

HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)
INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

Condensed Consolidated Income Statements

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31-Dec-07 (RM'000)	31-Dec-06 (RM'000)	31-Dec-07 (RM'000)	31-Dec-06 (RM'000)
Revenue	16,657	16,952	71,045	69,112
Operating Expenses	(18,599)	(19,522)	(73,907)	(70,499)
Other Operating Income	1,139	2,917	2,549	5,064
Finance Cost	(415)	(285)	(1,542)	(1,290)
Share Of Profit Of An Associate Company	12	-	12	-
(Loss)/ Profit Before Tax	(1,206)	62	(1,843)	2,387
Taxation	596	(262)	596	(262)
(Loss)/ Profit For The Year	(610)	(200)	(1,247)	2,125
Attributable To:				
Equity Holders Of The Parent	(610)	(200)	(1,247)	2,125
Minority Interest	-	-	-	-
	(610)	(200)	(1,247)	2,125
(Loss)/Earnings Per Share				
Basic (sen)	(1.52)	(0.50)	(3.11)	5.31
Diluted (sen)	N/A	N/A	N/A	N/A

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)
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Condensed Consolidated Balance Sheet

	As at 31-Dec-07 RM'000	As at 31-Dec-06 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	18,962	22,948
Prepaid interest in leased land	1,341	-
Investment in an associate company	1,803	-
Investment properties	5,430	5,853
	<u>27,536</u>	<u>28,801</u>
Current assets		
Inventories	5,454	4,408
Trade receivables	27,226	20,486
Other receivables	2,942	2,193
Cash and bank balances	1,872	518
	<u>37,494</u>	<u>27,605</u>
TOTAL ASSETS	<u><u>65,030</u></u>	<u><u>56,406</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share Capital	40,042	40,042
Other reserves	8	8
Retained earnings	(25,580)	(24,333)
	<u>14,470</u>	<u>15,717</u>
Minority interest	-	-
Total equity	<u>14,470</u>	<u>15,717</u>
Non-current liabilities		
Borrowings	288	719
Deferred tax liabilities	71	664
	<u>359</u>	<u>1,383</u>
Current liabilities		
Provisions	1,294	821
Borrowings	21,323	18,112
Trade payables	20,771	16,396
Other payables	6,652	3,819
Tax provision	161	158
	<u>50,201</u>	<u>39,306</u>
Total liabilities	<u>50,560</u>	<u>40,689</u>
TOTAL EQUITY AND LIABILITIES	<u><u>65,030</u></u>	<u><u>56,406</u></u>
Net Assets Per Share Attributable to Ordinary Equity Holders of the Parent (Sen)	36.14	39.25

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)
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Condensed Consolidated Cash Flow Statement

	12 months ended 31-Dec-07 (RM'000)	12 months ended 31-Dec-06 (RM'000)
Net (loss)/ profit before tax	(1,843)	2,387
Adjustment for non-cash items:-		
Non-cash items	4,598	2,577
Non-operating items	(796)	23
Operating profit before changes in working capital	<u>1,959</u>	<u>4,987</u>
Changes in working capital:-		
Net change in current assets	(8,874)	(2,297)
Net change in current liabilities	5,929	(1,589)
Tax paid	(41)	-
	<u>(2,986)</u>	<u>(3,886)</u>
Net cash flows from operating activities	<u>(1,027)</u>	<u>1,101</u>
Investment Activities		
Other investments	(295)	4,505
	<u>(295)</u>	<u>4,505</u>
Financing Activities		
Bank borrowings	1,215	(6,921)
	<u>1,215</u>	<u>(6,921)</u>
Net Change in Cash & Cash Equivalents	(107)	(1,315)
Cash & Cash Equivalents at beginning of year	<u>(1,482)</u>	<u>(167)</u>
Cash & Cash Equivalents at end of year	<u>(1,589)</u>	<u>(1,482)</u>
Cash and cash equivalents at the end of the financial year comprise the following:		
Cash and bank balances	1,872	518
Bank overdrafts	(3,461)	(2,000)
	<u>(1,589)</u>	<u>(1,482)</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

**HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)
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**Condensed Consolidated Statement of Changes in Equity
for The Year Ended 31 December 2007**

	<-----Attributable to Equity Holders of the Parent----->		<-----Non-Distributable----->		Retained Earnings	Total	Minority Interest	Total Equity
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	<Distributable>	RM'000	RM'000	RM'000	RM'000
At 1 January 2007								
As previously stated	40,042	-	8	(24,333)	15,717		-	15,717
Loss for the year	-	-	-	(1,247)	(1,247)		-	(1,247)
As 31 December 2007	40,042	-	8	(25,580)	14,470		-	14,470
At 1 January 2006								
As previously stated	40,042	-	8	(26,076)	13,974		-	13,974
Prior year adjustments	-	-	-	(382)	(382)		-	(382)
At 1 January 2006 (restated)	40,042	-	8	(26,458)	13,592		-	13,592
Profit for the year	-	-	-	2,125	2,125		-	2,125
As 31 December 2006	40,042	-	8	(24,333)	15,717		-	15,717

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.)

HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 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 2007.

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.

**HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
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5. UNUSUAL ITEMS

There were no material unusual items affecting the Group for the current quarter ended 31 December 2007 other than as disclosed in Note 20.

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 December 2007.

8. DIVIDENDS PAID

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

9. SEGMENTAL REPORT

	12 months ended 31 December 2007	
	Revenue	Loss before
	<u>RM'000</u>	taxation
		<u>RM'000</u>
Manufacturing	56,369	(2,281)
Trading & others	<u>14,676</u>	<u>438</u>
Total	<u>71,045</u>	<u>(1,843)</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 December 2007.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter ended 31 December 2007.

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13. CAPITAL COMMITMENTS

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

14. CONTINGENT LIABILITIES

Bank guarantees issued in favour of third parties

RM'000
370

B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS

15. PERFORMANCE REVIEW

The Group had incurred a loss after tax of RM0.6 million and RM1.2 million for the current year quarter and financial year to date as compared to a loss after tax of RM0.2 million and profit after tax of RM2.1 million in the preceding year. This was mainly caused by the increase in cost of raw materials especially the recent price hike in flour and provision of doubtful debts.

16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

The material variation in loss before taxation in the current quarter of RM1,206,000 as compared to a loss before taxation of RM514,000 for the immediate preceding quarter was mainly due to the increase in costs of raw materials and provision of doubtful debts.

17. PROSPECTS OF THE GROUP

The Group continues to operate in a challenging environment due to unpredictable global raw material prices.

18. PROFIT FORECAST

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

19. TAXATION

The breakdown of taxation is as follows:

	<u>31.12.07</u> <u>RM'000</u>	<u>31.12.06</u> <u>RM'000</u>
Income Tax		
-Underprovision in prior years	-	(2)
Deferred Tax	<u>596</u>	<u>(260)</u>
	<u>596</u>	<u>(262)</u>

The deferred tax is due to the temporary timing differences between the net book values of the property, plant and machinery and corresponding tax written values and provisions which resulted from the deferred tax assets on unabsorbed reinvestment allowances are not allowed to offset the temporary differences.

**HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
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20. PROFIT ON SALES OF INVESTMENTS AND/OR PROPERTIES

There were no sales of investments and/or properties for the quarter under review other than as follows:

	Current Year Quarter 31.12.07 <u>RM'000</u>	Cumulative Quarter 31.12.07 <u>RM'000</u>
Gain on disposal of properties	636	636

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.

23. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowings as at 31 December 2007:

	Unsecured <u>RM'000</u>	Secured <u>RM'000</u>	Total <u>RM'000</u>
Short term borrowings	20,992	331	21,323
Long term borrowings	-	288	288
Total borrowings	<u>20,992</u>	<u>619</u>	<u>21,611</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.

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26. DIVIDEND

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

27. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	Cumulative Quarter <u>31- Dec-2007</u>	Cumulative Quarter <u>31- Dec-2006</u>
Net (loss)/profit for the year(RM'000)	(1,247)	2,125
Weighted average number of shares ('000)	40,042	40,042
Basic (loss)/earnings per share (sen)	(3.11)	5.31

(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 : 29 February 2008