

**HWA TAI INDUSTRIES BERHAD (Company No.:19688-V)**  
**INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

**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 2019. 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 2019.

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 2019.

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 2019.

**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 2019.

**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 March 2020.

**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.

**HWA TAI INDUSTRIES BERHAD (Company No.:19688-V)**  
**INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

**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 March 2020.

**8. DIVIDENDS PAID**

There were no dividends paid for the current quarter ended 31 March 2020.

**9. SEGMENTAL REPORT**

	<b>3 months ended 31 March 2020</b>	
	<b>Revenue</b>	<b>Profit before taxation</b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
Manufacturing	13,264	79
Trading & others	<u>4,395</u>	<u>64</u>
Total	<u>17,659</u>	<u>143</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 March 2020.

**12. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the current quarter ended 31 March 2020.

**13. CAPITAL COMMITMENTS**

There were no capital commitments for the current quarter ended 31 March 2020 other than as follows:

	<b><u>RM'000</u></b>
Contracted but not provided for property, plant and equipment	<u>1,497</u>

**14. CONTINGENT LIABILITIES**

	<b><u>RM'000</u></b>
Bank guarantees issued in favour of third parties	<u>358</u>

**HWA TAI INDUSTRIES BERHAD (Company No.:19688-V)**  
**INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

**B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS**

**15. PERFORMANCE REVIEW**

The Group recorded a profit before taxation of RM0.14million in the current year as compared to a loss before taxation of RM0.95 million in the preceding year. The improved result was mainly due to the increase in revenue as a result of higher demand from domestic market amid the Movement Control Order imposed by the Government starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia.

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

There was no material variation of a profit before taxation in current quarter as compared to a profit before taxation in the preceding quarter.

**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. PROFIT BEFORE TAXATION**

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

	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
	<b>31.03.2020</b>	<b>31.03.2019</b>
Interest income	(18)	(108)
Interest expense	239	246
Amortisation of prepaid land lease payment	-	11
Depreciation of property, plant and equipment	487	548
Depreciation of right-of-use assets	98	-
Impairment loss on receivables	172	96
(Gain)/ loss on disposal of property, plant and equipment	(1)	2
Net (gain)/loss on foreign exchange	(47)	28
Reversal of impairment loss on receivables	(623)	-
Reversal of impairment loss on investment of an associated company	(160)	-

**HWA TAI INDUSTRIES BERHAD (Company No.:19688-V)**  
**INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

**20. TAXATION**

The breakdown of taxation is as follows:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current year</b>	<b>Preceding</b>	<b>Current year</b>	<b>Preceding</b>
	<b>Quarter</b>	<b>year Quarter</b>	<b>Quarter</b>	<b>year Quarter</b>
	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>31.03.2020</b>	<b>31.03.2019</b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
Income tax - current period	-	<u>100</u>	-	<u>100</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:

<b>Details of Utilisation</b>	<b>Proceeds Raised</b>	<b>Amount Utilised</b>	<b>Amount Unutilised</b>	<b>Initial Timeframe</b>	<b>1st Revised Timeframe</b>	<b>2nd Revised Timeframe</b>	<b>3rd Revised Timeframe</b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>				
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)	**** Additional 3 months from 2nd Revised Timeframe (13 July 2020)
<b>Total</b>	<b>13,916</b>	<b>13,006</b>	<b>910</b>				

**HWA TAI INDUSTRIES BERHAD (Company No.:19688-V)**  
**INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

- \* 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 biscuit line”)
- \*\*\*\* The timeframe for utilization of proceeds for acquisition of biscuit line was extended by a further 3 months from 60 months to 63 months to facilitate the installation and commissioning of the IFC biscuit line as announced on 9 April 2020.

As at to date, deposits of RM6.09 million were paid to the oversea suppliers of the IFC line.

The unutilised proceeds of RM0.91million are placed in fixed deposits with a licensed financial institution and interest earned is used for working capital. This unutilised proceeds of RM0.91million is expected to be utilised earliest in June 2020.

**23. GROUP LOAN, BORROWINGS AND LEASE LIABILITIES**

Group loan, borrowings and lease liabilities as at 31 March 2020 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>
<b>Loan and Borrowings</b>			
Short term borrowings	16,072	-	16,072
Long term borrowings	<u>-</u>	<u>-</u>	<u>-</u>
Total borrowings	<u>16,072</u>	<u>-</u>	<u>16,072</u>
<b>Lease Liabilities</b>			
Short term lease liabilities	98	335	433
Long term lease liabilities	<u>325</u>	<u>781</u>	<u>1,106</u>
Total lease liabilities	<u>423</u>	<u>1,116</u>	<u>1,539</u>
Total	<u>16,495</u>	<u>1,116</u>	<u>17,611</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.

**HWA TAI INDUSTRIES BERHAD (Company No.:19688-V)**  
**INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

**26. DIVIDEND**

No interim dividend is recommended for the current quarter ended 31 March 2020.

**27. EARNINGS/(LOSS) PER SHARE**

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

	<b>Cumulative Quarter</b> <b><u>31.03.2020</u></b>	<b>Cumulative Quarter</b> <b><u>31.12.2019</u></b>
Profit /(loss) for the period attributable to owners of the Company (RM'000)	143	(1,047)
Weighted average number of shares ('000)	74,833	74,833
Basic earnings/(loss) per share (sen)	0.19	(1.40)

**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: 2nd June 2020