

HWA TAI INDUSTRIES BERHAD (Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 30 September 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 30 September 2015.

8. DIVIDENDS PAID

There were no dividends paid for the current quarter ended 30 September 2015.

9. SEGMENTAL REPORT

	9 months ended 30 September 2015	
	Revenue	Loss before
	<u>RM'000</u>	<u>taxation</u>
		<u>RM'000</u>
Manufacturing	36,251	(408)
Trading & others	<u>10,819</u>	<u>(196)</u>
Total	<u>47,070</u>	<u>(604)</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 September 2015 other than the Company's acquisition on 9 November 2015 of the entire issued and paid-up share capital consisting of 2 ordinary shares of RM1/- each in Absolute Palmers Food Sdn. Bhd. at par for a total cash consideration of RM2/-, which was announced on 9 November 2015.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter ended 30 September 2015.

13. CAPITAL COMMITMENTS

There were no capital commitments for the current quarter ended 30 September 2015 other than as follows:

	<u>RM'000</u>
Contracted but not provided for property, plant and equipment	<u>310</u>

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14. CONTINGENT LIABILITIES

RM'000

Bank guarantees issued in favour of third parties 225

B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS

15. PERFORMANCE REVIEW

The Group incurred a loss before taxation of RM0.6 million in the current year to-date as compared to a loss before taxation of RM2.16 million in the preceding year corresponding period. The lower loss was mainly due to higher margin resulted from an increase in revenue both from domestic and international markets and higher other operating income which mainly comprises foreign currency exchange gain and interest income earned on deposits placed with financial institutions.

16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

The lower loss before taxation in the current quarter of RM131,000 as compared to a loss before taxation of RM225,000 for the immediate preceding quarter was mainly due to higher margin resulted mainly from an increase of sales from the international market in the current quarter.

17. PROSPECTS OF THE GROUP

The Group anticipate macroeconomic conditions in Malaysia to remain challenging.

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>
	30.09.15	30.09.14
Interest income	(185)	(8)
Interest expense	763	800
Depreciation		
- property, plant & equipment	1,472	1,479
- prepaid land lease properties	33	33
Impairment loss on third parties	697	357
Impairment loss on third parties no longer required	-	(278)
Loss on disposal of property, plant and equipment	12	3
Net gain on foreign exchange	(294)	(171)

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20. TAXATION

The breakdown of taxation is as follows:

	Individual Quarter		Cumulative Quarter	
	Current year Quarter 30.09.15 <u>RM'000</u>	Preceding year Quarter 30.09.14 <u>RM'000</u>	Current year Quarter 30.09.15 <u>RM'000</u>	Preceding year Quarter 30.09.14 <u>RM'000</u>
Income tax - current period	101	64	101	64
- under / (over) provision in prior year	14	(98)	14	(98)
	<u>115</u>	<u>(34)</u>	<u>115</u>	<u>(34)</u>

21. CORPORATE PROPOSALS

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

22. STATUS OF UTILISATION OF PROCEEDS

The status of utilisation of the proceeds from the Rights 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>	
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	2,001	1,212	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>5,704</u>	<u>8,212</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.

* Due, inter alia, to the weak Ringgit Malaysia, the proposed acquisition of machinery would be delayed.

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23. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowings as at 30 September 2015:

	Unsecured	Secured	Total
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Short term borrowings	15,192	298	15,490
Long term borrowings	<u>-</u>	<u>316</u>	<u>316</u>
Total borrowings	<u>15,192</u>	<u>614</u>	<u>15,806</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 30 September 2015.

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:

	<u>Cumulative Quarter</u>	<u>Cumulative Quarter</u>
	<u>30-September-2015</u>	<u>30-September-2014</u>
Net loss for the period attributable to owners of the Company (RM'000)	(716)	(2,126)
Weighted average number of shares ('000)	74,833	40,042
Basic loss per share (sen)	(0.96)	(5.31)

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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 30 September 2015 and 30 September 2014 is analysed as follows:

	<u>30.09.15</u> <u>RM'000</u>	<u>30.09.14</u> <u>RM'000</u>
Accumulated losses		
- realized	(3,993)	(27,112)
- unrealized	<u>52</u>	<u>50</u>
	(3,941)	(27,062)
Associated company:		
- realised	<u>(155)</u>	<u>(29)</u>
Total group accumulated losses as per statements of financial position	<u>(4,096)</u>	<u>(27,091)</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: 27th November 2015