

**HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2008**

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 2007. 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 reports are the same with those in the audited annual financial statements of the Group for the year ended 31 December 2007.

The Group and the Company have not adopted the following FRSs and amendments that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company.

		Effective for financial periods beginning on or after
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 119	Employee Benefits	1 July 2007
FRS 120	Accounting for Government Grants And Disclosure of Government Assistance	1 July 2007
FRS 126	Accounting and Reporting by Retirement Benefit Plans	1 July 2007
FRS 129	Financial Reporting in Hyperinflationary Economies	1 July 2007
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provision, Contingent Liabilities and Contingent Assets	1 July 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rate – Net Investment in a Foreign Operation	1 July 2007
IC Int 01	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Int 02	Members' Share in Co-operative Entities and Similar Instruments	1 July 2007
IC Int 05	Right to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Int 06	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007
IC Int 07	Applying the Restatement Approach under FRS 129 ₂₀₀₄ – Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Int 08	Scope of FRS 2	1 July 2007

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The adoption of the above FRSs, Amendment to FRS 121 and IC Int will not have any significant financial impact on the results and financial position of the Group when these standards become effective to the Group.

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 2007.

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.

5. UNUSUAL ITEMS

There were no material unusual items affecting the Group for the current quarter ended 30 June 2008.

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 2008.

8. DIVIDENDS PAID

There were no dividends paid for current quarter ended 30 June 2008.

9. SEGMENTAL REPORT

	6 months ended 30 June 2008	
	Revenue	Loss before
	<u>RM'000</u>	<u>taxation</u>
		<u>RM'000</u>
Manufacturing	28,488	(203)
Trading & others	<u>8,379</u>	<u>62</u>
Total	<u>36,867</u>	<u>(141)</u>

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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 2008.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter ended 30 June 2008.

13. CAPITAL COMMITMENTS

The capital commitments for the current quarter ended 30 June 2008 is as follow:-

	<u>RM'000</u>
Capital commitments	1,732

14. CONTINGENT LIABILITIES

	<u>RM'000</u>
Bank guarantees issued in favour of third parties	404

B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS

15. PERFORMANCE REVIEW

Despite a higher revenue in the current year to date, the Group had incurred a loss before tax of RM141,000 for the current year to date as compared to a loss before tax of RM123,000 in the preceding year corresponding period. This was mainly caused by the increase in cost of raw materials especially the recent price hike in flour and fuel cost.

16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

The material variation in profit before taxation in the current quarter of RM70,000 as compared to a loss before taxation of RM211,000 for the immediate preceding quarter was mainly due to a higher margin resulted from a higher revenue in the current quarter.

17. PROSPECTS OF THE GROUP

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

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18. PROFIT FORECAST

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

19. TAXATION

There is no tax liabilities for the current quarter ended 30 June 2008 due to sufficient unutilise tax losses and allowances carried forward to set off the taxable profit of certain subsidiaries.

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 30.06.08 <u>RM'000</u>	Cumulative Quarter 30.06.08 <u>RM'000</u>
Gain on disposal of properties	26	112

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 30 June 2008:

	Unsecured <u>RM'000</u>	Secured <u>RM'000</u>	Total <u>RM'000</u>
Short term borrowings	23,436	248	23,684
Long term borrowings	-	326	326
Total borrowings	<u>23,436</u>	<u>574</u>	<u>24,010</u>

24. FINANCIAL INSTRUMENTS

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

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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 June 2008.

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.

	<u>Cumulative Quarter</u> <u>30-June -2008</u>	<u>Cumulative Quarter</u> <u>30-June-2007</u>
Net loss for the period (RM'000)	(141)	(123)
Weighted average number of shares ('000)	40,042	40,042
Basic loss per share (sen)	(0.35)	(0.31)

(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 : 27 August 2008