

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 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 (freehold and leasehold) had been revalued at open market values on 31 March 2009 (with a subsequent update on 30 June 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 normally peak in the third quarter arising from increase in customer demand due to year end festive seasons 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 the current financial period ended 30 June 2009 are as follows: -

	Segment Revenue RM'000	Profit/(Loss) Before Tax RM'000
Investments	276	(2,055)
Manufacturing	48,189	(8,141)
Mining	-	(162)
Trading	10,140	397
	<u>58,605</u>	<u>(9,961)</u>
Share in losses of associates		(1,131)
		<u>(11,092)</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 (freehold and leasehold) 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

Subscription of Shares in Super Champion Group Limited (“SCGL”)

HWGB had on 18 May 2009 subscribed for and was allotted 9,500 new ordinary shares of USD1-00 each representing 95% of the total issued and paid up share capital of Super Champion Group Limited (“SCGL”) for cash at par. With the subscription, SCGL has become a subsidiary of HWGB.

SCGL was incorporated under the Business Companies Act, 2004 in British Virgin Islands on 23 March 2009 with an authorized share capital of USD50,000-00 divided into 50,000 ordinary shares of USD1-00 each and an issued and paid up share capital of USD10,000-00 divided into 10,000 ordinary shares of USD1-00 each. Its proposed principal activity is investment holding.

Acquisition and Subscription of Shares by SCGL in China Good Holdings Limited (“CGHL”)

Subsequent to the above subscription, SCGL had on even date acquired one (1) ordinary share of HKD1-00 each in the capital of China Good Holdings Limited (“CGHL”) for cash at par and subscribed for and was allotted 9,999 new ordinary shares of HKD1-00 each, for cash at par. With the acquisition and subscription, CGHL has become a wholly-owned subsidiary of SCGL.

CGHL was incorporated in Hong Kong on 10 March 2009 with an authorized share capital of HKD10,000-00 divided into 10,000 ordinary shares of HKD1-00 each and an issued and paid up share capital of HKD10,000-00 divided into 10,000 ordinary shares of HKD1-00 each. CGHL is presently dormant and its proposed principal activity is investment holding.

Other than the above, there were no changes in the composition of the Group for the current quarter and financial year to date.

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 second quarter and current financial year-to-date

For the current financial year to date, the Group recorded revenue of RM58.60 million and a loss before taxation of RM11.09 million compared to its preceding year's corresponding period revenue of RM76.41 million and profit before taxation of RM64,000.

The Group's manufacturing division recorded operating revenue of RM48.19 million and loss before taxation of RM8.14 million for the current financial period ended 30 June 2009 compared to its preceding year's corresponding period operating revenue of RM57.96 million and profit before taxation of RM2.69 million. The reduction in revenue was a consequence of the slow and weak economic recovery in US. The slowdown in construction and manufacturing sectors had affected US demand. This coupled with a weak job market and loss of housing wealth had weakened consumer confidence and spending. The recent rally in prices of copper (ie. the major raw material component of our manufactured goods) driven by the build-up in inventories and strategic reserves by China (spurred by its own domestic growth) and also speculative buying by investors had also dampened our profit margin as we were not able to pass on the increase in cost to our customers in a weak US market. The prices of copper had surged more than 80% during the six (6) months' period from beginning of the current financial year. All these factors had depressed our gross profit margin and resulted in a loss position for the Group's manufacturing division.

The Group's trading division posted an operating revenue of RM10.14 million and profit before taxation of RM397,000 for the current financial period ended 30 June 2009 compared to its preceding year's corresponding period operating revenue of RM18.22 million and a profit before taxation of RM1.54 million. Our domestic economy continued to feel the adverse impact of the global recession. As a result of which, our trading division reported significant declines in revenue and profit before taxation.

The Group's tin mining division recorded a loss before taxation of RM162,000 for the current financial period ended 30 June 2009 compared to its preceding year's corresponding period loss before taxation of RM72,000. The tin mining division is presently conducting ongoing feasibility studies.

The Group's share of loss in its associate, CVM Minerals Limited was RM1.12 million for the current financial period ended 30 June 2009. Its magnesium mining division is still in the pre-commencement stage.

At Company level, the Company recorded a loss before taxation of RM2.04 million for the current financial period ended 30 June 2009 compared to a loss of RM1.53 million in the preceding year's corresponding period.

In the opinion of the Directors, other than as disclosed above, the results for the current financial period have not been affected by any transactions or events of a material or unusual nature which have arisen between 30 June 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 RM36.74 million and RM5.04 million respectively as compared to the preceding quarter's operating revenue and loss before taxation of RM21.86 million and RM6.05 million respectively.

The increase in revenue and lower loss before taxation was due to its cyclical sales pattern since demand would gradually pick up in the second quarter before reaching its peak in the third quarter and begin its downtrend in the fourth quarter.

3. Commentary on Prospects

The Board is of the opinion that business operations will continue to be difficult and challenging for the remaining year of 2009 in view of the weak economic situation in US as it accounts for the majority of the Group's revenue.

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	
	30/06/2009	30/06/2008	30/06/2009	30/06/2008
	RM'000	RM'000	RM'000	RM'000
I Current tax expense				
- Malaysian	-	-	-	-
- Overseas	-	(836)	-	(1,005)
	<u>-</u>	<u>(836)</u>	<u>-</u>	<u>(1,005)</u>
II Over/ (under) provision in prior year				
- Malaysian	-	7	-	7
- Overseas	-	-	-	-
	<u>-</u>	<u>7</u>	<u>-</u>	<u>7</u>
III Deferred tax expense				
- Malaysian	-	-	-	-
- Overseas	(353)	529	-	404
	<u>(353)</u>	<u>529</u>	<u>-</u>	<u>404</u>
Total	<u>(353)</u>	<u>(300)</u>	<u>-</u>	<u>(594)</u>

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 except for the following:

Five thousand (5,000) of quoted equity shares of RM1-00 each in TH Group Berhad (a public listed company on the Main Board of Bursa Malaysia) had been disposed off at RM0.75 each via a privatization exercise of the said company in the second quarter of the current financial year. The quoted investments had been carried in the books at a value of RM3,000. The said disposal gave us a proceed of RM3,750 which resulted in a gain of RM750.

Investments in quoted securities as at 30 June 2009 are as follows:

	RM'000
(i) At cost	1,332
(ii) At carrying amount	184
(iii) At market value	145

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 30 June 2009 are as follows:

	RM'000
(i) At cost	26,897
(ii) At carrying amount	24,666
(iii) Market value of a quoted associate	125,531

8. Group Borrowings and Debt Securities

	As At 30/06/2009 RM'000	As At 31/12/2008 RM'000
(i) Short Term Borrowings Secured		
- Bank overdraft	1,673	1,346
- Bankers' acceptances	78,953	74,765
- Finance lease liabilities	28	27
- Term loans	3,957	5,668
	84,611	81,806
(ii) Long Term Borrowings Secured		
- Finance lease liabilities	200	213
- Term loans	18,456	19,560
	18,656	19,773

Breakdown of borrowings in foreign denominated debts included above is:

(iii) Secured	USD'000	USD'000
- Bills payable	22,642	21,561
- Short term loan	500	1,000
- Long term loan	-	-
	23,142	22,561

9. Off Balance Sheet Financial Instruments

	As At 30/06/2009 RM'000	As At 31/12/2008 RM'000
Operating Lease Commitment		
Payable within one year	157	165
Payable within two to five years	325	552
	<u>482</u>	<u>717</u>

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

11. Dividends

No dividend has been declared for the current quarter and financial year to date.

12. Earnings Per Share ("EPS")

	Individual Quarter		Cumulative Quarter	
	30/06/2009	30/06/2008	30/06/2009	30/06/2008
Basic EPS				
Net profit/(loss) attributable to shareholders (RM'000)	(5,354)	1	(11,013)	163
Weighted average number of ordinary shares ('000)	275,778	275,778	275,778	275,778
Basic EPS (sen)	<u>(1.94)</u>	<u>0.00</u>	<u>(3.99)</u>	<u>0.06</u>

The information in this e-mail and any attachments is confidential and may be legally privileged. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information other than the intended recipient is prohibited. If you received this e-mail in error, please contact the sender and delete the material from any computer. All e-mail messages, which may have been established as expressed views or opinions, are left to the sole responsibility of that of the sender, and are not necessarily attributed to the sending organization.