

HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2005

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 2004.

2 AUDIT REPORTS

There were no qualification for the preceding annual financial statement for the financial year ended 31 December 2004.

3 SEASONAL OR CYCLICAL FACTORS

The Group is principally engaged in manufacturing and trading of biscuits and food products. The demand for the Group's products generally picked 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 March 2005.

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 quarter and cumulative quarter ended 31 March 2005.

7 DIVIDENDS PAID

There were no dividend paid during the interim period ended 31 March 2005.

8 SEGMENTAL REPORT

	As at 31 March 2005	
	Turnover	Profit before
	<u>RM'000</u>	<u>RM'000</u>
Manufacturing	16,069	113
Trading & others	4,242	(825)
Total	<u>20,311</u>	<u>(712)</u>

9 PROPERTY, PLANT AND EQUIPMENT

The valuation of property, plant and equipment has been brought forward without any amendments from the previous annual financial statements.

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10 **MATERIAL SUBSEQUENT EVENTS**

There were no material events subsequent to the end of the interim period ended 31 March 2005 except the proposal as disclosed in Note 20.

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	204

B. ADDITIONAL INFORMATION - KLSE'S REQUIREMENTS

13 **REVIEW OF PERFORMANCE**

The Group's revenue for the first quarter ended 31 March 2005 decreased by 8.1% to RM20.3 million as compared to previous year same quarter of RM22.1 million, mainly due to certain discontinued agency products.

However the Group's loss before tax improved from RM1.0 million to RM0.7 million as compared to loss before tax for previous year same quarter.

14 **VARIATIONS OF RESULTS AGAINST PRECEDING QUARTER**

The Group's revenue for the quarter ended 31 March 2005 decreased by 8.5% to RM20.3 million as compared to RM22.2 million in preceding quarter, mainly due to the lower sales from certain discontinued agency products.

The group's loss before tax for the quarter decreased to RM0.7 million as compared to RM7.2 million for preceeding quarter. This is mainly due to the one off provision made by the Subsidiary Companies and impairment loss of goodwill in preceding quarter.

15 **CURRENT YEAR PROSPECT**

The Group will make extra efforts to minimise the impact of rising raw material cost and fuel price. Barring unforeseen circumstances, the Group expect better performance for the coming quarters.

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 March 2005, 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 March 2005.

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**

On 28 February 2005, AmMerchant Bank Berhad announced on behalf of the Board of Directors that the Company proposes to undertake a private placement of new shares in the Company, representing up to 10% of the issued and paid-up share capital of the Company ("Proposed Placement"). Funds raised from the Proposed Placement shall be utilised for working capital requirements.

The application for the Proposed Placement had been submitted to the Securities Commission ("SC"), the Ministry of International Trade and Industry ("MITI") and the Equity Compliance Unit of the SC under Foreign Investment Committee requirements ("ECU") on 26 April 2005.

MITI had on 18 May 2005 approved the Proposed Placement subject to the Proposed Placement being approved by SC and ECU.

21 **GROUP BORROWING AND DEBT SECURITIES**

Group borrowings as at 31 March 2005:

	Unsecured	Secured	Total
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Short term borrowings	20,409	6,712	27,121
Long term borrowings	0	2,867	2,867
Total borrowings	<u>20,409</u>	<u>9,579</u>	<u>29,988</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 March 2005.

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25 **EARNINGS PER SHARE**

(a) **Basic**

Basic loss per share is calculated by dividing the net loss for the period by the weighted average number of ordinary shares in issue during the period

	Quarter ended 31.3.2005	Quarter ended 31.3.2004
Loss for the period (RM'000)	(712)	(996)
Weighted average number of shares ('000)	40,042	32,770 *
Basic earnings per share (sen)	(1.78)	(3.04) *

* Restated for rights issue in financial year ended 31 December 2004

(b) **Diluted**

No diluted earnings per share is calculated as potential ordinary share are anti-dilutive