

HWA TAI INDUSTRIES BERHAD (Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER
2017

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 2016 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 2016. 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 2016.

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 2016.

The adoption of the MFRSs and Amendments do not have any material financial impact to these interim financial statements.

Companies Act 2016

The Minister of Domestic Trade, Co-operatives and Consumerism appointed 31 January 2017 as the date on which Companies Act 2016 comes into operation except for Section 241 and Division 8 of Part III.

Accordingly, the Company shall prepare the financial statements for the financial year ending 31 December 2017 in accordance with the requirements of Companies Act 2016 which will be applied prospectively.

Amongst the key changes introduced in the Companies Act 2016 which will affect the financial statements of the Company are, where applicable:

- The removal of the authorised share capital; and
- Share issued will have no par or nominal value.

The adoption of the above did not have any significant effects on the interim financial report upon their initial application.

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 2016.

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 2016.

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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 2017.

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.

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 2017.

8. DIVIDENDS PAID

There were no dividends paid for the current quarter ended 30 September 2017.

9. SEGMENTAL REPORT

	9 months ended 30 September 2017	
	Revenue	Profit/ (loss)
	RM'000	before taxation
	<u>RM'000</u>	<u>RM'000</u>
Manufacturing	40,762	625
Trading & others	<u>7,137</u>	<u>(73)</u>
Total	<u>47,899</u>	<u>552</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 2017.

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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 2017.

13. CAPITAL COMMITMENTS

There were no capital commitments for the current quarter ended 30 September 2017 other than as follows:

	<u>RM'000</u>
Contracted but not provided for property, plant and equipment	<u>533</u>

14. CONTINGENT LIABILITIES

	<u>RM'000</u>
Bank guarantees issued in favour of third parties	<u>193</u>

B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS

15. PERFORMANCE REVIEW

The Group registered a profit before taxation of RM552,000 as compared to a loss before taxation of RM19,000 in the preceding year corresponding period. The improved result was mainly due to higher margin from an increase in revenue from domestic market. The increase of margin and revenue was a result of product price adjustment at domestic market in current quarter. In addition, there was adjustment of certain advertising and promotional expenses which were overprovided previously.

16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

The Group recorded a profit before taxation of RM642,000 in the current quarter as compared to loss before taxation of RM157,000 in the preceding quarter. The profit in the current quarter was mainly due to price adjustment of products at domestic market and adjustment of certain advertising and promotional expenses as mentioned above.

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.

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19. PROFIT/ (LOSS) BEFORE TAXATION

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

	<u>RM'000</u>	<u>RM'000</u>
	30.09.17	30.09.16
Interest income	(298)	(296)
Interest expense	589	697
Amortisation of prepaid land lease payment	33	32
Depreciation of property, plant and equipment	1,608	1,492
Impairment loss on receivables	880	887
Loss/ (gain) on disposal of property, plant and equipment	13	(3)
Net loss on foreign exchange	43	11

20. TAXATION

The breakdown of taxation is as follows:

	Individual Quarter		Cumulative Quarter	
	Current year Quarter 30.09.17 <u>RM'000</u>	Preceding year Quarter 30.09.16 <u>RM'000</u>	Current year Quarter 30.09.17 <u>RM'000</u>	Preceding year Quarter 30.09.16 <u>RM'000</u>
Income tax - current period	251	93	551	267
- under/ (over) provision in prior year	175	(284)	175	(284)
	<u>426</u>	<u>(191)</u>	<u>726</u>	<u>(17)</u>

21. CORPORATE PROPOSALS

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

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22. STATUS OF UTILISATION OF PROCEEDS

The status of utilisation of the proceeds from the Rights Issue which had been completed on 14 April 2015 is as follows:

Details of Utilisation	Proceeds Raised	Amount Utilised	Amount Unutilised	Expected timeframe for utilisation of proceeds from the date of completion
	<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.

23. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowings as at 30 September 2017 are as follows:

	<u>Unsecured</u> <u>RM'000</u>	<u>Secured</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
Short term borrowings	14,899	227	15,126
Long term borrowings	-	271	271
Total borrowings	<u>14,899</u>	<u>498</u>	<u>15,397</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.

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26. DIVIDEND

No interim dividend is recommended for the quarter ended 30 September 2017.

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:

	Cumulative Quarter <u>30-September-2017</u>	Cumulative Quarter <u>30-September-2016</u>
Loss for the period attributable to owners of the Company (RM'000)	(174)	(2)
Weighted average number of shares ('000)	74,833	74,833
Basic loss per share (sen)	(0.23)	(0.00)

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 2017 and 30 September 2016 is analysed as follows:

	30.09.17 <u>RM'000</u>	30.09.16 <u>RM'000</u>
Accumulated losses		
- realized	(1,887)	(2,662)
- unrealized	<u>(6)</u>	<u>24</u>
	(1,893)	(2,638)
Associated company:		
- realised	<u>(961)</u>	<u>(422)</u>
Total group accumulated losses as per statement of financial position	<u>(2,854)</u>	<u>(3,060)</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: 28th November 2017