

HWA TAI INDUSTRIES BERHAD (Company No. 19688-V)
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2005

A. NOTES TO INTERIM REPORT

1 ACCOUNTING POLICIES AND METHODS

The Interim financial report has been prepared in accordance with Malaysian Accounting Standards Board ("MASB") 26 and the accounting policies and method of computation used in the interim financial statement are the same with those in annual audited financial statement of the Group for the year ended 31 December 2004.

2 AUDIT REPORTS

There were no qualification for the preceding annual financial statement for the financial year ended 31 December 2004.

3 SEASONAL OR CYCLICAL FACTORS

The Group is principally engaged in manufacturing and trading of biscuits and food products. The demand for the Group's products generally picks up during the second half of the financial years especially during year end festive season.

4 UNUSUAL ITEMS

There were no unusual items for the period ended 30 June 2005.

5 CHANGES IN ESTIMATES

There were no material changes in the estimates of the amounts previously reported in the prior interim period of the current financial year or in prior financial year.

6 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 and cumulative quarter ended 30 June 2005.

7 DIVIDENDS PAID

There were no dividend paid during the interim period ended 30 June 2005.

8 SEGMENTAL REPORT

	6 months ended 30 June 2005	
	Turnover	Profit before
	<u>RM'000</u>	<u>RM'000</u>
Manufacturing	29,985	113
Trading & others	9,137	(3,064)
Total	<u>39,122</u>	<u>(2,951)</u>

9 PROPERTY, PLANT AND EQUIPMENT

The valuation of property, plant and equipment has been brought forward without any amendments from the previous annual financial statements.

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10 **MATERIAL SUBSEQUENT EVENTS**

There were no material events subsequent to the end of the interim period ended 30 June 2005 except for the disposal as disclosed in Note 11 and the proposal as disclosed in Note 20.

11 **CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the interim period and current financial year to date.

However, as announced on 3 August 2005, the Company had disposed of its entire equity interest in its wholly-owned subsidiary, Satria Potensi Sdn Bhd, comprising 1,000,000 ordinary shares of RM1/- each at a total cash consideration of RM1/-.

12 **CONTINGENT LIABILITIES**

	<u>RM'000</u>
Bank guarantees issued in favour of third parties -unsecured	198

B. ADDITIONAL INFORMATION - KLSE'S REQUIREMENTS

13 **REVIEW OF PERFORMANCE**

The Group's revenue for the quarter ended 30 June 2005 decreased by 20.3% to RM18.8 million as compared to previous year same quarter of RM23.6 million, mainly due to certain discontinued agency products and the shut down of two weeks in the month of April 2005 at Batu Pahat factory for roof replacement and maintainance. Accordingly, pre-tax losses before exceptional item increased from RM1.1 million to RM2.2 million.

14 **VARIATIONS OF RESULTS AGAINST PRECEDING QUARTER**

The Group's revenue for the quarter ended 30 June 2005 decreased by 7.4% to RM18.8 million as compared to RM20.3 million in preceding quarter, mainly due to the lower sales from certain discontinued agency products and the shut down of two weeks in the month of April 2005 at Batu Pahat factory for roof replacement and maintainance. Accordingly, pre-tax losses for the quarter increase to RM2.2 million as compared to RM0.7 million for preceeding quarter.

15 **CURRENT YEAR PROSPECT**

The Group will make extra efforts to minimise the impact of rising raw material cost and fuel price. Barring unforeseen circumstances, the Group expects better performance for the coming quarters.

16 **PROFIT FORECAST**

The Company does not have any comparable profit forecast in respect of actual profit.

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17 **TAXATION**

For the current quarter and the cumulative quarter ended 30 June 2005, there is no tax liability for the Group as it has no chargeable income.

18 **PROFIT ON SALES OF INVESTMENTS AND OR PROPERTIES**

There were no sales of investments and/or properties for the quarter or cumulative quarter ended 30 June 2005.

19 **PURCHASE OR DISPOSAL OF QUOTED SECURITIES**

There were no investment in quoted shares for the quarter or cumulative quarter to date.

20 **CORPORATE PROPOSALS**

On 28 February 2005, AmMerchant Bank Berhad announced on behalf of the Board of Directors that the Company proposes to undertake a private placement of new shares in the Company, representing up to 10% of the issued and paid-up share capital of the Company ("Proposed Placement"). Funds raised from the Proposed Placement shall be utilised for working capital requirements.

MITI had on 18 May 2005 approved the Proposed Placement subject to the Proposed Placement being approved by SC and ECU.

SC had on 23 June 2005 approved the Proposed Placement subject to the following:

- i) Announcement to Bursa Malaysia Securities Berhad ("Bursa Malaysia") detailed disclosure regarding the proposed utilisation of the proceeds from the Proposed Placement, which is intended for working capital;
- ii) Submit to the SC a list of places upon completion of the placement exercise;
- iii) Inform the SC upon completion of the placement exercise.
- iv) Fully comply with the requirements of the Policies and Guidelines on Issue/Offer of Securities in implementing the Proposed Placement.

ECU had also via the same letter with SC approved the Proposed Placement under Foreign Investment Requirements.

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21 **GROUP BORROWING AND DEBT SECURITIES**

Group borrowings as at 30 June 2005:

	Unsecured <u>RM'000</u>	Secured <u>RM'000</u>	Total <u>RM'000</u>
Short term borrowings	21,169	5,285	26,454
Long term borrowings	0	2,500	2,500
Total borrowings	<u>21,169</u>	<u>7,785</u>	<u>28,954</u>

22 **FINANCIAL INSTRUMENTS**

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

23 **MATERIAL LITIGATION**

There were no material litigation as at the date of this announcement.

24 **DIVIDEND**

No interim dividend is recommended for the quarter ended 30 June 2005.

25 **EARNINGS PER SHARE**

(a) **Basic**

Basic loss per share is calculated by dividing the net loss for the period by the weighted average number of ordinary shares in issue during the period

	Quarter Ended <u>30-Jun-05</u>	Quarter Ended <u>30-Jun-04</u>
Loss for the period (RM'000)	(2,239)	(2,125)
Weighted average number of shares ('000)	40,042	34,891 *
Basic earnings per share (sen)	(5.59)	(6.09) *

* Restated for rights issue in financial year ended 31 December 2004

(b) **Diluted**

No diluted earnings per share is calculated as potential ordinary share are anti-dilutive