

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

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited financial statement for the financial year ended 31 December 2009 except for the adoption of new and revised FRSs, amendments to FRSs and Interpretations as listed in the audited financial statements for the financial year ended 31 December 2009 which were effective for the financial periods beginning on or after 1 January 2010.

The adoption of these standards, amendments and interpretations have no material impact to these financial statements except for the adoption of the following standards:-

(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. This FRS does not have any impact on financial position and results of the Group.

(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. This FRS does not have any impact on financial position and results of the Group.

(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. The change in accounting policy is to be accounted for prospectively in accordance with the transitional provision of FRS139. This FRS does not have any significant impact on financial position and results of the Group.

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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.

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 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 30 June 2010.

8. DIVIDENDS PAID

There were no dividends paid for current quarter ended 30 June 2010.

9. SEGMENTAL REPORT

	6 months ended 30 June 2010	
	Revenue	Profit/(loss)
	<u>RM'000</u>	<u>before taxation</u>
		<u>RM'000</u>
Manufacturing	29,655	999
Trading & others	<u>9,390</u>	<u>(77)</u>
Total	<u>39,045</u>	<u>922</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

There were no material events subsequent to the end of the current quarter ended 30 June 2010.

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 2010.

13. CAPITAL COMMITMENTS

There were no capital commitments for the current quarter ended 30 June 2010 other than as follows :

	<u>RM'000</u>
Contracted but not provided for property, plant and equipment	<u>2,591</u>

14. CONTINGENT LIABILITIES

	<u>RM'000</u>
Bank guarantees issued in favour of third parties	<u>251</u>

B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS

15. PERFORMANCE REVIEW

The Group has recorded a higher revenue of RM39.04 million in the current year todate as compared to RM34.87 million in the preceding year corresponding period. Despite an increase in revenue, the Group had recorded a lower profit before taxation of RM922,000 for the current year todate as compared with RM1,288,000 in the preceding year corresponding period. The decrease in profit was mainly due to additional advertising and promotional expenses incurred in the current year todate.

16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

The profit before taxation in the current quarter of RM572,000 as compared to a profit before taxation of RM350,000 for the immediate preceding quarter was mainly due to lesser expenditure on advertising and promotional in the current quarter which is non-festive season.

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.

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19. TAXATION

The breakdown of taxation is as follows:

	Individual Quarter		Cummulative Quarter	
	Current year Quarter 30.06.10 <u>RM'000</u>	Preceding year Quarter 30.06.09 <u>RM'000</u>	Current year Quarter 30.06.10 <u>RM'000</u>	Preceding year Quarter 30.06.09 <u>RM'000</u>
Income tax –current period	43	-	80	48
-underaccrual in prior year	<u>153</u>	<u>-</u>	<u>153</u>	<u>-</u>
	<u>196</u>	<u>-</u>	<u>233</u>	<u>48</u>

20. PROFIT ON SALES OF INVESTMENTS AND/OR PROPERTIES

There were no sales of investments and/or properties for the current quarter.

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 other than as follows:

The Company had on 30 April 2010 entered into a conditional sales 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.

23. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowings as at 30 June 2010:

	Unsecured <u>RM'000</u>	Secured <u>RM'000</u>	Total <u>RM'000</u>
Short term borrowings	17,623	438	18,061
Long term borrowings	<u>1,405</u>	<u>1,124</u>	<u>2,529</u>
Total borrowings	<u>19,028</u>	<u>1,562</u>	<u>20,590</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 was to appeal to the Appellate Court for the decision.

During the current quarter, both the Company and the Plaintiff had amicably resolved the matter and reached a settlement.

26. DIVIDEND

No interim dividend is recommended for the quarter ended 30 June 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>30-June-2010</u>	Cumulative Quarter <u>30-June-2009</u>
Net profit for the period (RM’000)	689	1,240
Weighted average number of shares (’000)	40,042	40,042
Basic earnings per share (sen)	1.72	3.10

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 : 23 August 2010