

**HWAI TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2007**

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 2006. These 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 2006.

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 2006 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2007:

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption FRS 124 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the revised FRS 117 is discussed below:

(a) FRS 117: Leases

In prior years, leasehold interest in land held for own use classified as property, plant and equipment, were stated at cost and revalued amount less accumulated depreciation. With the adoption of FRS 117, the leasehold land for own use is accounted for as being held under an operating lease. Such leasehold land will no longer be revalued. Where the leasehold land had been previously revalued, the Group retained the unamortised revalued amount as the carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117. Such leasehold land are amortised on a straight line basis over the remaining lease term of the land.

3. AUDIT REPORTS

There were no qualifications in the audit report of the preceding annual financial statements for the financial year ended 31 December 2006.

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.

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5. UNUSUAL ITEMS

There were no material unusual items affecting the Group for the current quarter ended 31 March 2007.

6. CHANGES IN ESTIMATES

There were no material changes in the estimates in the prior financial years which have a material effect on the results for the current quarter and financial year to date.

7. 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 ended 31 March 2007.

8. DIVIDENDS PAID

There were no dividends paid for current quarter ended 31 March 2007.

9. SEGMENTAL REPORT

	3 months ended 31 March 2007	
	Turnover	Profit before
	RM'000	taxation
		RM'000
Manufacturing	14,568	51
Trading & others	<u>3,280</u>	<u>(10)</u>
Total	<u>17,848</u>	<u>41</u>

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 current quarter ended 31 March 2007.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group other than as disclosed in Note 23.

13. CAPITAL COMMITMENTS

There were no capital commitments for the current quarter ended 31 March 2007.

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14. CONTINGENT LIABILITIES

	RM'000
Bank guarantees issued in favour of third parties	346

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Quarter ended 31 March 2007 RM '000
Transactions with a firm in which a director is a partner	
- Rental of premises paid	9
- Legal and consultancy fees paid	7

B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS

16. PERFORMANCE REVIEW

The Group's revenue for the current quarter was RM17.8 million as compared with RM17.4 million in the preceding year corresponding period. Despite an increase in the revenue, the Group had recorded a lower profit before tax of RM41,000 for the current quarter as compared to RM261,000 in the previous year corresponding period. This was mainly a consequence of the increase in operating costs caused by the floods occurred in Johor at the beginning of the year.

17. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

The material variation in profit before taxation in the current quarter of RM41,000 as compared to RM62,000 for the immediate preceding quarter was mainly due to the increase in operating costs as disclosed in Note 16.

18. 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 for the remaining quarters.

19. PROFIT FORECAST

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

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20. TAXATION

There is no tax liabilities for the quarter ended 31 March 2007 due to sufficient unutilised tax losses and allowances carried forward to set off the taxable profit of the Company and its certain subsidiary.

21. PROFIT ON SALES OF INVESTMENTS AND/OR PROPERTIES

There were no sales of investments and /or properties for the quarter under review.

22. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no investment in quoted securities as at the end of the current quarter.

23. CORPORATE PROPOSALS

There are no ongoing corporate proposals at the date of this announcement other than the Company's participation in 48% equity interest in Yantai Baby-joy Group (Qingyun) Co., Ltd., China, a company involved in the manufacturing of confectionery and other food products. The investment is synergistic to Hwa Tai's business activities of biscuits manufacturing and it will be a platform for Hwa Tai to further venture into and expand its business in China. The investment was announced on 9 April 2007.

24. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowings as at 31 March 2007:

	Unsecured <u>RM'000</u>	Secured <u>RM'000</u>	Total <u>RM'000</u>
Short term borrowings	20,081	500	20,581
Long term borrowings	-	621	621
Total borrowings	<u>20,081</u>	<u>1,121</u>	<u>21,202</u>

25. FINANCIAL INSTRUMENTS

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

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26. MATERIAL LITIGATION

Other than 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 .

Danone Biscuits Manufacturing (M) Sdn. Bhd. (the “Plaintiff”) had 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.

27. DIVIDEND

No interim dividend is recommended for the quarter ended 31 March 2007.

28. EARNINGS PER SHARE

(a) Basic

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

	Cumulative Quarter <u>31-March-07</u>	Cumulative Quarter <u>31-March-06</u>
Net profit for the period (RM'000)	41	261
Weighted average number of shares ('000)	40,042	40,042
Basic earnings per share (sen)	0.10	0.65

(b) Diluted

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

29. 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 : 29 May 2007