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

NOTES TO FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2011

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 2010.

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 2010 except for the adoption of the following new FRS, Amendments to FRSs and IC Interpretations which are relevant to its operations and applicable to its financial statements effective from 1 January 2011:

Amendments to FRS 132	Financial Instruments: Presentation – Classification of Rights Issues
FRS 1	First-time Adoption of Financial Reporting Standards (revised)
Amendments to FRS 2	Share-based Payment
FRS 3	Business Combinations (revised)
FRS 127	Consolidated and Separate Financial Statements (revised)
Amendments to FRS 5	Non current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters - Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share Based Payment Transactions
Amendments to FRS 7	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
IC Interpretation 4	Determining whether an Arrangement contains a Lease
Improvements to FRSs (2010)	

2. 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 2010.

3. Seasonality or Cyclicality of Operations

Based on past historical trend, sales of the manufacturing division (which is currently 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 quarter of the following year.

During the current quarter, sales of the manufacturing division continued to soften following its seasonal decline which started in the preceding quarter after having reached its seasonal peak in the third quarter of the preceding year.

4. 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.

5. Material Change in Estimates

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

6. Issuance and Repayment of Debt and Equity Securities

During this quarter of the current financial year, a total of 3,697,500 employee share options had been converted into 3,697,500 new ordinary shares of RM0.20 each in HWGB at par value and a total proceeds of RM739,500 had been raised.

Other than the above, there was no issuance, cancellation, repurchase, resale nor repayment of debt and equity securities, share buy-backs during the current quarter and financial year to date.

7. Dividends Paid

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

8. Segmental Reporting

Analysis of the Group's segment revenue and segment result for business segments for the current quarter ended 31 March 2011 are given as follows: -

	Segment Revenue RM'000	Profit/(Loss) Before Tax RM'000
Investments	162	(1,400)
Manufacturing	39,560	1
Mining	-	(835)
Trading	11,920	555
	51,642	**(1,679)**
Gain on deemed disposal of a quoted associate		1,416
Share in results of associates		(2,498)
		(2,761)

9. 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.

10. 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 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

The tin mining division of HWGB had capital commitments amounting to RM3 million which was not provided for in the financial statements as at 31 March 2011.

Other than the aforesaid, 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 the first quarter and current financial year to date

For the first quarter of the current financial year, the Group recorded revenue of RM51.64 million and loss before taxation of RM2.76 million compared to its preceding year's corresponding period revenue of RM40.67 million and profit before taxation of RM9.91 million.

Included in the preceding year's corresponding period profit before taxation of RM9.91 million was a gain of RM15.42 million on deemed disposal of its quoted associate, CVM Minerals Limited ("CVM") as a result of dilution in HWGB's equity stake in CVM from 41.25% as of 31 December 2009 to 34.39% on 10 February 2010.

The Group's manufacturing division recorded operating revenue of RM39.56 million and profit before taxation of RM1,000 for the current quarter ended 31 March 2011 compared to its preceding year's corresponding period operating revenue of RM32.77 million and loss before taxation of RM3.30 million.

The significant increase of 21% in operating revenue had resulted in a marked improvement in financial performance ie. from a loss position in the preceding year's corresponding period to a breakeven position during the first quarter of the current financial year.

Though sales of the manufacturing division surged to RM39.56 million, the high trade financing costs, inflationary cost pressure and the strength of Indonesian Rupiah against the USD continued to have their adverse impact on our bottom line. With the US economy still struggling on its path to full recovery, our products' selling prices and margins remained under competitive pressure.

The Group's trading division posted an operating revenue of RM11.92 million and a profit before taxation of RM555,000 for the current quarter ended 31 March 2011 compared to its preceding year's operating revenue of RM7.87 million and profit before taxation of RM145,000.

Our domestic economy continued its path of recovery and showed resilience during the current quarter. This chain effect via the construction and building sectors ie. our main domestic market segment had resulted in the trading division reporting an increase in operating revenue and profit before taxation.

The Group's tin mining division recorded a loss before taxation of RM0.84 million for the current quarter ended 31 March 2011. Production facilities had been fully set up and commissioning of plant and commencement of tin mining production had also begun. Currently, a team of hired consultants is working in fine tuning its production process to enable us to increase the output of tin ore and also its purity.

The Group's share of loss in its quoted associate, CVM was RM2.51 million for the current quarter ended 31 March 2011. Though production has commenced, CVM is currently working on its magnesium smelter plant to achieve the commercial level of production.

1. **Review of Performance for the first quarter and current financial year to date (continued)**

During the current quarter under review, CVM had increased its share capital from HKD62.99 million to HKD71.49 million via Share Placement pursuant to which an additional new 340 million ordinary shares (at par value of HKD0.025 per share) had been issued to Independent Third Parties at an issue price of HKD0.228 per share.

All the said Shares had been successfully listed on the Stock Exchange of Hong Kong Limited ("SEHK"). The aforesaid resulted in HWGB's equity stake in CVM being diluted from 29.53% as of 31 December 2010 to 26.02% on 14 February 2011 and this gave rise to a gain on deemed disposal amounting to RM1.42 million for the current quarter ended 31 March 2011.

At Company level, the Company recorded a loss before taxation of RM1.38 million for the current quarter ended 31 March 2011 compared to a loss of RM1.24 million in the preceding year's corresponding period.

In the opinion of the Directors, other than as disclosed above, the results for the current quarter have not been affected by any transactions or events of a material or unusual nature which have arisen between 31 March 2011 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 RM51.64 million and RM2.76 million respectively as compared to the preceding quarter's operating revenue and profit before taxation of RM54.47 million and RM1.11 million respectively.

Included in the preceding quarter's profit before taxation was a gain of RM6.76 million on deemed disposal of CVM as a result of dilution in HWGB's equity stake in CVM from 34.39% to 29.53% on 9 November 2010.

Despite the marginal decrease of 5% in operating revenue during the current quarter due to seasonal decline in customers' demand, the Group's financial performance had improved as compared to the preceding quarter's results.

3. Commentary on Prospects

The Board is of the opinion that business operations in moulded power supply cord sets and wires and cables will continue to be challenging in view of the high prices of commodities or raw materials, inflationary cost pressure, potential further hikes in interest rates and also the uncertainty of economic recovery in US which accounts for a majority of the Group's revenue.

The Board is hopeful that the commencement of its tin mining business would generate an additional source of revenue and income to the HWGB Group.

Barring any unforeseen circumstances, the Board expects the results of the HWGB Group to be satisfactory in the coming quarters of year 2011.

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 Quarters	
	31/03/2011 RM'000	**31/03/2010 RM'000**	**31/03/2011 RM'000**	**31/03/2010 RM'000**
I Current tax expense				
- Malaysian	-	-	-	-
- Overseas	-	-	-	-
	-	-	-	-
II Over/ (under) provision in prior year				
- Malaysian	-	-	-	-
- Overseas	-	-	-	-
	-	-	-	-
III Deferred tax expense				
- Malaysian	-	-	-	-
- Overseas	-	-	-	-
	-	-	-	-
Total	**-**	**-**	**-**	**-**

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 2011 are as follows:

		RM'000
(i)	At cost	1,332
(ii)	At carrying amount/market value	133

7. Sale of Unquoted Investments and/or Properties

On 9 November 2010 HWG Kintron ("the Vendor") had entered into a Conditional Sale and Purchase Agreement with Vista Property Management Sdn Bhd (790669-A) ("the Purchaser") for the disposal of all that remaining piece of leasehold land (Hakmilik HSM 7887, PT No. 5, Bandar Kulim, Daerah Kulim, Kedah) together with premises known as Lot 5, Kulim Industrial Estate, 09000 Kulim, Kedah erected thereon ("Lot 5") for a cash consideration of RM1.85 million ("Disposal").

The Disposal is still pending completion as at 31 March 2011 and is expected to be completed before this financial year ending on 31 December 2011.

Lot 5 has a carrying book value of RM1.85 million and the Disposal is not expected to have any material effect on the earnings and net assets per share of the HWGB Group.

The Disposal is in line with HWGB's strategy to dispose off its non core assets and reduce the gearing of the Group.

Other than the abovementioned, there was no sale of unquoted investments or properties for the current quarter ended 31 March 2011 and financial year to date.

8. Investments in Associates

On 28 January 2011, CVM entered into a Share Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to place out, on a best effort basis, up to 340 million new ordinary shares (at par value of HKD0.025 per share) at an issue price of HKD0.228 per Placing Share to not less than six Independent Third Party Investors.

The aforesaid Share Placing was completed on 14 February 2011 and the total number of issued ordinary shares in CVM increased from 2,519.56 million to 2,859.56 million whilst the number of ordinary shares in CVM held by HWGB remained the same at 744.15 million. The consequential effect of this Share Placing had resulted in HWGB's equity stake in CVM being diluted from 29.53% to 26.02%.

On 28 January 2011, CVM had also entered into a Warrant Placing Agreement with the same Placing Agent pursuant to which the Placing Agent agreed to place out, on a best effort basis, 163.90 million Warrants at an issue price of HKD0.005 per Warrant to not less than six Independent Third Party Investors. Each Warrant carries the right to subscribe for one (1) new ordinary share (at par value of HKD0.025 per share) at an exercise price of HKD0.27 per share. The aforesaid Warrant Placing was also completed on 14 February 2011.

Other than the above, there was no purchase or disposal of equity stakes in Associates during the current quarter and financial year to date.

Investments in Associates as at 31 March 2011 are as follows:

	RM'000
(i) At cost	26,897
(ii) At carrying amount	39,657
(iii) Market value of a quoted associate	104,086

9. Group Borrowings and Debt Securities

		As At 31/03/2011 RM'000	As At 31/12/2010 RM'000
(i)	**Short Term Borrowings**		
	Secured		
	- Bank overdraft	1,502	1,514
	- Bankers' acceptances	45,531	52,848
	- Finance lease liabilities	49	46
	- Term loans	8,320	8,886
	Unsecured		
	- Bank overdrafts	-	-
		55,402	**63,294**
(ii)	**Long Term Borrowings**		
	Secured		
	- Finance lease liabilities	207	221
	- Term loans	14,575	15,962
		14,782	**16,183**

Breakdown of borrowings in foreign denominated debts included above is:

(iii)	**Secured**	**USD'000**	**USD'000**
	- Bills payable	14,958	17,128
	- Short term loan	1,250	1,667
	- Long term loan	3,333	3,333
		19,541	**22,128**

10. Status of Utilization of Proceeds raised from Rights Issue and Private Placement

The proposed and actual utilization (as of 18 May 2011) of RM12,409,980 proceeds raised from the Private Placement of 41,366,600 new ordinary shares of RM0.20 each ("Placement Shares") ("PS") at an issue price of RM0.30, which was completed on 30 November 2010, is given as follows:-

Description	Proposed Utilization RM'000	As at 18 May 2011 Actual Utilization RM'000	Balance RM'000	Estimated timeframe for utilization of proceeds
Working Capital	12,310	10,310	2,000	Within six (6) months from the listing of the PS
Private Placement Expenses	100	100	Nil	Within one (1) month from the listing of the PS
TOTAL	**12,410**	**10,410**	**2,000**	

11. Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off balance sheet risk as at 18 May 2011, being the latest practical date that shall not be earlier than 7 days from the date of issue of this quarterly report.

12. Material Litigation

There is no material litigation for the Group as at 18 May 2011, being the latest practicable date that shall not be earlier than 7 days from the date of issue of this quarterly report.

13. Dividends

No dividend has been declared for the current quarter ended 31 March 2011.

14. Profit/(Loss) per share

Basic

	Individual Quarter		Cumulative Quarters	
	31/03/2011	**31/03/2010**	**31/03/2011**	**31/03/2010**
(Loss)/Profit attributable to shareholders (RM'000)	(2,352)	9,960	(2,352)	9,960
Weighted average number of ordinary shares ('000) – basic	460,174	275,778	460,174	275,778
Basic (sen)	**(0.51)**	**3.61**	**(0.51)**	**3.61**

Diluted

	Individual Quarter		Cumulative Quarters	
	31/03/2011	**31/03/2010**	**31/03/2011**	**31/03/2010**
(Loss)/Profit attributable to shareholders (RM'000)	(2,352)	9,960	(2,352)	9,960
Add Notional interest savings due to repayment of bank borrowings (RM'000)	605	-	605	-
Adjusted Profit/(Loss) attributable to shareholders (RM'000)	(1,747)	9,960	(1,747)	9,960
Weighted average number of ordinary shares ('000) – basic	460,174	275,778	460,174	275,778
Add Assuming conversion of ESOS and Warrants ('000)	146,298	-	146,298	-
Weighted average number of ordinary shares ('000) – diluted	606,472	275,778	606,472	275,778
Diluted (sen)	**N/A**	**N/A**	**N/A**	**N/A**

14. Profit/(Loss) per share (continued)

The diluted earnings or profit per share is calculated based on the adjusted net profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the period, adjusted to assume full conversion of all ESOS and warrants into new ordinary shares.

The adjusted net profit attributable to equity holders of the Company is arrived at by adding notional interest savings as a result of repayment of bank borrowings from proceeds made available through exercise of ESOS and warrants into new ordinary shares.

There was no dilution in loss per share during the current quarter ended 31 March 2011 as the additional notional interest savings and the increase in the number of ordinary shares arising from the abovementioned conversion of all ESOS and warrants would result in a decline in loss per share.