

**HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)  
INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011**

**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 2010. 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 2010.

**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 2010 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 2010 which were effective for the financial periods beginning on or after 1 January 2011.

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 2010.

**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 festive seasons.

**5. UNUSUAL ITEMS**

There were no material unusual items affecting the Group for the current quarter ended 31 December 2011.

**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 2011.

**8. DIVIDENDS PAID**

There were no dividends paid for current quarter ended 31 December 2011.

**9. SEGMENTAL REPORT**

	12 months ended 31 December 2011	
	Revenue	Loss before
	<u>RM'000</u>	<u>taxation</u>
		<u>RM'000</u>
Manufacturing	55,244	(1,540)
Trading & others	<u>18,206</u>	<u>( 313)</u>
Total	<u>73,450</u>	<u>(1,853)</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 2011.

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**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 2011.

**13. CAPITAL COMMITMENTS**

There were no capital commitments for the current quarter ended 31 December 2011 other than as follows :

	<u>RM'000</u>
Contracted but not provided for property, plant and equipment	<u>215</u>

**14. CONTINGENT LIABILITIES**

	<u>RM'000</u>
Bank guarantees issued in favour of third parties	<u>228</u>

**B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS**

**15. PERFORMANCE REVIEW**

The Group had recorded a loss of RM1,853,000 in current year to date as compared to a profit of RM722,000 in the preceding year corresponding period. The loss was mainly caused by a lower revenue of RM73.45 million in the current year to date as compared to RM77 million in the preceding year corresponding period which was resulted from the loss of revenue from a certain major OEM (Original Equipment Manufacturer) customer. In addition, higher advertising and promotional expenses was incurred to respond to the current soft and competitive market in the current year to-date.

**16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER**

The profit before taxation in the current quarter of RM236,000 as compared to a loss before taxation of RM1,571,000 for the immediate preceding quarter was mainly due to the recovery of sales from both the international and domestic markets during the year end festive season, and the gain on foreign exchange from international sales arising from the weakened Ringgit against US Dollar during the final quarter.

**17. PROSPECTS OF THE GROUP**

The Group continues to operate in a challenging environment with fluctuation of foreign currencies together with volatile raw materials costs and fuel prices expected in year 2012.

**18. PROFIT FORECAST OR PROFIT GUARANTEE**

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

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**19. (LOSS)/PROFIT BEFORE TAXATION**

(Loss)/Profit before taxation has been arrived after charging/(crediting):-

	RM'000	RM'000
	31.12.11	31.12.10
Interest income	(38)	(59)
Interest expense	1,189	990
Depreciation		
- property, plant & equipment	1,800	1,768
- prepaid land lease properties	50	39
Impairment loss on third parties	361	581
Allowance for inventories obsolescence	190	39
Impairment loss on third parties no longer required	(214)	(229)
Gain on disposal of property, plant and equipment	(51)	(54)
Gain on foreign exchange	(422)	(26)

**20. TAXATION**

The breakdown of taxation is as follows:

	Individual Quarter		Cummulative Quarter	
	Current year Quarter 31.12.11 <u>RM'000</u>	Preceding year Quarter 31.12.10 <u>RM'000</u>	Current year Quarter 31.12.11 <u>RM'000</u>	Preceding year Quarter 31.12.10 <u>RM'000</u>
Income tax- current period	-	65	55	184
-(over)/under provision in prior year	-	-	(74)	153
Deferred Tax- over provision in prior Year	<u>(31)</u>	<u>-</u>	<u>(31)</u>	<u>-</u>
	<u>(31)</u>	<u>65</u>	<u>(50)</u>	<u>337</u>

**21. CORPORATE PROPOSALS**

There are no ongoing corporate proposals at the date of this announcement.

**22. GROUP BORROWINGS AND DEBT SECURITIES**

Group borrowings as at 31 December 2011:

	Unsecured <u>RM'000</u>	Secured <u>RM'000</u>	Total <u>RM'000</u>
Short term borrowings	18,822	725	19,547
Long term borrowings	<u>830</u>	<u>1,385</u>	<u>2,215</u>
Total borrowings	<u>19,652</u>	<u>2,110</u>	<u>21,762</u>

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**23. FINANCIAL INSTRUMENTS**

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

**24. MATERIAL LITIGATION**

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.

**25. DIVIDEND**

No interim dividend is recommended for the quarter ended 31 December 2011.

**26. EARNINGS/(LOSS) PER SHARE**

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

	<u>Cumulative Quarter 31-December-2011</u>	<u>Cumulative Quarter 31-December -2010</u>
Net (loss)/profit for the year (RM'000)	(1,803)	385
Weighted average number of shares ('000)	40,042	40,042
Basic (loss)/earnings per share (sen)	(4.50)	0.96

**27. DISCLOSURE OF REALISED AND UNREALISED PROFIT/LOSSES**

The following analysis of realized and unrealized retained profits/(accumulated losses) is prepared pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No.1 - Determination of Realised and Unrealised Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

The Group's accumulated losses as 31 December 2011 and 31 December 2010 is analysed as follows:

	<u>31.12.2011 RM'000</u>	<u>31.12.2010 RM'000</u>
Accumulated losses		
- realized	(46,555)	(44,843)
- unrealized	<u>(74)</u>	<u>(165)</u>
	(46,629)	(45,008)
Total share of retained (loss)/ profit from an associated company:		
-realised	(80)	28
-unrealised	<u>-</u>	<u>-</u>
	<u>(46,709)</u>	<u>(44,980)</u>
Less: Consolidation adjustments	<u>( 22,196)</u>	<u>( 22,270)</u>
Total group accumulated losses as per consolidation accounts	<u>(24,513)</u>	<u>(22,710)</u>

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**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 : 22 February 2012