

**HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2010**

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 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 2009. 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 2009.

2. CHANGES IN ACCOUNTING POLICIES

Same as disclosed below, the significant accounting policies adopted are consistent with the audited financial statement for the financial year ended 31 December 2009.

On 1st January 2010, the Group adopted the following FRSs, IC Int and Amendment/ Improvement to FRSs for the financial period beginning on or after 1st July 2009 or 1st January 2010.

New FRSs

FRS 4	Insurance Contracts
FRS 7	Financial Instruments Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurements

Revised FRSs

FRS 1	First- time Adoption of Financial Reporting Standards
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing costs

Amendments/Improvements to FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosure
FRS 8	Operating Segments
FRS 107	Statement of Cash Flows
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Reporting Period
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 123	Borrowing Costs
FRS 127	Consolidated and Separate Financial Statements : Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

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FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Presentation
FRS 134	Interim Financial Reporting
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 139	Financial Instruments : Recognition and Measurement
FRS 140	Investment Property
<u>IC Int</u>	
IC Int 9	Reassessment of Embedded Derivatives
IC Int 10	Interim Financial Reporting and Impairment
IC Int 11	FRS 2 – Group and Treasury Share Transactions
IC Int 13	Customer Loyalty Programmes
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Other than the implications as discussed below, the adoption of the above FRSs, IC Interpretation and Amendments do not have any material impact on the financial statements of the Group:

(a) FRS 8: Operating Segments

FRS requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group presents its segment information based on its business segments, which is also the basis of presenting its monthly internal management reports. The basis of measurement of segment results, segment assets and segment liabilities are same as the basis of measurement for external reporting.

(b) FRS 101: Presentation of Financial Statements

FRS 101 requires all changes in equity arising from transactions with owners in their capacity as owners (i.e owner changes in equity) to be presented separately from non-owner changes in equity. All non-owner changes in equity (i.e comprehensive income) are required to be presented in the statement of comprehensive income.

(c) FRS 139: Financial Instruments: Recognition and Measurement

This standard established principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items and permits hedge accounting only under strict circumstances. In accordance with the requirement of this standard, forward foreign currency exchange contracts of the Group have been measured at fair value and the changes in the fair value are recognized in profit or loss. As allowed under the transitional provisions of FRS 139, the Group has not applied the standard retrospectively.

3. AUDIT REPORTS

There was no qualification in the auditor's report of the preceding annual financial statements for the financial year ended 31 December 2009.

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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 March 2010.

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 March 2010.

8. DIVIDENDS PAID

There were no dividends paid for current quarter ended 31 March 2010.

9. SEGMENTAL REPORT

	3 months ended 31 March 2010	
	Revenue	Profit/(loss)
	RM'000	before taxation
	RM'000	RM'000
Manufacturing	14,891	379
Trading & others	<u>4,581</u>	<u>(29)</u>
Total	<u>19,472</u>	<u>350</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 30 April 2010 entered into a conditional sale and purchase agreement with Maple Synergy Sdn Bhd for the purchase of a single storey factory cum warehouse in Tongkang Pecah, Batu Pahat, Johor for a total purchase consideration of RM1,080,000("The Proposed Purchase"). The Proposed Purchase was announced to Bursa Malaysia Securities Berhad on 30 April 2010 and is currently pending completion.

Other than the above, there were no other material events subsequent to the end of the current quarter ended 31 March 2010.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter ended 31 March 2010.

13. CAPITAL COMMITMENTS

There were no capital commitments for the current quarter ended 31 March 2010 other than as follows :

	<u>RM'000</u>
Contracted but not provided for property, plant and equipment	
-Purchase of manufacturing machinery by a subsidiary company	<u>1,105</u>

14. CONTINGENT LIABILITIES

	<u>RM'000</u>
Bank guarantees issued in favour of third parties	<u>218</u>

B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS

15. PERFORMANCE REVIEW

The Group has recorded a higher revenue of RM19.47 million in the current quarter as compared to RM17.02 million in the preceding year corresponding period. Despite an increase in revenue, the Group had recorded a lower profit of RM313,000 for the current year to date as compared with RM708,000 in the preceding year corresponding period. The decrease in profit was mainly due to additional advertising and promotional expenses incurred in the current quarter.

16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

There was no material variation of profit before taxation in the current quarter as compared with profit before taxation for the immediate preceding quarter.

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17. PROSPECTS OF THE GROUP

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

18. PROFIT FORECAST OR PROFIT GUARANTEE

There were no profit forecast or profit guarantee issued by the Group.

19. TAXATION

The breakdown of taxation is as follows:

	Individual Quarter		Cumulative Quarter	
	Current year Quarter 31.03.10 <u>RM'000</u>	Preceding year Quarter 31.03.09 <u>RM'000</u>	Current year Quarter 31.03.10 <u>RM'000</u>	Preceding year Quarter 31.03.09 <u>RM'000</u>
Income tax –current period	<u>37</u>	<u>48</u>	<u>37</u>	<u>48</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:

21. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no investments 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 March 2010:

	Unsecured <u>RM'000</u>	Secured <u>RM'000</u>	Total <u>RM'000</u>
Short term borrowings	15,767	458	16,225
Long term borrowings	<u>1,486</u>	<u>1,227</u>	<u>2,713</u>
Total borrowings	<u>17,253</u>	<u>1,685</u>	<u>18,938</u>

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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”.

The Plaintiff’s claim was allowed by the Court and the Company is in the process of appealing.

26. DIVIDEND

No interim dividend is recommended for the quarter ended 31 March 2010.

27. EARNINGS PER SHARE

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

	Cumulative Quarter <u>31March -2010</u>	Cumulative Quarter <u>31 March-2009</u>
Net profit for the period (RM’000)	313	708
Weighted average number of shares (’000)	40,042	40,042
Basic earnings per share (sen)	0.78	1.77

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 : 27 May 2010