

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

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 December 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 December 2015.

8. DIVIDENDS PAID

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

9. SEGMENTAL REPORT

	12 months ended 31 December 2015	
	Revenue	Profit before
	RM'000	taxation
		RM'000
Manufacturing	51,985	703
Trading & others	<u>14,350</u>	<u>(17)</u>
Total	<u>66,335</u>	<u>686</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 2015.

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 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.

13. CAPITAL COMMITMENTS

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

	<u>RM'000</u>
Contracted but not provided for property, plant and equipment	<u>124</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 recorded a profit before taxation of RM0.69 million in the current year to-date as compared to a loss before taxation of RM2.47 million in the preceding year corresponding period. The improved results in the current year was mainly due to higher margin resulted from an increase in revenue both from domestic and international markets and also contributed by interest income earned on deposits placed with financial institutions.

16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

The profit before taxation in the current quarter of RM1.29 million as compared to a loss before taxation of RM0.13 million for the immediate preceding quarter was mainly due to higher margin resulted from an increase of sales from both the domestic and international markets during the year end festive season.

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. PROFIT OR (LOSS) BEFORE TAXATION

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

	<u>RM'000</u>	<u>RM'000</u>
	<u>31.12.15</u>	<u>31.12.14</u>
Interest income	(309)	(8)
Interest expense	1,002	1,057
Amortisation of prepaid land lease payment	44	43
Depreciation of property, plant & equipment	1,979	1,965
Impairment loss on receivables	624	357
Impairment loss no longer required on receivables	-	(278)
Loss on disposal of property, plant and equipment	13	3
Impairment loss on property, plant & equipment	107	-
Net gain on foreign exchange	(252)	(453)

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20. TAXATION

The breakdown of taxation is as follows:

	Individual Quarter		Cumulative Quarter	
	Current year Quarter 31.12.15 <u>RM'000</u>	Preceding year Quarter 31.12.14 <u>RM'000</u>	Current year Quarter 31.12.15 <u>RM'000</u>	Preceding year Quarter 31.12.14 <u>RM'000</u>
Income tax - current year	247	-	348	64
- under / (over) provision in prior year	-	-	14	(98)
	<u>247</u>	<u>-</u>	<u>362</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	2,172	1,041	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>5,875</u>	<u>8,041</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 31 December 2015:

	Unsecured	Secured	Total
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Short term borrowings	17,064	235	17,299
Long term borrowings	<u>-</u>	<u>262</u>	<u>262</u>
Total borrowings	<u>17,064</u>	<u>497</u>	<u>17,561</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 December 2015.

27. EARNINGS /(LOSS) PER SHARE

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

	Cumulative Quarter	Cumulative Quarter
	<u>31-December-2015</u>	<u>31-December-2014</u>
Net profit /(loss) for the year attributable to owners of the Company (RM'000)	322	(2,440)
Weighted average number of shares ('000)	74,833	40,042
Basic earnings /(loss) per share (sen)	0.43	(6.09)

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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 31 December 2015 and 31 December 2014 is analysed as follows:

	<u>31.12.15</u> <u>RM'000</u>	<u>31.12.14</u> <u>RM'000</u>
Accumulated losses		
- realised	(2,890)	(27,402)
- unrealised	<u>(24)</u>	<u>158</u>
	(2,914)	(27,244)
Associated company:		
- realised	<u>(144)</u>	<u>(161)</u>
Total group accumulated losses as per statements of financial position	<u>(3,058)</u>	<u>(27,405)</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: 26th February 2016