

HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2012

A. NOTES TO INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with the reporting requirements as set out in Malaysian Financial Reporting Standards ('MFRS') 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 2011. 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 2011.

These are the Group's condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS 1, First Time Adoption of Malaysian Financial Reporting Standards has been applied.

The adoption of the MFRSs and Amendments do not have any material financial impact to these interim financial statements.

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 2011.

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 2011.

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 30 June 2012.

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.

HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2012

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 2012.

8. DIVIDENDS PAID

There were no dividends paid for current quarter ended 30 June 2012.

9. SEGMENTAL REPORT

	6 months ended 30 June 2012	
	Revenue	Loss before
	RM'000	taxation
	RM'000	RM'000
Manufacturing	24,560	(664)
Trading & others	<u>8,409</u>	<u>(1)</u>
Total	<u>32,969</u>	<u>(665)</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 30 June 2012.

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 2012.

13. CAPITAL COMMITMENTS

There were no capital commitments for the current quarter ended 30 June 2012 other than as follows :

	RM'000
Contracted but not provided for property, plant and equipment	<u>97</u>

14. CONTINGENT LIABILITIES

	RM'000
Bank guarantees issued in favour of third parties	<u>201</u>

**HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2012**

B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS

15. PERFORMANCE REVIEW

The Group recorded a loss of RM665,000 in the current year to date as compared to a loss of RM518,000 in the preceding year corresponding period. The loss was mainly caused by a lower revenue of RM32.9 million in the current year to date as compared to RM37.03 million in the preceding year corresponding period resulted from a drop in revenue from both the domestic and international markets attributed by the current soft and competitive market in the current year to-date.

16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

The Group recorded a lower loss before taxation in the current quarter of RM308,000 as compared to a loss before taxation of RM357,000 for the immediate preceding quarter mainly due to a higher sales recorded in the current quarter as compared to the preceding quarter. The higher sales recorded in the current quarter is due to more advertising and promotional activities that were carried out in conjunction with Hwa Tai's 50th year Anniversary in the current 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.

19. LOSS BEFORE TAXATION

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

	<u>RM'000</u> <u>30.06.12</u>	<u>RM'000</u> <u>30.06.11</u>
Interest income	(8)	(24)
Interest expense	609	551
Depreciation		
- property, plant & equipment	1,021	884
- prepaid land lease properties	26	20
Impairment loss on third parties	206	11
Allowance for inventories obsolescence	127	81
Impairment loss on third parties no longer required	(18)	(179)
Loss on disposal of property, plant and equipment	-	8
Gain on foreign exchange	(165)	(125)

**HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2012**

20. TAXATION

No provision of taxation was made by the Group for the current quarter ended 30 June 2012.

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 30 June 2012:

	Unsecured	Secured	Total
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Short term borrowings	20,336	752	21,088
Long term borrowings	<u>624</u>	<u>998</u>	<u>1,622</u>
Total borrowings	<u>20,960</u>	<u>1,750</u>	<u>22,710</u>

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 30 June 2012.

26. LOSS PER SHARE

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

	Cumulative Quarter	Cumulative Quarter
	<u>30-June-2012</u>	<u>30-June -2011</u>
Net loss for the period (RM'000)	(665)	(518)
Weighted average number of shares ('000)	40,042	40,042
Basic loss per share (sen)	(1.66)	(1.29)

HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2012

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 at 30 June 2012 and 30 June 2011 is analysed as follows:

	30.06.2012	30.06.2011
	<u>RM'000</u>	<u>RM'000</u>
Accumulated losses		
- realized	(25,071)	(23,186)
- unrealized	<u>(57)</u>	<u>26</u>
	(25,128)	(23,160)
Associated company:		
- realized	<u>(50)</u>	<u>(68)</u>
Total group accumulated losses as per statements of financial position	<u>(25,178)</u>	<u>(23,228)</u>

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 : 29 August 2012