



HWA TAI INDUSTRIES BERHAD

(Company No.:197401002656 (19688-V))

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 2021. 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 2021.

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 2021.

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 2021.

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 2021.

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 2022.

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 was no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter ended 31 December 2022.

8. DIVIDENDS PAID

There were no dividends paid for the current quarter ended 31 December 2022.

9. SEGMENTAL REPORT

	12 months ended 31 December 2022	
	Revenue	(Loss)/Profit before taxation
	<u>RM'000</u>	<u>RM'000</u>
Manufacturing	61,835	(5,888)
Trading & others	<u>14,421</u>	<u>24</u>
Total	<u>76,256</u>	<u>(5,864)</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 2022.

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 2022.

13. CAPITAL COMMITMENTS

There were no capital commitments for the current quarter ended 31 December 2022 other than as follows:

	<u>RM'000</u>
Contracted but not provided for property, plant and equipment	<u>67</u>

14. CONTINGENT LIABILITIES

	<u>RM'000</u>
Bank guarantees issued in favour of third parties	<u>371</u>



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B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS

15. PERFORMANCE REVIEW

The Group recorded a loss before taxation of RM5.9 million in the current year as compared to a lower loss before taxation of RM1.9 million in the preceding financial year. The decline in performance was mainly due to the followings:

- a) Lower gross profit margin due to steep rise of production costs as a result of continuous increase of raw and packing material costs and increase in labour costs after the implementation of the Minimum Wage Order 2022.
- b) Despite having higher revenue but the loss in the current year to date has not been mitigated primarily due to higher advertising and promotional expenses incurred in both domestic and international market for our products to remain competitive in the current inflationary environment which has eroded consumer demand.

16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

The Group recorded a loss before taxation of RM1.7 mil in the current quarter as compared to a loss before taxation of RM1.5 mil in the preceding quarter. The higher loss in the current quarter was mainly due to higher advertising and promotional expenses spending as mentioned in Note 15 above. The current quarter's result was also affected by the foreign currency exchange loss as compared to 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. LOSS BEFORE TAXATION

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

	<u>RM'000</u>	<u>RM'000</u>
	<u>31.12.2022</u>	<u>31.12.2021</u>
Interest income	(95)	(106)
Interest expense	1,338	982
Depreciation of property, plant and equipment	2,037	2,058
Depreciation of right-of-use assets	712	565
Impairment loss on receivables	123	463
Inventories written down	92	38
Gain on disposal of property, plant and equipment	(2)	(26)
Net loss on foreign exchange	19	34
Reversal of impairment loss on receivables	(222)	(122)



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20. TAXATION

The breakdown of taxation is as follows:

	Individual Quarter		Cumulative Quarter	
	Current year Quarter 31.12.2022 <u>RM'000</u>	Preceding year Quarter 31.12.2021 <u>RM'000</u>	Current year Quarter 31.12.2022 <u>RM'000</u>	Preceding year Quarter 31.12.2021 <u>RM'000</u>
Income tax - current period	-	30	-	30
- over provision in prior year	(30)	(68)	(30)	(68)
	<u>(30)</u>	<u>(38)</u>	<u>(30)</u>	<u>(38)</u>

21. CORPORATE PROPOSALS

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

22. GROUP LOAN, BORROWINGS AND LEASE LIABILITIES

Group loan, borrowings and lease liabilities as at 31 December 2022 are as follows:

	<u>Unsecured RM'000</u>	<u>Secured RM'000</u>	<u>Total RM'000</u>
Loan and Borrowings			
Short term borrowings	24,807	-	24,807
Long term borrowings	<u>-</u>	<u>-</u>	<u>-</u>
Total borrowings	<u>24,807</u>	<u>-</u>	<u>24,807</u>
Lease Liabilities			
Short term lease liabilities	291	852	1,143
Long term lease liabilities	<u>252</u>	<u>2,269</u>	<u>2,521</u>
Total lease liabilities	<u>543</u>	<u>3,121</u>	<u>3,664</u>
Total	<u>25,350</u>	<u>3,121</u>	<u>28,471</u>

23. FINANCIAL INSTRUMENTS

There were no financial instruments with off balance sheet risk as at the date of this announcement.

24. 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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25. DIVIDEND

No interim dividend is recommended for the current quarter ended 31 December 2022.

26. 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>31.12.2022</u>	Cumulative Quarter <u>31.12.2021</u>
Loss for the year attributable to owners of the Company (RM'000)	(5,842)	(1,919)
Weighted average number of shares ('000)	74,833	74,833
Basic loss per share (sen)	(7.81)	(2.56)

27. 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: 27th February 2023