

**HO WAH GENTING BERHAD (“HWGB”)
Company No: 272923-H
(Incorporated In Malaysia)**

**NOTES TO FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

1. Basis of Preparation

The interim financial report is unaudited and has been prepared and presented in accordance with the requirements of Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Bursa Malaysia Securities Berhad (“BMSB”) Listing Requirements, and should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2008.

2. Changes in Accounting Policies

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted in the audited financial statements for the year ended 31 December 2008 except for the following:

The entire class of freehold land and buildings had been revalued at open market values on 31 March 2009 by independent professional valuers and these values had been incorporated into the financial statements for the current quarter as allowed under the revaluation model in compliance with FRS 116 : Property, Plant and Equipment.

The abovementioned change in accounting policy did not have any material impact on the income statement of the Company and the Group for the current quarter and financial year to date.

3. Qualification of Financial Statements

There has not been any qualification made by the auditors on the annual financial statements of the Group for the year ended 31 December 2008.

4. Seasonality or Cyclicity of Operations

Sales of the manufacturing division which is the main contributor of revenue to the Group would normally peak in the third quarter arising from increase in customer demand in anticipation of the festive seasons towards year end and demand would slowly decline in the fourth quarter before reaching its plateau in the first and second quarters of the following year.

5. Unusual Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items of unusual nature affecting the assets, liabilities, equity, net income, or cash flows of the Group during the current quarter and financial year to date.

6. Material Change in Estimates

There were no changes in estimates that had a material effect in the current quarter's results.

7. Issuance and Repayment of Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale nor repayments of debts and equity securities, share buy-backs during the current quarter and financial year to date.

8. Dividends Paid

No dividend was paid in the current quarter and financial year to date.

9. Segmental Reporting

Analysis of the Group's segment revenue and segment result for business segments for the current quarter ended 31 March 2009 are as follows: -

	Segment Revenue RM'000	Profit/(Loss) Before Tax RM'000
Investments	138	(1,176)
Manufacturing	19,988	(4,169)
Mining	-	(79)
Trading	1,739	139
	<u>21,865</u>	<u>(5,285)</u>
Share in losses of associates		(764)
		<u>(6,049)</u>

10. Valuations of Property, Plant and Equipment

The valuations of property, plant and equipment of the Group have been brought forward without amendment from the previous audited financial statements. As mentioned in item no. 2 above, the latest professional valuations for the entire class of freehold land and buildings had been incorporated into the financial statements at the end of the current quarter.

11. Material Events Subsequent to the End of the Interim Period

There is no material event subsequent to the end of the current quarter.

12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter ended 31 March 2009.

13. Contingent Liabilities and Contingent Assets

There were no material contingent liabilities and contingent assets for the Company and the Group during the current quarter and financial year to date.

14. Capital Commitments

There were no material capital commitments for the Company and the Group at the end of the current quarter.

ADDITIONAL INFORMATION REQUIRED BY THE BMSB'S LISTING REQUIREMENTS

1. Review of Performance for first quarter and current financial year-to-date

For the current financial year to date, the Group recorded revenue of RM21.86 million and a loss before taxation of RM6.05 million compared to its preceding year's corresponding period revenue of RM37.95 million and profit before taxation of RM205,000.

The Group's manufacturing division recorded operating revenue of RM19.99 million and loss before taxation of RM4.17 million for the current quarter ended 31 March 2009 compared to its preceding year's corresponding period operating revenue of RM27.93 million and profit before taxation of RM1.78 million. Global recession had pushed consumers' confidence to its rock bottom level and a majority of our customers scaled down their purchases in the current quarter. This had resulted in a significant decline of 28% in operating revenue. Further to the aforesaid, the high levels of inventories of manufacturers worldwide and the unanticipated drastic fall in the price of copper in the fourth quarter of the preceding year also precipitated corrective actions which resulted in lower selling prices and product margins for our export goods as suppliers continued to run down their excess inventories in anticipation of weaker consumer demand. The significant decline in volume of sales and gross margin had caused our manufacturing division in the red in this quarter.

The Group's trading division posted an operating revenue of RM1.74 million and profit before taxation of RM139,000 for the current quarter ended 31 March 2009 compared to its preceding year's corresponding period operating revenue of RM9.91 million and a profit before taxation of RM658,000. Our domestic economy, in particular the construction and building sector ie. the main market segment for our trading division felt the negative impact of the global recession in the current quarter. This chain effect had resulted in a significant decline of 82% in operating revenue and a corresponding decrease of 79% in profit before taxation in the first quarter of the current financial year.

The Group's tin mining division contributed a loss before taxation of RM79,000 to the Group's results for the current quarter ended 31 March 2009. The tin mining division is still in its preliminary stage carrying out feasibility studies.

The Group's share of loss in its associate, CVM Minerals Limited was RM744,000 for the current quarter ended 31 March 2009. Its magnesium mining division is still in the pre-commencement stage.

At Company level, the Company recorded a loss before taxation of RM1.13 million for the current quarter ended 31 March 2009 compared to a loss of RM798,000 in the preceding year's corresponding period. The deterioration is due to increase in administrative expenses and losses in foreign exchange.

In the opinion of the Directors, other than as disclosed above, the results for the current financial year have not been affected by any transactions or events of a material or unusual nature which have arisen between 31 March 2009 and the date of issue of this quarterly report.

2. Comparison with Preceding Quarter's Results

The Group's operating revenue and loss before taxation for the quarter under review were RM21.86 million and RM6.05 million respectively as compared to the preceding quarter's operating revenue and loss before taxation of RM50.31 million and RM19.52 million respectively. Other than the explanatory factors as mentioned in note 1 above, the significant decline of 57% in operating revenue was also partly due to its cyclical sales pattern since demand would normally be higher in the fourth quarter as compared to the first quarter of each financial year. The significant reduction in loss before taxation was due to write down of inventories amounting to RM9.32 million in the preceding quarter.

3. Commentary on Prospects

The Board is of the opinion that business operations will continue to be difficult and challenging throughout the year 2009 in view of the weak economic situation in US as it accounts for the majority of the Group's revenue. The Board remains cautiously optimistic that the global economy would soon recover as there are indicative signs that the worst may be over as a consequence of concerted efforts from governments and central banks of major economies to revive consumer demand via fiscal stimulus packages and expansionary monetary policies.

Barring any unforeseen circumstances, the Board is hopeful that the commencement of magnesium mining business by its associate, CVM Minerals Limited is able to contribute positively to its bottom line in the second half of 2009.

Meanwhile, the Company will continue to explore viable, synergistic and profitable business ventures to improve the Group's performance.

4. Profit Forecast or Profit Guarantee

There is no profit forecast or profit guarantee for the current quarter and financial year to date.

5. Taxation

Taxation for current quarter and financial period under review comprises the following:

	Individual Quarter		Cumulative Quarter	
	31/03/2009	31/03/2008	31/03/2009	31/03/2008
	RM'000	RM'000	RM'000	RM'000
I Current tax expense				
- Malaysian	-	-	-	-
- Overseas	-	(169)	-	(169)
	<u>-</u>	<u>(169)</u>	<u>-</u>	<u>(169)</u>
II Over/ (under) provision in prior year				
- Malaysian	-	-	-	-
- Overseas	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
III Deferred tax expense				
- Malaysian	-	-	-	-
- Overseas	353	(125)	353	(125)
	<u>353</u>	<u>(125)</u>	<u>353</u>	<u>(125)</u>
Total	353	(294)	353	(294)

The Group's effective tax rate is higher than the statutory tax rate due to the non availability of group relief allowance for losses incurred by the Company and its subsidiary companies.

6. Purchase or Disposal of Quoted Securities

There was no purchase or disposal of quoted securities for the current quarter and financial year to date.

Investments in quoted securities as at 31 March 2009 are as follows:

	RM'000
(i) At cost	1,377
(ii) At carrying amount	187
(iii) At market value	141

7. Investments in Associates

There was no purchase or disposal of equity stakes in Associates for the current quarter and financial year to date.

Investments in Associates as at 31 March 2009 are as follows:

	RM'000
(i) At cost	26,897
(ii) At carrying amount	25,581
(iii) Market value of a quoted associate	71,438

8. Group Borrowings and Debt Securities

	As At 31/03/2009 RM'000	As At 31/12/2008 RM'000
(i) Short Term Borrowings		
Secured		
- Bank overdraft	1,458	1,346
- Bankers' acceptances	72,067	74,763
- Finance lease liabilities	28	27
- Term loans	5,013	5,669
Unsecured		
- Bank overdrafts	-	-
	78,566	81,805
(ii) Long Term Borrowings		
Secured		
- Finance lease liabilities	206	213
- Term loans	18,998	19,560
	19,204	19,773

Breakdown of borrowings in foreign denominated debts included above is:

	USD'000	USD'000
(iii) Secured		
- Bills payable	19,344	21,561
- Short term loan	750	1,000
- Long term loan	-	-
	20,094	22,561

9. Off Balance Sheet Financial Instruments

	As At 31/03/2009 RM'000	As At 31/12/2008 RM'000
Operating Lease Commitment		
Payable within one year	165	165
Payable within two to five years	552	552
	<u>717</u>	<u>717</u>

Other than as disclosed above, there were no financial instruments with off balance sheet risk as at 25 May 2009, being the latest practicable date from the issue of this quarterly report.

10. Material Litigation

There is no material litigation for the Group as at 25 May 2009, being the latest practicable date from the issue of this quarterly report.

11. Dividends

No dividend has been declared for the current quarter ended 31 March 2009.

12. Earnings Per Share ("EPS")

	Individual Quarter		Cumulative Quarter	
	31/03/2009	31/03/2008	31/03/2009	31/03/2008
Basic EPS				
Net profit/(loss) attributable to shareholders (RM'000)	(5,657)	162	(5,657)	162
Weighted average number of ordinary shares ('000)	275,778	275,778	275,778	275,778
Basic EPS (sen)	<u>(2.05)</u>	<u>0.06</u>	<u>(2.05)</u>	<u>0.06</u>

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