



HWA TAI INDUSTRIES BERHAD

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

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 2022. 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 2022.

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 2022.

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 2022.

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 2022.

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 2023.

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 March 2023.

8. DIVIDENDS PAID

There were no dividends paid for the current quarter ended 31 March 2023.

9. SEGMENTAL REPORT

	3 months ended 31 March 2023	
	Revenue RM'000	(Loss)/Profit before taxation RM'000
Manufacturing	15,298	(1,391)
Trading & others	<u>3,763</u>	<u>18</u>
Total	<u>19,061</u>	<u>(1,373)</u>

10. VALUATION OF PROPERTIES AND RIGHT-OF-USE ASSETS

The Group has carried out a valuation exercise on its leasehold buildings and leasehold lands classified under Property, Plant and Equipment (“PPE”) and Right-Of-Use (“ROU”) assets respectively, during the financial period ended 31 March 2023. The revaluation is performed by an independent professional valuer using the open market value basis. The revaluation was carried out to ascertain the current market value of the PPE and ROU assets as the last valuation was conducted over thirty years ago.

Revaluation Surplus on PPE and ROU assets.

	Valuation by Valuers and adopted by Board/ Unaudited Carrying Amount as at 31 March 2023 RM'000	Revaluation Surplus RM'000
Property, Plant and Equipment		
Leasehold buildings	18,188	12,775
Right-of-use assets		
Leasehold lands	11,592	10,830
Total	29,780	23,605



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Effect on Net Assets Per Share

The revaluation surplus, net of deferred tax of RM 17.9 million, would result in the Group's consolidated net assets per share to increase by approximately 24 sen. The Company has recorded net assets 43 sen per share based on the unaudited financial results of the Group for the first quarter period ended 31 March 2023.

	Unaudited before revaluation	Effect of revaluation, net of deferred tax	After revaluation
Equity attributable to owners of the parent (RM'000)	14,455	17,940	32,395
Number of ordinary shares in issue ('000)	74,833	74,833	74,833
Net assets per share (RM)	0.19	0.24	0.43

11. MATERIAL SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current quarter ended 31 March 2023.

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 2023.

13. CAPITAL COMMITMENTS

There were no capital commitments for the current quarter ended 31 March 2023 other than as follows:

	<u>RM'000</u>
Contracted but not provided for property, plant and equipment	<u>45</u>

14. CONTINGENT LIABILITIES

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



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B. ADDITIONAL INFORMATION – LISTING REQUIREMENTS

15. PERFORMANCE REVIEW

The Group recorded a loss before taxation of RM1.4 million in the current year as compared to a lower loss before taxation of RM1.2 million in the preceding financial period. The performance decline despite an increase in revenue is due to higher financing costs and also lower gross profit margin resulted from higher production costs.

16. VARIATIONS OF CURRENT QUARTER RESULTS AGAINST PRECEDING QUARTER

The Group recorded a loss before taxation of RM1.4 million in the current quarter as compared to a loss before taxation of RM1.7 million in the preceding quarter. The lower loss in the current quarter was due to lower advertising and promotional expenses spending 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>
	31.03.2023	31.03.2022
Interest income	(21)	(32)
Interest expense	468	281
Depreciation of property, plant and equipment	564	669
Impairment loss on receivables	17	53
Gain on disposal of property, plant and equipment	(2)	-
Net loss on foreign exchange	28	6



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20. TAXATION

The breakdown of taxation is as follows:

	Individual Quarter		Cumulative Quarter	
	Current year Quarter 31.03.2023 <u>RM'000</u>	Preceding year Quarter 31.03.2022 <u>RM'000</u>	Current year Quarter 31.03.2023 <u>RM'000</u>	Preceding year Quarter 31.03.2022 <u>RM'000</u>
Income tax - current period	-	-	-	-
Deferred tax liabilities	5,665	-	5,665	-
	<u>5,665</u>	<u>-</u>	<u>5,665</u>	<u>-</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 March 2023 are as follows:

	<u>Unsecured RM'000</u>	<u>Secured RM'000</u>	<u>Total RM'000</u>
Loan and Borrowings			
Short term borrowings	28,811	-	28,811
Long term borrowings	<u>-</u>	<u>-</u>	<u>-</u>
Total borrowings	<u>28,811</u>	<u>-</u>	<u>28,811</u>
Lease Liabilities			
Short term lease liabilities	295	890	1,185
Long term lease liabilities	<u>177</u>	<u>2,279</u>	<u>2,456</u>
Total lease liabilities	<u>472</u>	<u>3,169</u>	<u>3,641</u>
Total	<u>29,283</u>	<u>3,169</u>	<u>32,452</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 March 2023.

26. 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>31.03.2023</u>	Cumulative Quarter <u>31.03.2022</u>
Loss for the period attributable to owners of the Company (RM'000)	(1,373)	(1,159)
Weighted average number of shares ('000)	74,833	74,833
Basic loss per share (sen)	(1.83)	(1.55)

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: 29th May 2023