

**HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)**  
**INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 31 December 2004 except for

	Current Quarter RM'000	Cumulative Quarter RM'000
Expenses arising from corporate exercise	(4)	1,000
Devaluation of certain properties in a subsidiary	590	590
Impairment loss of goodwill related to investment in a subsidiary	2,277	2,277
	<u>2,863</u>	<u>3,867</u>

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 except prior year adjustment for devaluation of properties amounting RM1,807,000.

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 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 31 December 2004.

8 **SEGMENTAL REPORT**

**As at 31 December 2004**

	Profit before taxation	
	Turnover RM'000	RM'000
Manufacturing	60,420	(1,173)
Trading & others	31,646	(7,915)
Total	<u>92,066</u>	<u>(9,088)</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 except for

	Devaluation of certain properties to Realisable Value RM'000
Prior year	1,807
Current year	590
	<u>2,397</u>

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10 **MATERIAL SUBSEQUENT EVENTS**

There were no material events subsequent to the end of the interim period ended 31 December 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	202

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

13 **REVIEW OF PERFORMANCE**

The Group's revenue for the final quarter ended 31 Dec 2004 decreased by 9% to RM22.2 million as compared to previous year same quarter of RM24.3 million.

For the year ended 31 Dec 2004, the Group's revenue decreased marginally to RM92.0 million as compared to previous year of RM92.6 million.

This is mainly due to the lower sales from the discontinued agency products.

For the quarter ended 31 Dec 2004, the Group's loss before tax increased to RM5.4 million as compared to loss before tax of RM1.1 million for previous year same quarter. This loss from operation was mainly due to one off provision made by Subsidiary Companies.

For the year ended 31 Dec 2004, the Group's loss before tax increased from RM3.8 million to RM9.1 million. The loss from operation was mainly due to the impact of increased material cost, fuel cost and the one off provisions made by Subsidiary Companies.

14 **VARIATIONS OF RESULTS AGAINST PRECEDING QUARTER**

The Group's revenue for the quarter ended 31 Dec 04 decreased by 8% to RM22.2 million as compared to RM24.1 million in preceding quarter.

This is mainly due to the lower sales from the discontinued agency products.

The group's loss before tax for the quarter increased to RM5.4 million as compared to RM0.5 million for preceeding quarter. This is mainly due to the one off provision made by the Subsidiary Companies and impairment loss of goodwill.

15 **FUTURE YEAR PROSPECT**

The threat of the rising raw material cost, packing material cost and fuel price will continue to put significant pressure on margin. The Group will continue to make extra efforts to minimise the impact of these adversities. Financial Year 2005 will be challenging, however the Board expects the Group's operating performance 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 31 December 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 sales of investments and/or properties for the cumulative quarter ended 31 December 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
	<u>RM'000</u>	<u>RM'000</u>
Repayment of Bank Borrowing	20,000	20,000
Expenses for the Proposals	1,150	1,000
Working Capital	2,664	2,814
	<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 has been approved by the Shareholders of the Company at an Extraordinary General Meeting held on 13 December 2004.

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**21 GROUP BORROWING AND DEBT SECURITIES**

Group borrowings as at 31 December 2004:

<u>Short term borrowings</u>	Unsecured RM'000	Secured RM'000	Total RM'000
Hire purchase repayable within 1 year	0	1,027	1,027
Trade financing facilities	15,018	4,912	19,930
Bank overdrafts	2,101	0	2,101
Term loan repayable within 1 year	0	988	988
Revolving credit	2,000	0	2,000
	<u>19,119</u>	<u>6,927</u>	<u>26,046</u>
<u>Long term borrowings</u>			
Hire purchase repayable after 1 year	0	876	876
Term loan repayable after 1 year	0	2,142	2,142
	<u>0</u>	<u>3,018</u>	<u>3,018</u>
Total borrowings	<u>19,119</u>	<u>9,945</u>	<u>29,064</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 31 December 2004.

**25 EARNINGS PER SHARE**

a) The amount used as the numerator in calculating basic and diluted earnings per share is RM5,391,000 and RM9,057,000 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.