

HWA TAI INDUSTRIES BERHAD (Company No.:19688-V)
INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER
2019

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 2018. 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 2018.

The accounting policies and methods of computation adopted by the Group in this condensed interim financial statements are consistent with the audited financial statements for the financial year ended 31 December 2018 except for the adoption of the newly issued Malaysian Financial Reporting Standards (MFRS), interpretations and amendments to standards to be applied by all Entities Other Than Private Entities for the financial period beginning on or after 1 January 2019:

- MFRS 16: Leases

The Group has adopted the standards retrospectively from 1 January 2019, with the practical expedients permitted under the standards. Comparatives for Year 2018 are not restated.

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 2018.

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 2018.

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 2019.

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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 31 December 2019.

8. DIVIDENDS PAID

There were no dividends paid for the current quarter ended 31 December 2019.

9. SEGMENTAL REPORT

	12 months ended 31 December 2019	
	Revenue	Loss before taxation
	<u>RM'000</u>	<u>RM'000</u>
Manufacturing	50,374	(2,443)
Trading & others	<u>14,979</u>	<u>(29)</u>
Total	<u>65,353</u>	<u>(2,472)</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 2019.

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 2019.

13. CAPITAL COMMITMENTS

There were no capital commitments for the current quarter ended 31 December 2019 other than as follows:

	<u>RM'000</u>
Contracted but not provided for property, plant and equipment	<u>5,603</u>

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14. CONTINGENT LIABILITIES

RM'000

Bank guarantees issued in favour of third parties 343

B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS

15. PERFORMANCE REVIEW

The Group recorded a loss before taxation of RM2.47 million in the current year as compared to a loss before taxation of RM3.3 million in the preceding year. The lower loss of RM0.83 million was mainly due to the reversal of impairment loss on receivables in the current year.

16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

The Group recorded a profit before taxation of RM0.13 million in the current quarter as compared to loss before taxation of RM1.09 million in the preceding quarter. This was mainly due to an increase of sales in both the domestic and international market during the year end festive season.

17. PROSPECTS OF THE GROUP

The Group anticipates 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>
	31.12.2019	31.12.2018
Interest income	(307)	(421)
Interest expense	992	878
Amortisation of prepaid land lease payment	-	43
Depreciation of property, plant and equipment	2,107	2,292
Depreciation of right-of-use assets	155	-
Impairment loss on receivables	811	1,806
Impairment loss on investment of an associated company	-	798
(Gain)/ loss on disposal of property, plant and equipment	(3)	65
Net loss on foreign exchange	49	85
Reversal of impairment loss on receivables	(912)	(323)
Reversal of impairment loss on investment of an associated company	(454)	-

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20. TAXATION

The breakdown of taxation is as follows:

	Individual Quarter		Cumulative Quarter	
	Current year	Preceding	Current year	Preceding
	Quarter	year Quarter	Quarter	year Quarter
	31.12.19	31.12.18	31.12.19	31.12.18
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Income tax - current period	(200)	-	150	561
- (over)/ under provision in prior year	1	-	(404)	68
	<u>(199)</u>	<u>-</u>	<u>(254)</u>	<u>629</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 Company's Rights Issue which had been completed on 14 April 2015 is as follows:

Details of Utilisation	Proceeds Raised	Amount Utilised	Amount Unutilised	Initial Timeframe	1st Revised Timeframe	2nd Revised Timeframe
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>			
Repayment of bank borrowing	3,403	3,403	-	Within 3 months (Completed)	-	-
Working capital	3,213	3,213	-	Within 24 months (Completed)	-	-
Expense in relation to the Corporate Exercises	300	*300	-	Within 3 months (Completed)	-	-
Capital expenditure for business expansion	7,000	6,090	910	Within 36 months (13 April 2018)	**Additional 12 months from Initial Timeframe (13 April 2019)	***Additional 12 months from 1st Revised Timeframe (13 April 2020)
Total	13,916	13,006	910			

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- * The shortfall of funds for the payment of expenses for the Corporate Exercises had been adjusted from the working capital.
- ** The timeframe for utilisation of proceeds for acquisition of biscuit line was extended from 36 months to 48 months as announced on 6 April 2018 and 10 April 2018.
- *** The timeframe for utilisation of proceeds for acquisition of biscuit line was extended from 36 months to 60 months as announced on 8 April 2019. In the same announcement, the Company disclosed that it intends to vary the type of biscuit line to be purchased from a hybrid biscuit line to an indirect fire convection biscuit line (“IFC line”)

As at to date, deposits of RM 6.09 million were paid to the oversea suppliers of the IFC line.

The unutilised proceeds of RM 0.91 million are placed in fixed deposits with a licensed financial institution and interest earned is used for working capital.

23. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowings as at 31 December 2019 are as follows:

	Unsecured	Secured	Total
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Short term borrowings	15,226	430	15,656
Long term borrowings	<u>-</u>	<u>1,211</u>	<u>1,211</u>
Total borrowings	<u>15,226</u>	<u>1,641</u>	<u>16,867</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 current quarter ended 31 December 2019.

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27. LOSS PER SHARE

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

	Cumulative Quarter <u>31.12.2019</u>	Cumulative Quarter <u>31.12.2018</u>
Loss for the year attributable to owners of the Company (RM'000)	(2,221)	(3,916)
Weighted average number of shares ('000)	74,833	74,833
Basic loss per share (sen)	(2.97)	(5.23)

28. 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 February 2020