

**HWA TAI INDUSTRIES BERHAD(Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2015**

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 2014. 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 2014.

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 2014.

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 2014.

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 2014.

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 2015.

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 2015.

8. DIVIDENDS PAID

There were no dividends paid for current quarter ended 31 March 2015.

9. SEGMENTAL REPORT

	3 months ended 31 March 2015	
	Revenue	Loss before
	<u>RM'000</u>	<u>taxation</u>
		<u>RM'000</u>
Manufacturing	12,634	(176)
Trading & others	<u>3,902</u>	<u>(72)</u>
Total	<u>16,536</u>	<u>(248)</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 2015 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 2015.

13. CAPITAL COMMITMENTS

There were no capital commitments for the current quarter ended 31 March 2015 other than as follows :

	<u>RM'000</u>
Contracted but not provided for property, plant and equipment	<u>152</u>

14. CONTINGENT LIABILITIES

	<u>RM'000</u>
Bank guarantees issued in favour of third parties	<u>221</u>

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B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS

15. PERFORMANCE REVIEW

The Group incurred a loss before taxation of RM0.25 million in the current year to-date as compared to a loss before taxation of RM0.51 million in the preceding year corresponding period. The lower loss was mainly due to higher revenue, lower spending of advertising and promotional expenses and also higher other operating income which comprises foreign currency exchange gains resulted from strengthening of USD currency against Ringgit Malaysia in the current year to-date.

16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

The lower loss before taxation in the current quarter of RM248,000 as compared to a loss before taxation of RM311,000 in the immediate preceding quarter was mainly due to lower spending of advertising and promotional expenses in the current quarter.

17. PROSPECTS OF THE GROUP

The Group anticipate macroeconomic conditions in Malaysia to remain challenging in the year ahead, with the introduction of the Goods & Services Tax with effect from 1 April 2015 and inflationary pressures plus other economic challenges. These are expected to weaken consumer confidence which might impact consumer spending.

The Group will be vigilant and respond accordingly to the changing business dynamics and market environment with our constant focus in improving its performance.

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>
	<u>31.03.15</u>	<u>31.03.14</u>
Interest income	(1)	(3)
Interest expense	272	269
Depreciation		
- property, plant & equipment	485	489
- prepaid land lease properties	11	11
Impairment loss on third parties	178	99
Loss on disposal of property, plant and equipment	13	3
Net gain on foreign exchange	(207)	(96)

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20. TAXATION

No provision of taxation was made by the Group for the current quarter ended 31 March 2015.

21. CORPORATE PROPOSALS

The Company's following corporate exercise which had been approved by the Shareholders at the Extraordinary General meeting held on 12th November 2014 were fully completed on 14th April 2015.

- (i) The 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 was completed on 13th January 2015. As such, the par value of each existing ordinary share in the Company has reduced from RM1.00 to RM0.40 each;
- (ii) The amendment to the Memorandum of Association of the Company to facilitate the Par Value Reduction was completed on 13th January 2015;
- (iii) The 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 Par Value Reduction based on a minimum subscription level of 30,031,800 Rights Share was completed on 14th April 2015; and
- (iv) The 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 Rights Issue pursuant to Practice Note 9, Paragraph 16.1 of the Malaysian Code on Take-overs and Mergers 2010 was approved by the Securities Commission on 15th December 2014.

The acceptance and excess applications received under the Rights Issue were 34,790,870 Rights Shares. This represents an under-subscription of 25,272,730 Rights Shares or approximately 42.08% over the total of 60,063,600 Rights Shares available for subscription under Rights Issue. Notwithstanding the under-subscription, the minimum subscription level of 30,031,800 Rights Shares for the Rights Issues had been achieved and a total of RM13,916,348/- was raised.

Arising from the corporate exercise, the latest issued and paid up share capital of the Company is RM29,933,308/- comprising 74,833,270 ordinary shares of RM0.40each.

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22. STATUS OF UTILISATION OF PROCEEDS

The status of utilisation of the proceeds from the right issue is as follows:

Details of Utilisation	Proceeds Raised	Amount Utilised	Amount Unutilised	Expected timeframe for utilisation of proceeds from the date of receipt
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Repayment of bank borrowing	3,403	3,403	-	Within three months
Capital expenditure for business expansion	7,000	-	7,000	Within thirty six months
Working capital	3,213	194	3,019	Within twenty four months
Expenses in relation to the Corporate Exercises	<u>300</u>	<u>300</u>	<u>-</u>	Within three months
	<u>13,916</u>	<u>3,897</u>	<u>10,019</u>	

Any shortfall of funds for the payment of expenses for the Corporate Exercises will be adjusted accordingly from the working capital, as the case may be.

23. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowings as at 31 March 2015:

	<u>Unsecured RM'000</u>	<u>Secured RM'000</u>	<u>Total RM'000</u>
Short term borrowings	19,554	370	19,924
Long term borrowings	-	422	422
Total borrowings	<u>19,554</u>	<u>792</u>	<u>20,346</u>

24. FINANCIAL INSTRUMENTS

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

25. 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.

26. DIVIDEND

No interim dividend is recommended for the quarter ended 31 March 2015.

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27. 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 <u>31-March-2015</u>	Cumulative Quarter <u>31-March-2014</u>
Net loss for the period attributable to owners of the Company (RM'000)	(245)	(507)
Weighted average number of shares ('000)	40,042	40,042
Basic loss per share (sen)	(0.62)	(1.27)

28. 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 2015 and 31 March 2014 is analysed as follows:

	<u>31.03.15</u> <u>RM'000</u>	<u>31.03.14</u> <u>RM'000</u>
Accumulated losses		
- realized	(3,528)	(25,393)
- unrealized	<u>86</u>	<u>51</u>
	(3,442)	(25,342)
Associated company:		
- realised	<u>(183)</u>	<u>(130)</u>
Total group accumulated losses as per statements of financial position	<u>(3,625)</u>	<u>(25,472)</u>

29. 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 : 29th May 2015