

**HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)**  
**INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 31 December 2005 except for the following:

	Current Quarter RM'000	Cumulative Quarter RM'000
Impairment Loss on certain properties	<u>2,291</u>	<u>2,291</u>

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 31 December 2005.

7 **DIVIDENDS PAID**

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

8 **SEGMENTAL REPORT**

	<b>12 months ended 31-Dec-2005</b>	
	Turnover	Loss before taxation
	<u>RM'000</u>	<u>RM'000</u>
Manufacturing	62,719	(4,692)
Trading & others	19,960	(14,283)
Total	<u>82,679</u>	<u>(18,975)</u>

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**INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005**

9 **PROPERTY, PLANT AND EQUIPMENT**

The valuations of property, plant and equipment were 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 31 December 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	286

**B. ADDITIONAL INFORMATION - LISTING REQUIREMENTS**

13 **REVIEW OF PERFORMANCE**

The Group's revenue for the current quarter and cumulative quarter ended 31 December 2005 decreased by 1.4% and 9.4% to RM21.9 million and RM82.7 million as compared to previous year corresponding quarter of RM22.2 million and RM92.1 million respectively. The decrease is mainly due to the discontinuation of certain agency products in the trading division. Despite the overall decrease in revenue, the revenue of biscuits manufacturing division has grown from RM60.4 million to RM62.7 million this year which predominantly contributed by the holding company manufacturing activities of which the revenue has grown from RM54.2 million to RM57.1 million representing an increase of 5.4%.

The Group's pre-tax losses increased from RM10.9 million to RM19.0 million of which a total of RM12.7 million was contributed by substantial one-off provisions for impairment loss on properties, doubtful debt and obsolete stock of the discontinued agency products which were incurred in previous years. The increase is also due to escalating mandatory advertising and promotional costs imposed by the modern trade and rising fuel costs, primary raw material costs and packaging material costs.

14 **VARIATIONS OF RESULTS AGAINST PRECEDING QUARTER**

The Group's revenue for the current quarter ended 31 December 2005 increased slightly by 0.1% to RM21.9 million as compared to RM21.6 million in the preceding quarter despite the discontinuation of certain agency products in the trading division.

The Group's pre-tax losses increased to RM15.3 million as compared to RM0.7 million in the preceding quarter. The increase is mainly due to the substantial one-off provisions made during the quarter and the escalating costs as mentioned in Note 13.

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

15 **PROSPECTS OF THE GROUP**

The Group will continue to make extra efforts to develop its core business through brand building and products development. Barring unforeseen circumstances, the Group expects to perform better in year 2006.

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 2005, there is no tax liability for the Group as it has no chargeable income.

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 31 December 2005 except for the disposal of a wholly-owned subsidiary as disclosed in Note 11.

On 12 December 2005, a subsidiary company had entered into a sale and purchase agreement to dispose a piece of vacant leasehold land for a total cash consideration of RM7.5 million. The disposal is expected to result in a gross gain on disposal of approximately RM1.6 million upon completion.

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 deadline for the implementation of the Proposed Placement which expired on 23 December 2005 had subsequently been approved by the Securities Commission for extension of six months up to 22 June 2006. The Proposed Placement is now pending negotiation and implementation.

21 **GROUP BORROWINGS AND DEBT SECURITIES**

Group borrowings as at 31 December 2005:

	Unsecured	Secured	Total
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Short term borrowings	18,775	4,402	23,177
Long term borrowings	0	1,922	1,922
Total borrowings	<u>18,775</u>	<u>6,324</u>	<u>25,099</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 2005.

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

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>31-Dec-05</u>	Cumulative Quarter <u>31-Dec-04</u>
Net loss for the period (RM'000)	(18,991)	(10,864)
Weighted average number of shares ('000)	40,042	36,979 *
Basic earnings per share (sen)	(47.43)	(29.38) *

\* 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