

**HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2009**

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 2008. 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 2008.

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 2008.

The Group and the Company have not adopted the following FRSs and IC Int 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 4 : Insurance Contracts	1st January 2010
FRS 7 : Financial Instruments Disclosures	1st January 2010
FRS 8 : Operating Segments	1st July 2009
FRS 139 : Financial Instruments: Recognition and Measurements	1st January 2010
IC Int 9 : Reassessment of Embedded Derivatives	1st January 2010
IC Int 10 : Interim Financial Reporting and Impairment	1st January 2010

Other than FRS 139, the directors do not anticipate that the application of the above FRSs and IC Int, when they are effective, will have any material impact on the results and the financial position of the Group and the Company.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS139.

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 2008.

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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 31 December 2009 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 2009.

8. DIVIDENDS PAID

There were no dividends paid for current quarter ended 31 December 2009.

9. SEGMENTAL REPORT

	12 months ended 31 December 2009	
	Revenue	Profit/(loss)
	<u>RM'000</u>	<u>before taxation</u>
		<u>RM'000</u>
Manufacturing	54,485	3,110
Trading & others	<u>17,621</u>	<u>(889)</u>
Total	<u>72,106</u>	<u>2,221</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.

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11. MATERIAL SUBSEQUENT EVENTS

The Company had on 23 June 2009, entered into various sale and purchase agreements with several purchasers for the disposal of fifteen (15) units of freehold 3-storey shophouses in Bandar Dataran Segar, Pekan Lukut, Daerah Port Dickson, Negeri Sembilan Darul Khusus for a total cash consideration of RM4.3million (Proposed Disposals). The Proposed Disposals were also announced to Bursa Malaysia Securities Berhad on 23 June 2009.

The Proposed Disposals were approved by the Shareholders at the Extraordinary General Meeting held on 15 August 2009 and completed in the current quarter.

Other than the above, there were no other material events subsequent to the end of the current quarter ended 31 December 2009.

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 2009.

13. CAPITAL COMMITMENTS

There was no capital commitment for the current quarter ended 31 December 2009.

14. CONTINGENT LIABILITIES

Bank guarantees issued in favour of third parties

RM'000
217

B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS

15. PERFORMANCE REVIEW

The Group had recorded a profit before tax of RM2.22 million for the current year to date as compared to a profit before tax of RM0.46 million in the preceding year despite a decrease in sales to RM72.11 million in current year to date as compared to RM80.25 million in the preceding year. This was mainly contributed by a better cost control and an improvement in production planning.

16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

The profit before taxation in the current quarter of RM327,000 as compared to a profit before taxation of RM606,000 for the immediate preceding quarter was mainly due to additional advertising and promotional expenses incurred in the current quarter to maintain the market share in view of the current adverse economic situation.

17. PROSPECTS OF THE GROUP

The Group continues to operate in a challenging environment due to uncertainty in the global economy.

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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>31.12.09</u> <u>RM'000</u>	<u>31.12.08</u> <u>RM'000</u>
Income tax	177	42
Deferred tax	<u>(8)</u>	<u>-</u>
	<u>169</u>	<u>42</u>

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:

	<u>Current Year Quarter</u> <u>31.12.09</u> <u>RM'000</u>	<u>Cumulative Quarter</u> <u>31.12.09</u> <u>RM'000</u>
Gain on disposal of properties	121	121

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 2009:

	<u>Unsecured</u> <u>RM'000</u>	<u>Secured</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
Short term borrowings	15,130	502	15,632
Long term borrowings	<u>1,578</u>	<u>1,347</u>	<u>2,925</u>
Total borrowings	<u>16,708</u>	<u>1,849</u>	<u>18,557</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".

The Plaintiff's claim was allowed by the Court and the Company is in the process for appealing. Notwithstanding this, the parties have agreed to engage in negotiations for settlement.

26. DIVIDEND

No interim dividend is recommended for the quarter ended 31 December 2009.

27. EARNINGS PER SHARE

(a) Basic

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

	<u>Cumulative Quarter 31 December-2009</u>	<u>Cumulative Quarter 31 December-2008</u>
Net profit for the year (RM'000)	2,052	416
Weighted average number of shares ('000)	40,042	40,042
Basic earnings per share (sen)	5.12	1.04

(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.

By Order of the Board
JESSICA CHIN TENG LI (MAICSA 7003181)
Company Secretary
Dated : 8 February 2010