

**HWAI TAI INDUSTRIES BERHAD(Company No.:19688-V)  
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 auditor's 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 year especially during year end festive seasons.

**HWAI TAI INDUSTRIES BERHAD(Company No.:19688-V)  
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2007**

**5. UNUSUAL ITEMS**

There were no material unusual items affecting the Group for the current quarter ended 30 June 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 30 June 2007.

**8. DIVIDENDS PAID**

There were no dividends paid for current quarter ended 30 June 2007.

**9. SEGMENTAL REPORT**

	6 months ended 30 June 2007	
	Turnover	Loss before
	RM'000	taxation
		RM'000
Manufacturing	28,660	(112)
Trading & others	<u>6,421</u>	<u>( 11)</u>
Total	<u>35,081</u>	<u>(123)</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 30 June 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 30 June 2007.

**HWAI TAI INDUSTRIES BERHAD(Company No.:19688-V)  
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2007**

**14. CONTINGENT LIABILITIES**

Bank guarantees issued in favour of third parties	<b>RM'000</b> 288
---	----------------------

**15. SIGNIFICANT RELATED PARTY TRANSACTIONS**

	<b>6 months ended 30 June 2007 RM'000</b>
Transactions with a firm in which a director is a partner	
- Rental of premises paid	18
- Legal and consultancy fees paid	26

**B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS**

**16. PERFORMANCE REVIEW**

The Group's revenue for the financial year to date is RM35.08 million as compared to RM34.01 million in the preceding year corresponding period. Despite an increase in the revenue, the Group had incurred a loss of RM164,000 and RM123,000 for current quarter and financial year to date respectively. This was mainly caused by the increase in operating costs and cost of raw materials .

**17. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER**

The material variation in loss before taxation in the current quarter of RM164,000 as compared to a profit before taxation of RM41,000 for the immediate preceding quarter was mainly due to the increase in operating costs and raw material 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.

**19. PROFIT FORECAST**

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

**HWAI TAI INDUSTRIES BERHAD(Company No.:19688-V)  
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2007**

**20. TAXATION**

There is no tax liabilities for the six month ended 30 June 2007 due to sufficient unutilise 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.

**24. GROUP BORROWINGS AND DEBT SECURITIES**

Group borrowings as at 30 June 2007:

	<b>Unsecured RM'000</b>	<b>Secured RM'000</b>	<b>Total RM'000</b>
Short term borrowings	21,516	400	21,916
Long term borrowings	-	423	423
Total borrowings	<u>21,516</u>	<u>823</u>	<u>22,339</u>

**25. FINANCIAL INSTRUMENTS**

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

**HWAI TAI INDUSTRIES BERHAD(Company No.:19688-V)  
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2007**

**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 30 June 2007.

**28. (LOSS)/EARNINGS PER SHARE**

**(a) Basic**

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

	<b>Cumulative Quarter <u>30 June 2007</u></b>	<b>Cumulative Quarter <u>30 June 2006</u></b>
Net (loss)/profit for the period (RM'000)	(123)	526
Weighted average number of shares ('000)	40,042	40,042
Basic (loss)/earnings per share (sen)	(0.31)	1.31

**(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 : 28 August 2007