

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

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**5. UNUSUAL ITEMS**

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

**8. DIVIDENDS PAID**

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

**9. SEGMENTAL REPORT**

	9 months ended 30 September 2007	
	Turnover	Loss before
	RM'000	taxation
		RM'000
Manufacturing	43,384	(633)
Trading & others	<u>11,004</u>	<u>( 4 )</u>
Total	<u>54,388</u>	<u>(637)</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 September 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 22.

**13. CAPITAL COMMITMENTS**

There were no capital commitments for the current quarter ended 30 September 2007.

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**14. CONTINGENT LIABILITIES**

Bank guarantees issued in favour of third parties

RM'000  
337

**B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS**

**15. PERFORMANCE REVIEW**

The Group's revenue for the financial year to date is RM54.4 million as compared to RM52.2 million in the preceding year corresponding period. Despite an increase in the revenue, the Group had incurred a loss of RM514,000 and RM637,000 for the current quarter and financial year to date respectively. This was mainly caused by the increase in cost of raw materials especially the recent price hike in flour.

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

The material variation in loss before taxation in the current quarter of RM514,000 as compared to a loss before taxation of RM164,000 for the immediate preceding quarter was mainly due to the increase in costs of raw materials as disclosed in Note 15.

**17. PROSPECTS OF THE GROUP**

The Group continues to operate in a challenging environment with great cost increase in raw materials especially wheat flour.

**18. PROFIT FORECAST**

Not applicable as no profit forecast is published.

**19. TAXATION**

There is no tax liabilities for the nine months ended 30 September 2007 due to sufficient unutilise tax losses and allowances carried forward to set off the taxable profit of the Company and its certain subsidiary.

**20. PROFIT ON SALES OF INVESTMENTS AND/OR PROPERTIES**

There were no sales of investments and/or properties for the quarter under review other that the sale of the subsidiary's properties to various parties for a total cash consideration of RM2.01 million as announced on 12 September 2007 ("the Disposal").

The Disposal is expected to result in a gain of approximately RM810,000 and currently the Disposal is still pending completion.

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**21. PURCHASE OR DISPOSAL OF QUOTED SECURITIES**

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

**22. 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.

**23. GROUP BORROWINGS AND DEBT SECURITIES**

Group borrowings as at 30 September 2007:

	<u>Unsecured</u> <u>RM'000</u>	<u>Secured</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
Short term borrowings	23,217	416	23,633
Long term borrowings	-	441	441
Total borrowings	<u>23,217</u>	<u>857</u>	<u>24,074</u>

**24. FINANCIAL INSTRUMENTS**

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

**25. 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.

**26. DIVIDEND**

No interim dividend is recommended for the quarter ended 30 September 2007.

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**27. (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- Sept-2007</u></b>	<b>Cumulative Quarter <u>30- Sept-2006</u></b>
Net (loss)/profit for the period (RM'000)	(637)	2,325
Weighted average number of shares ('000)	40,042	40,042
Basic (loss)/earnings per share (sen)	(1.59)	5.81

**(b) Diluted**

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

**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 : 15 November 2007