

**HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)**  
**INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 accounting policies and method of computation used in the interim financial statement are the same with those in annual audited financial statement 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 and 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 September 2004.

**5 CHANGES IN ESTIMATES**

There were no material changes in the estimates of the amounts previously reported in the 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 2004 except for the following:-

	Current Quarter RM'000	Cumulative Quarter RM'000
Issuance of 26,460,000 Ordinary shares of RM1/- each via Rights Issue	0	26,460
Issuance of 352,400 Ordinary shares of RM1/- each via ESOS	0	352
	<u>0</u>	<u>26,812</u>

**7 DIVIDENDS PAID**

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

**8 SEGMENTAL REPORT**

	<b>As at 30 September 2004</b>	
	Turnover	Profit before taxation
	<u>RM'000</u>	<u>RM'000</u>
Manufacturing	44,760	(1,198)
Trading & others	25,154	(1,490)
Total	<u>69,914</u>	<u>(2,688)</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 2004.

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

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	193

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

13 **REVIEW OF PERFORMANCE**

For the period ended 30 September 2004, the Group's revenue increased marginally by 2% from RM68.3 million to RM69.9 million as compared to the corresponding period in the preceding year. This was mainly due to improved distribution and launch of new products. In spite of the improved revenue and lower finance cost, the Group's loss before tax for the period ended 30 September 2004 maintained at RM2.7 million. This was mainly due to higher raw material cost and fuel price coupled with fierce price competition which resulted in an increase in operating expenses. However the Group's loss before tax for the 3rd quarter ended 30 September 2004 decreased from RM0.6million to RM0.5million as compared to the corresponding quarter in the preceding year. This was resulted from lower finance cost.

14 **VARIATIONS OF RESULTS AGAINST PRECEDING QUARTER**

The Group's revenue for the quarter ended 30 September 2004 increased by 2% to RM24.2 million as compared to RM23.6 million in the preceding quarter. This was mainly due to the launching of new products in the 3rd quarter. Due to improved revenue and lower finance cost, the Group's loss before tax for the quarter improved from RM1.1m to RM0.5m as compared to the preceding quarter.

15 **CURRENT YEAR PROSPECT**

With the uncertainty of raw material cost and fuel price and re-pegging of USD currency, margin will continue to come under pressure. The Group will make extra efforts to counter these adversities continuously. Barring unforeseen circumstances, the Board expects the Group's operating performance for year 2004 to recover at a satisfactory level.

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 September 2004, there is no tax liability for the Group as it has no chargeable income.

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

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

There were no sales of investments and/or properties for the cumulative quarter ended 30 September 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 following proposals have been approved and adopted by the Shareholders of the Company at the Extraordinary General Meeting held on 16 February 2004:-

- 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 held (Rights Issue with Warrants).
- b) Employee Share Option Scheme (ESOS).

The Abridged Prospectus in relation to the Rights Issue with Warrants were despatched to the Shareholders on 29 April 2004 and the last acceptance and payment for the Rights Issue was on 27 May 2004.

The ESOS was implemented on 6 May 2004 and the proceeds raised was 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
	RM'000	RM'000
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>

On 30 July 2004, the Company announced its proposal to expand the eligibility criteria of the ESOS to include non-executive Directors and to increase maximum number of new shares that may be allotted pursuant to the ESOS to be not more than 15% of the issued and paid up share capital (Presently:10%) which would require amendments to the Articles of Association of the Company and Bye-Laws of the existing ESOS (Proposed Amendments).

Bursa Malaysia Securities Berhad had on 8 October 2004, granted its approval-in-principle for the listing of such number of new ordinary shares to be issued pursuant to the exercise of options granted under the ESOS of up to 15% the issued and paid-up share capital.

The Proposed Amendments are now subject to the approval of the Shareholders of the Company at an Extraordinary General Meeting to be held on 13 December 2004.

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

21 **GROUP BORROWING AND DEBT SECURITIES**

Group borrowings as at 30 September 2004:

<u>Short term borrowings</u>	Unsecured <u>RM'000</u>	Secured <u>RM'000</u>	Total <u>RM'000</u>
Hire purchase repayable within 1 year	0	1,193	1,193
Trade financing facilities	14,460	6,739	21,199
Bank overdrafts	1,203	389	1,592
Term loan repayable within 1 year	0	988	988
Revolving credit	3,000	0	3,000
	<u>18,663</u>	<u>9,309</u>	<u>27,972</u>
 <u>Long term borrowings</u>			
Hire purchase repayable after 1 year	0	1,071	1,071
Term loan repayable after 1 year	0	2,392	2,392
	<u>0</u>	<u>3,463</u>	<u>3,463</u>
 Total borrowings	<u>18,663</u>	<u>12,772</u>	<u>31,435</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 2004.

25 **EARNINGS PER SHARE**

a) The amount used as the numerator in calculating basic and diluted earnings per share is RM545,000 and RM2,662,000 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 paid up capital of the Company had increased to RM40,042,400 as at 28 June 2004 which is in compliance with the minimum capital requirement for Second Board.