

**HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014**

A. NOTES TO INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards and the requirement of the Companies Act 1965 in Malaysia ; 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 2013. 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 2013.

The financial statements of the Group have been prepared under the historical cost basis except as disclosed in the significant accounting policies in the audited financial statements for the year ended 31 December 2013.

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 2013.

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 2013.

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 March 2014.

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.

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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 2014.

8. DIVIDENDS PAID

There were no dividends paid for current quarter ended 31 March 2014.

9. SEGMENTAL REPORT

	3 months ended	31 March 2014
	Revenue	Loss before
	RM'000	taxation
		RM'000
Manufacturing	12,014	(544)
Trading & others	<u>4,029</u>	<u>37</u>
Total	<u>16,043</u>	<u>(507)</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 March 2014 other than as disclosed in Note 21.

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 2014.

13. CAPITAL COMMITMENTS

There were no capital commitments for the current quarter ended 31 March 2014 other than as follows :

	<u>RM'000</u>
Contracted but not provided for property, plant and equipment	<u>456</u>

14. CONTINGENT LIABILITIES

	<u>RM'000</u>
Bank guarantees issued in favour of third parties	<u>254</u>

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B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS

15. PERFORMANCE REVIEW

The Group incurred a loss before taxation of RM0.51 million in the current year to-date as compared to a loss before taxation of RM0.18 million in the preceding year corresponding period. The loss was due to higher advertising and promotional expenses incurred to stimulate sales in the current soft and competitive market.

16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

The loss before taxation in the current quarter of RM507,000 as compared to a profit before taxation of RM488,000 for the immediate preceding quarter was mainly due to the lower sales from both the domestic and international market in the current quarter as compared with higher sales recorded in the preceding quarter due to the year end festive season.

17. PROSPECTS OF THE GROUP

The Group continues to operate in a challenging environment at the current soft and competitive market with the fluctuation of foreign currencies together with volatile raw materials costs. The Group will continue to operate in a cost effective manner to increase the production efficiency in the manufacturing division.

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>RM'000</u>
	31.03.14	31.03.13
Interest income	(3)	(4)
Interest expense	269	289
Depreciation		
- property, plant & equipment	489	485
- prepaid land lease properties	11	11
Impairment loss on third parties	99	84
Allowance for inventories obsolescence	38	61
Impairment loss on third parties no longer required	-	(225)
Loss/(gain) on disposal of property, plant and equipment	3	(18)
Net gain on foreign exchange	(96)	(120)

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20. TAXATION

The breakdown of taxation is as follows:

	Individual Quarter		Cumulative Quarter	
	Current year Quarter 31.03.14 <u>RM'000</u>	Preceding year Quarter 31.03.13 <u>RM'000</u>	Current year Quarter 31.03.14 <u>RM'000</u>	Preceding year Quarter 31.03.13 <u>RM'000</u>
Income tax - current year	-	-	-	-
- over provision in prior year	-	(17)	-	(17)
	<u>-</u>	<u>(17)</u>	<u>-</u>	<u>(17)</u>

21. CORPORATE PROPOSALS

On 24 April 2014, the Company announced the proposal to undertake the following:

- (i) Proposed reduction of the issued and paid-up share capital of the Company pursuant to Section 64(1) of the Companies Act, 1965, involving the cancellation of RM0.60 of the par value of each ordinary share of RM1.00 in the Company,
- (ii) Proposed amendment to the Memorandum of Association of the Company to facilitate the Proposed Par Value Reduction;
- (iii) Proposed renounceable rights issue of up to 60,063,600 new shares of RM0.40 each at an issue price of RM0.40 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing shares held after the Proposed Par Value Reduction based on a minimum subscription level of 30,031,800 Rights Share on an entitlement date to be determined and announced later; and
- (iv) Proposed exemption to Mr. Soo Thien Ming @ Soo Thien See and persons acting in concert with Mr. Soo from the obligation to undertake a mandatory take-over offer to acquire all the remaining shares not already owned by Mr. Soo upon completion of the Proposed Rights Issue pursuant to Practice Note 9, Paragraph 16.1 of the Malaysian Code on Take-overs and Mergers 2010.

Barring any unforeseen circumstances and subject to all relevant requisite approvals being obtained, the said Proposals are expected to be completed before the end of 2014.

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22. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowings as at 31 March 2014:

	Unsecured	Secured	Total
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Short term borrowings	19,438	426	19,864
Long term borrowings	<u>-</u>	<u>677</u>	<u>677</u>
Total borrowings	<u>19,438</u>	<u>1,103</u>	<u>20,541</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 31 March 2014.

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:

	<u>Cumulative Quarter</u>	<u>Cumulative Quarter</u>
	<u>31-March-2014</u>	<u>31-March -2013</u>
Net loss for the period attributable to owners of the Company (RM'000)	(507)	(161)
Weighted average number of shares ('000)	40,042	40,042
Basic loss per share (sen)	(1.27)	(0.40)

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27. DISCLOSURE OF REALISED AND UNREALISED PROFIT/LOSSES

The following analysis of realised and unrealised 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 31 March 2014 and 31 March 2013 is analysed as follows:

	31.03.14	31.03.13
	<u>RM'000</u>	<u>RM'000</u>
Accumulated losses		
- realized	(25,393)	(25,436)
- unrealized	<u>51</u>	<u>(71)</u>
	(25,342)	(25,507)
Associated company:		
- realised	<u>(130)</u>	<u>(21)</u>
Total group accumulated losses as per statements of financial position	<u>(25,472)</u>	<u>(25,528)</u>

28. AUTHORISATION FOR ISSUE

The interim financial reports were authorised for release by the Board of Directors.

By Order of the Board
JESSICA CHIN TENG LI (MAICSA 7003181)
Company Secretary
Dated : 30th May 2014