

HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2005

A. NOTES TO INTERIM REPORT

1 **ACCOUNTING POLICIES AND METHODS**

The Interim financial report has been prepared in accordance with FRS 134: Interim Financial Reporting and Chapter 9 Part K paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The accounting policies and methods of computation used in the interim financial statements are the same with those in the audited annual financial statements of the Group for the year ended 31 December 2004.

2 **AUDIT REPORTS**

There were no qualification in the audit report of the preceding annual financial statements 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 picks up during the second half of the financial years especially during year end festive seasons.

4 **UNUSUAL ITEMS**

There were no unusual items for the period ended 30 September 2005.

5 **CHANGES IN ESTIMATES**

There were no material changes in the estimates of the amounts previously reported in the prior interim periods of the current financial year or in prior financial years.

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 30 September 2005.

7 **DIVIDENDS PAID**

There were no dividend paid during the interim period ended 30 September 2005.

8 **SEGMENTAL REPORT**

	9 months ended 30-Sep-2005	
	Turnover	Profit before
	<u>RM'000</u>	<u>RM'000</u>
Manufacturing	46,457	356
Trading & others	14,306	(4,055)
Total	<u>60,763</u>	<u>(3,699)</u>

9 **PROPERTY, PLANT AND EQUIPMENT**

The valuations of property, plant and equipment were brought forward without any amendments from the previous annual financial statements.

HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2005

10 **MATERIAL SUBSEQUENT EVENTS**

There were no material events subsequent to the end of the interim period ended 30 September 2005.

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 except for the disposal of the entire equity interest of the Company's wholly-owned subsidiary, Satria Potensi Sdn Bhd, comprising 1,000,000 ordinary shares of RM1/- each for a total cash consideration of RM1/- as announced on 3 August 2005.

12 **CONTINGENT LIABILITIES**

	<u>RM'000</u>
Bank guarantees issued in favour of third parties -unsecured	330

B. ADDITIONAL INFORMATION - LISTING REQUIREMENTS

13 **REVIEW OF PERFORMANCE**

The Group's revenue for the current quarter and cumulative quarter ended 30 September 2005 decreased by 10.5% and 13.1% to RM21.6 million and RM60.8 million as compared to previous year corresponding quarter of RM24.2 million and RM69.9 million respectively. The decrease is mainly due to the discontinuation of certain agency products.

The Group's pre-tax losses before exceptional items increased from RM2.7 million to RM3.7 million. The increase is mainly due to escalating mandatory advertising and promotional costs imposed by the modern trade.

14 **VARIATIONS OF RESULTS AGAINST PRECEDING QUARTER**

The Group's revenue for the current quarter ended 30 September 2005 increased by 14.9% to RM21.6 million as compared to RM18.8 million in the preceding quarter. The increase is mainly due to better sales achieved from the OEM products and oversea markets. Accordingly, pre-tax losses reduced to RM0.7 million as compared to RM2.2 million in the preceding quarter.

15 **CURRENT YEAR PROSPECT**

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

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 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 quarter or cumulative quarter ended 30 September 2005 except for the disposal of a wholly-owned subsidiary as disclosed in Note 11.

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 Securities Commission had approved the Proposed Placement vide its letter dated 23 June 2005. The Proposed Placement is now pending implementation.

21 **GROUP BORROWINGS AND DEBT SECURITIES**

Group borrowings as at 30 September 2005:

	Unsecured	Secured	Total
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Short term borrowings	19,475	5,072	24,547
Long term borrowings	0	2,278	2,278
Total borrowings	<u>19,475</u>	<u>7,350</u>	<u>26,825</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 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.

	Cumulative Quarter <u>30-Sep-05</u>	Cumulative Quarter <u>30-Sep-04</u>
Net loss for the period (RM'000)	(3,699)	(2,662)
Weighted average number of shares ('000)	40,042	35,946 *
Basic earnings per share (sen)	(9.24)	(7.41) *

* 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