

**HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)**  
**INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 period ended 30 June 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 30 June 2004.

7 **DIVIDENDS PAID**

There were no dividend paid during the interim period ended 30 June 2004.

8 **SEGMENTAL REPORT**

	As at 30 June 2004	
	Turnover	Profit before taxation
	RM'000	RM'000
Manufacturing	29,157	(1,258)
Trading & others	16,572	(885)
Total	<u>45,729</u>	<u>(2,143)</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 June 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	195

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

13 **REVIEW OF PERFORMANCE**

The group's revenue for the 2nd quarter ended 30 June 2004 increased by 10% to RM23.6 million as compared to previous year same quarter of RM21.5 million.

This is mainly due to the improved cake sales and more stabilised sales for agency products.

For the quarter ended 30 June 2004, the Group's loss before tax decreased to RM1.1 million as compared to loss before tax of RM1.4 million for previous year same quarter. This is mainly due to increase in revenue. However, the performance of the Company is still affected by the increase in raw material cost.

14 **VARIATIONS OF RESULTS AGAINST PRECEDING QUARTER**

The group's revenue for the quarter ended 30 Jun 04 increased by 7% to RM23.6 million as compared to RM22.1 million in preceding quarter.

This is mainly due to improved cake sales especially from the export market.

In spite of the improved revenue. The group's loss before tax for the quarter maintained at RM1.1 million.

This is mainly due to lower margin resulted from the increased in raw material cost.

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 current quarter and the cumulative quarter ended 30 June 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 30 June 2004.

19 **PURCHASE OR DISPOSAL OF QUOTED SECURITIES**

There were no investment in quoted shares for the quarter or cumulative quarter to date.

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 Rights Issue with Warrants had been despatched to the shareholders on 29 April 2004 and the last acceptance and payment for the Rights Issue was on 27 May 2004.

The Employee Share Option Scheme (ESOS) was implemented on 6 May 2004 and the proceeds raised is utilised as working Capital.

The Rights Issue with Warrants had been successfully completed on 16 June 2004.

The proceeds arising from the Rights Issue with Warrants has been utilised for the following:

	Intended	Actual
	<u>RM'000</u>	<u>RM'000</u>
Repayment of Bank Borrowing	20,000	20,000
Expenses for the Proposals	1,150	1,114
Working Capital	2,664	2,700
	<u>23,814</u>	<u>23,814</u>

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21 **GROUP BORROWING AND DEBT SECURITIES**

Group borrowings as at 30 June 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	1,235	1,235
Trade financing facilities	17,445	6,525	23,970
Bank overdrafts	1,312	0	1,312
Term loan repayable within 1 year	0	1,929	1,929
Revolving credit	4,000	0	4,000
	<u>22,757</u>	<u>9,689</u>	<u>32,446</u>
<u>Long term borrowings</u>			
Hire purchase repayable after 1 year	0	1,203	1,203
Term loan repayable after 1 year	0	8,062	8,062
	<u>0</u>	<u>9,265</u>	<u>9,265</u>
 Total borrowings	 <u>22,757</u>	 <u>18,954</u>	 <u>41,711</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 June 2004.

25 **EARNINGS PER SHARE**

a) The amount used as the numerator in calculating basic and diluted earnings per share is RM1,121,000 and RM2,117,000 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 40,042,400 shares which is same as the existing paid up capital.

26 **MINIMUM CAPITAL REQUIREMENT**

The status of the proposal in meeting the minimum capital requirement is disclosed in Note 20. The paid up capital is increased to RM40,042,400 as at 28 June 2004 which is in compliance with the minimum capital requirement for Second Board.