

**HWA TAI INDUSTRIES BERHAD (Company No.:19688-V)**  
**INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER**  
**2016**

**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 financial year ended 31 December 2015. 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 2015.

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 financial year ended 31 December 2015.

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 statements for the financial year ended 31 December 2015.

**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 2015.

**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 2016.

**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 2016.

**8. DIVIDENDS PAID**

There were no dividends paid for the current quarter ended 30 September 2016.

**9. SEGMENTAL REPORT**

	<b>9 months ended 30 September 2016</b>	
	<b>Revenue</b>	<b>Profit/ (Loss) before</b>
	<b><u>RM'000</u></b>	<b>taxation</b>
		<b><u>RM'000</u></b>
Manufacturing	38,306	96
Trading & others	<u>7,346</u>	<u>(115)</u>
Total	<u>45,652</u>	<u>(19)</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 2016.

**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 2016.

**13. CAPITAL COMMITMENTS**

There were no capital commitments for the current quarter ended 30 September 2016 other than as follows:

	<b><u>RM'000</u></b>
Contracted but not provided for property, plant and equipment	<u>395</u>

**14. CONTINGENT LIABILITIES**

	<b><u>RM'000</u></b>
Bank guarantees issued in favour of third parties	<u>200</u>

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**B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS**

**15. PERFORMANCE REVIEW**

The Group recorded a lower loss before taxation of RM19,000 in the current year to-date as compared to a loss before taxation of RM604,000 in the preceding year corresponding period even though the revenue is lower in the current year to-date. These were mainly due to higher interest income earned on deposits placed with financial institution and also higher margin in revenue from international market resulted from the strengthening of USD currency against Ringgit Malaysia in the current quarter.

**16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER**

The loss before taxation in the current quarter of RM5,000 as compared to a loss before taxation of RM186,000 for 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.

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>30.09.16</u>	<u>30.09.15</u>
Interest income	(296)	(142)
Interest expense	697	763
Amortisation of prepaid land lease payment	32	33
Depreciation of property, plant & equipment	1,492	1,472
Impairment loss on receivables	887	697
(Gain)/ loss on disposal of property, plant & equipment	(3)	12
Net loss/ (gain) on foreign exchange	11	(294)

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**20. TAXATION**

The breakdown of taxation is as follows:

	Individual Quarter		Cumulative Quarter	
	Current year Quarter 30.09.16 <u>RM'000</u>	Preceding year Quarter 30.09.15 <u>RM'000</u>	Current year Quarter 30.09.16 <u>RM'000</u>	Preceding year Quarter 30.09.15 <u>RM'000</u>
Income tax - current period	93	101	267	101
- (over)/ under provision in prior year	(284)	14	(284)	14
	<u>191</u>	<u>115</u>	<u>(17)</u>	<u>115</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	3,213	-	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>6,916</u>	<u>7,000</u>	

The shortfall of funds for the payment of expenses for the Corporate Exercises had been adjusted from the working capital.

\* 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 2016 are as follows:

	<b>Unsecured</b>	<b>Secured</b>	<b>Total</b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
Short term borrowings	14,172	171	14,343
Long term borrowings	<u>-</u>	<u>136</u>	<u>136</u>
Total borrowings	<u>14,172</u>	<u>307</u>	<u>14,479</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 2016.

**27. LOSS PER SHARE**

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

	<b><u>Cumulative Quarter</u></b>	<b><u>Cumulative Quarter</u></b>
	<b><u>30-September-2016</u></b>	<b><u>30-September-2015</u></b>
Loss for the period attributable to owners of the Company (RM'000)	(2)	(716)
Weighted average number of shares ('000)	74,833	64,920
Basic loss per share (sen)	(0.00)	(1.10)

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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 2016 and 30 September 2015 is analysed as follows:

	<b><u>30.09.16</u></b> <b><u>RM'000</u></b>	<b><u>30.09.15</u></b> <b><u>RM'000</u></b>
Accumulated losses		
- realised	(2,662)	(3,993)
- unrealised	<u>24</u>	<u>52</u>
	(2,638)	(3,941)
Associated company:		
- realised	<u>(422)</u>	<u>(155)</u>
Total group accumulated losses as per statement of financial position	<u>(3,060)</u>	<u>(4,096)</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 November 2016