM'000</u>	<u>RM'000</u>
Manufacturing	13,704	(721)
Trading & others	8,420	(300)
Total	<u>22,124</u>	<u>(1,021)</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 March 2004.

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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	179

B. ADDITIONAL INFORMATION - KLSE'S REQUIREMENTS

13 **REVIEW OF PERFORMANCE**

The group's revenue for the current quarter ended 31 Mar 2004 increased by 3% to RM22.1 million as compared to previous year same quarter of RM21.5 million.

For the quarter ended 31 Mar 2004, the Group's loss before tax increased to RM1.0 million as compared to loss before tax of RM0.6 million for previous year same quarter. This is mainly due to increase in raw material cost and overhead and increased in depreciation and financial expenses.

14 **VARIATIONS OF RESULTS AGAINST PRECEDING QUARTER**

The group's revenue for the quarter ended 31 Mar 04 decreased by 9% to RM22.1 million as compared to RM24.3 million in preceding quarter. This is mainly due to the low season after the festive period.

Despite of lower revenue, the group's loss before tax for the quarter decreased slightly from RM1.1 million to RM1.0 million. This is mainly due to the lower operating expenses resulted from internal cost control.

15 **CURRENT YEAR PROSPECT**

Barring unforeseen circumstances, the Board expects the group's operating performance for the year 2004 to recover at a satisfactory level after the completion of the corporate proposal as disclosed in Note 20 and the more efficient utilisation of the new production line.

16 **PROFIT FORECAST**

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

17 **TAXATION**

For the interim quarter ended 31 March 2004, there is no tax liability for the group as it has no chargeable income.

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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 March 2004.

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 March 2004</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 with 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

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.

On 13 February 2003, The Company announced that the issue price for the Rights Shares is fixed at RM1.00 per Rights Share (of which the first call of RM0.90 is payable in cash on application and the second call of RM0.10 is wholly capitalised from the Company's unappropriated profit account).

The above proposals have been approved and adopted by the shareholders of the Company at the Extraordinary General Meeting held on 16 February 2004.

Abridged Propectus in relation to the above Corporate Proposals had been despatched to the shareholders on 29 April 2004 and the last acceptance and payment for the Rights issue is on 27 May 2004.

21 **GROUP BORROWING AND DEBT SECURITIES**

Group borrowings as at 31 March 2004:

<u>Short term borrowings</u>	Unsecured	Secured	Total
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Hire purchase repayable within 1 year	0	1,349	1,349
Trade financing facilities	19,511	5,487	24,998
Bank overdrafts	4,740	292	5,032
Term loan repayable within 1 year	0	1,929	1,929
Revolving credit	4,000	0	4,000
	<u>28,251</u>	<u>9,057</u>	<u>37,308</u>
<u>Long term borrowings</u>			
Hire purchase repayable after 1 year	0	1,181	1,181
Term loan repayable after 1 year	0	8,386	8,386
	<u>0</u>	<u>9,567</u>	<u>9,567</u>
Total borrowings	<u>28,251</u>	<u>18,624</u>	<u>46,875</u>

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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 31 March 2004.

25 **EARNINGS PER SHARE**

a) The amount used as the numerator in calculating basic and diluted earnings per share is RM996,000 and RM996,000 respectively for the quarter and financial year to date which is same as the net loss for the quarter and cumulative 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.