A. NOTES TO INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

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 condensed interim financial statements should be read in conjunction with the audited financial statements of the group for the year ended 31 December 2005. Theses explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2005.

2. CHANGES IN ACCOUNTING POLICIES

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 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the new/revised FRSs does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the new/revised FRSs are discussed below:

(a) FRS 2: Share-based Payment

This FRS 2 requires an entity to recognized share-based payment transactions in its financial statement, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company has implemented share-based payment via Employee Share Option Scheme ("ESOS") which is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 16th February 2004 and subsequently amended at an Extraordinary General Meeting held on 13th December 2004 and shall be in force for a period of five (5) years from the date of implementation on 6th May 2004, with an option to renew for a further period of up to five (5) years.

2. CHANGES IN ACCOUNTING POLICIES(Continued)

(a) FRS 2: Share-based Payment (Continued)

With the adoption of transitional provisions of FRS 2 Para 53 and 56, for ESOS granted before 1 January 2005, the Company is exempted from recognizing the expenses relating to ESOS in income statement.

The summary movements of ESOS during the period ended 31 December 2006 were as follows:

Options Exercisable (including Directors) Over Ordinary Shares of RM1/- each

Exercise price per share	Exercisable at 1 Jan 2006	Additional Exercisable	Exercised	Lapsed	Exercisable at 31 December 2006
RM1.3138	1,015,700	74,000	-	197,000	892,700

(b) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss of the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also require disclosure, on the face of the statement of changes in equity, total recognized income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest. The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101.

(c) FRS 116: Property, Plant and Equipment

In accordance with FRS 116, the asset's residual values, useful lives and depreciation methods will be assessed at each financial year end and adjusted if necessary. If the residual of an asset increases to an amount equal to or greater than the asset's carrying amount, the asset's depreciation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

(d) FRS 140: Investment Property

The adoption of this FRS has resulted in certain properties of the Group and the Company previously under property, plant and equipment being reclassified to investment properties. Investment properties are stated at cost less accumulated depreciation and any accumulated losses. In accordance with the transitional provisions of FRS 140, this change in accounting policy is applied prospectively and the comparative figures as at 31 December 2005 are not restated.

As at the date of this report, the Group has not applied the following two new FRSs which have been issued by MASB which are not yet effective.

FRS 117 Leases
FRS 124 Related Party Disclosures

The Group will apply the abovementioned new FRSs in the annual financial period commencing 1 January 2007, when they become effective. While there may be changes to the presentation of the Group's financial statements and additional disclosures made, it is expected that there will be no material impact on the Income Statement when the Group applies these two new accounting standards.

2. CHANGES IN ACCOUNTING POLICIES(Continued)

(e) Prior Year Adjustments

In prior years, the Group recognised deferred tax assets on unabsorbed reinvestment allowances and this has offset with other temporary differences. Pursuant to the public clarification of Malaysian Accounting Standard Board on recognition of reinvestment allowances in accordance with FRS112-Income Taxes, the Group changed its accounting policy during the current financial year and accordingly, deferred tax assets on reinvestment allowances are no longer recognised.

Due to the abovementioned changes, the figures of the Group as at 31st December 2005 are restated as follows:

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Income Statement			
Taxation	(21)	(150)	(171)
Net loss for the year	(19,005)	(150)	(19,155)
Loss per share (sen)	(47)	(1)	(48)
Balance Sheet			
Accumulated losses	(26,076)	(382)	(26,458)
Deferred tax liabilities	21	382	403

3. AUDIT REPORTS

There were no qualification in the audit report of the preceding annual financial statements for the financial year ended 31 December 2005.

4. 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.

5. UNUSUAL ITEMS

There were no unusual items for the financial year ended 31 December 2006 except as disclosed in Note 19.

6. 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.

7. ISSUANCE OR REPAYMENTS OF DEBT AND EQUITY SECURITES

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter ended 31 December 2006.

8. DIVIDENDS PAID

There were no dividend paid for the financial year ended 31 December 2006.

9. SEGMENTAL REPORT

	12 months ended 31 December 2006	
	Turnover RM'000	Profit before taxation RM'000
Manufacturing	55,323	739
Trading & others	13,789	1,648
Total	69,112	2,387

10. PROPERTY, PLANT AND EQUIPMENT

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

11. MATERIAL SUBSEQUENT EVENTS

There were no material events subsequent to the end of the financial year ended 31 December 2006.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial year ended 31 December 2006.

13. CONTINGENT LIABILITIES

Bank guarantees issued in favour of third parties	RM235,000

B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS

14. PERFORMANCE REVIEW

The Group's revenue for the current quarter and financial year to date was RM16.9million and RM69.1 million respectively as compared with RM21.8 million and RM82.5 million in the preceding year corresponding period. The decrease is mainly due to the discontinuation of certain non-profit making agency products in the trading division.

Despite the decrease in the revenue, the Group's pre-tax for the current quarter and financial year to date was RM62,000 and RM2.4million respectively as compared to loss of RM13.4 million and RM18.9 million in the previous year corresponding period. This was mainly contributed by the profit from disposal of a piece of vacant land as disclosed in Note 19, discontinuation of certain non-profit making agency products in the trading division and provision in respect of the impairment loss on properties, old bad debts and old bad stocks in the preceding year.

15. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

The Group's pre-tax profit of current quarter was RM62,000 as compared to RM1.8million in the preceding quarter. This was mainly due to the profit from disposal of a piece of vacant land as disclosed in Note 19.

16. PROSPECTS OF THE GROUP

The Group continues to operate in a cost effective manner to increase the production efficiency in the manufacturing division.

Barring unforeseen circumstances, the Group expects to perform favourably in the next financial year.

17. PROFIT FORECAST

The Company does not have any comparable profit forecast in respect of actual profit.

18. TAXATION

The breakdown of taxation is as follows:

	31.12.06 RM'000	**31.12.05 RM'000**
Income tax-		
- underprovision in prior years	2	17
Deferred tax	260	154
	262	171

The deferred tax is due to the temporary differences between net book values and corresponding tax written down values and provisions which resulted from the deferred tax assets on unabsorbed reinvestment allowances are not allowed to offset the temporary differences and this was explained in note 2(e).There would not be any tax payable for the financial year on the above deferred tax.

19. PROFIT ON SALES OF INVESTMENTS AND/OR PROPERTIES

There were no sales of investments and /or properties for the quarter and cumulative quarter ended 31 December 2006 except the disposal of a piece of vacant leasehold land via conditional sale and purchase agreement entered by its subsidiary on 12 December 2005 has been completed on 7 September 2006 ("the Disposal"). The Disposal had resulted a disposal gain of RM1.54million to the Group.

20. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no investment in quoted shares for the quarter or cumulative quarter to date.

21. CORPORATE PROPOSALS

There are no ongoing corporate proposals at the date of this announcement.

22. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowings as at 31 December 2006:

	Unsecured RM'000	Secured RM'000	Total RM'000
Short term borrowings	17,552	560	18,112
Long term borrowings	-	719	719
Total borrowings	17,552	1 ,279	18 ,831

23. FINANCIAL INSTRUMENTS

There were no financial instruments with off balance sheet risk as at the date of this announcement.

24. MATERIAL LITIGATION

Save as disclosed below, as at the date of this announcement, the Group is not engaged in any material litigation, which have a material effect on the financial position or the business of the Group and the Board is not aware of any proceedings pending or threatened against the Group or of any other facts likely to give rise to any proceedings which may materially and adversely affect the financial position and business of the Group.

Danone Biscuits Manufacturing (M) Sdn. Bhd. (the "Plaintiff") have filed an action against Hwa Tai Industries Berhad ("Company") claiming, inter alia, for a permanent injunction restraining the Company from allegedly infringing the Plaintiff's registered "ChipsMore" trademark as against the Company's "ChipsPlus", an order for delivery up and destruction of all the Company's allegedly offending chocolate chip cookies and an inquiry as to damages due to the Plaintiff and the case is still pending in the court.

25. DIVIDEND

No interim dividend is recommended for the quarter ended 31 December 2006.

26. EARNINGS / (LOSS) PER SHARE

(a) Basic

Basic profit/(loss) per share is calculated by dividing the net profit/(loss) for the year by the weighted average number of ordinary shares in issue during the year.

	Cumulative Quarter 31-December 06	Cumulative Quarter 31-December-05
Net profit/(loss) for the year (RM'000)	2,125	(19,155)
Weighted average number of shares (RM'000)	40,042	40,042
Basic earnings /(loss) per share (sen)	5.31	(47.84)

(b) Diluted

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

27. SANCTION

The Securities Commission ("SC") had on 8 September 2006 issued a public reprimand on the Company for non-compliance of Paragraph 6.02 of the SC guidelines on Abridged Prospectus in relation to the Company's Rights Issue Exercise implemented in 2004.

28. AUTHORISATION FOR ISSUE

The interim financial reports were authorized for release by the Board of Directors.

JESSICA CHIN TENG LI (MAICSA 7003181)
Company Secretary
Dated : 14 February 2007