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

NOTES TO FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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)	

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 2010.

4. 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 gradually increase in the second quarter and normally peak in the third quarter arising from increase in customer demand in anticipation of the festive seasons towards year end and subsequently, demand would slowly decline in the fourth quarter before reaching its plateau in the first quarter 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

During the current financial year to date, a total of 4,543,200 employee share options ("ESOS") had been converted into 4,543,200 new ordinary shares of RM0.20 each in HWGB at par value and a total proceeds of RM908,640 had been raised.

Following the completion of the rights issue of 23,696,084 new ordinary shares of RM0.20 each in HWGB at par value and at an issue price of RM0.45 each, a total proceeds of RM10,663,238 had been raised during the current quarter.

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.

8. Dividends Paid

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

9. The Status of Corporate Proposal

On 1 June 2011 and 23 June 2011, the Company had announced to BMSB to undertake the following corporate proposal:-

Proposed renounceable rights issue of up to 152,094,853 new ordinary shares of RM0.20 each in HWGB ("Rights Shares") together with up to 76,047,426 new free detachable warrants ("New Warrants") on the basis of one (1) rights share for every four (4) ordinary shares of RM0.20 each held in HWGB ("Shares") together with one (1) free new warrant for every two (2) rights shares subscribed ("Proposed Rights Issue").

The Proposed Rights Issue was conditional upon the approvals being obtained from the following:-

(a) Controller of Foreign Exchange via Bank Negara Malaysia ("BNM") for the issuance of New Warrants to non-resident shareholders of HWGB pursuant to the Proposed Rights Issue (approval was obtained vide BNM's letter dated 1 July 2011);

(b) BMSB, for the Proposed Rights Issue and for the listing of and quotation for the Rights Shares and New Warrants to be issued pursuant to the Proposed Rights Issue on the Main Market of BMSB (approval was obtained vide BMSB's letter dated 7 July 2011);

(c) Shareholders of HWGB at the Extraordinary General Meeting ("EGM") held on 28 July 2011 (approval was obtained on the same date ie. 28 July 2011); and

(d) Other relevant authorities, if any.

The abovementioned corporate proposal was completed on 28 September 2011 with the listing and quotation for 23,696,084 Rights Shares, additional 4,291,073 Warrants 2010/2015 and 11,848,032 New Warrants on BMSB.

10. Segmental Reporting

Analysis of the Group's segment revenue and segment result for business segments for the current financial period ended 30 September 2011 are given as follows: -

	Segment Revenue RM'000	Profit/(Loss) Before Tax RM'000
Investments	475	(4,750)
Manufacturing	149,287	(337)
Mining	1,524	(6,396)
Trading	42,033	1,527
	193,319	**(9,956)**
Gain on deemed disposal of a quoted associate		12,204
Share in results of associates		(6,326)
		(4,078)

11. 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.

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

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

13. 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.

14. 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.

15. 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 30 September 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 third quarter and current financial year to date

For the current financial year to date, the Group recorded revenue of RM193.32 million and loss before taxation of RM4.08 million as compared to its preceding year's corresponding period revenue of RM186.06 million and profit before taxation of RM6.59 million.

Included in the preceding year's corresponding period profit before taxation of RM6.59 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.

Whilst, the gain on deemed disposal of CVM during the current financial year to date as a result of dilution in HWGB's equity stake in CVM from 29.53% as of 31 December 2010 to 21.18% on 19 April 2011 was comparatively lower at RM12.20 million.

The Group's manufacturing division recorded operating revenue of RM149.29 million and loss before taxation of RM0.34 million for the current financial period ended 30 September 2011 as compared to its preceding year's corresponding period operating revenue of RM163.39 million and profit before taxation of RM79,000.

As the US economy continued to struggle and the US market becoming ever more competitive, our manufacturing division recorded a decline of 9% in operating revenue. This coupled with the deterioration in margin, high trade financing costs and inflationary cost pressure further affected our bottom line and therefore, resulted in a loss position for the current financial period ended 30 September 2011.

The Group's trading division posted operating revenue of RM42.03 million and profit before taxation of RM1.53 million for the current financial period ended 30 September 2011 as compared to its preceding year's operating revenue of RM22.56 million and loss before taxation of RM191,000.

Our domestic economy continued to show its resilience during the current financial period under review. The strength of our domestic market segment via the construction and building sectors had resulted in the trading division reporting a significant increase in operating revenue with a corresponding improvement in its bottom line.

The Group's tin mining division recorded an operating revenue of RM1.52 million and a loss before taxation of RM6.40 million for the current financial period ended 30 September 2011. A total output of 42 metric tons of tin concentrates had been produced during the current financial period under review.

The tin mining division is currently working to improve the efficiency of its processing plant and at the same time, also building up its feed stock.

Further to the aforesaid, the tin mining division is also continuing its exploration activities and top soil removal to reach the tin ore deposits underground.

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

The Group's share of loss in its quoted associate, CVM was RM6.33 million for the current financial period ended 30 September 2011 as compared to a lower share of loss of RM3.99 million in the preceding year's corresponding period. Though production has commenced, CVM is still working on its magnesium smelter plant to achieve the commercial level of production.

During the first quarter of the current financial year, 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 ("Placement 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 Placement Shares had since been 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 RM1.41 million for the first quarter ended 31 March 2011.

During the second quarter of the current financial year, CVM had acquired 51% of the issued share capital of Step Pacific Development Limited ("SPDL") via issuance of new 653,125,000 ordinary shares ("Consideration Shares") (at par value of HKD0.025 per share) at an issue price of HKD0.32 per share.

SPDL via its subsidiary PT Laskbang Mediatama ("PT LM") (a company incorporated in Indonesia) is the holder of exploration mining permit for the exploration of manganese in Yogyakarta Province, Indonesia.

All the said Consideration Shares had since been listed on the SEHK. This resulted in further dilution of HWGB's equity stake in CVM to 21.18% on 19 April 2011 with a corresponding gain on deemed disposal amounting to RM10.79 million for the second quarter ended 30 June 2011.

At Company level, the Company recorded a loss before taxation of RM4.62 million for the current financial period ended 30 September 2011 as compared to a loss of RM3.77 million in the preceding year's corresponding period. The increase in loss before taxation was a result of expenses being incurred for its recently completed fund raising exercise.

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 30 September 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 RM72.48 million and RM6.12 million respectively as compared to the preceding quarter's operating revenue and profit before taxation of RM69.19 million and RM4.80 million respectively.

Included in the preceding quarter's profit before taxation was a gain of RM10.79 million on deemed disposal of CVM as a result of dilution in HWGB's equity stake in CVM from 26.02% as of 14 February 2011 to 21.18% on 19 April 2011.

The increase in loss before taxation as compared to the preceding quarter's results was due to the increase in operating losses incurred by our tin mining division and also the expenses incurred for its recently completed fund raising exercise.

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 intense competition in the US market, high prices of commodities or raw materials, inflationary cost pressure, sovereign debt situation in major economies, high unemployment rate in US 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 tin mining business division would soon generate an additional source of revenue and income to the HWGB Group and the Economic Transformation Program ("ETP") would help to sustain the momentum of our local economy and boost our domestic market moving forward.

Barring any unforeseen circumstances, the Board expects the overall results of the core business segments in manufacturing and trading to be satisfactory for the financial year ending 31 December 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	
		30/09/2011	**30/09/2010**	**30/09/2011**	**30/09/2010**
		RM'000	**RM'000**	**RM'000**	**RM'000**
I	Current tax expense				
	- Malaysian	-	-	-	-
	- Overseas	-	-	-	-
		-	-	-	-
II	Over/ (under) provision in prior year				
	- Malaysian	-	-	-	-
	- Overseas	(714)	-	(714)	-
		(714)	-	(714)	-
III	Deferred tax expense				
	- Malaysian	-	-	-	-
	- Overseas	-	-	-	-
		-	-	-	-
	Total	**(714)**	**-**	**(714)**	**-**

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 30 September 2011 are as follows:

		RM'000
(i)	At cost	1,332
(ii)	At carrying amount/market value	85

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 Purchaser had fully settled the purchase consideration on 31 October 2011. The Disposal is now pending completion of legal transfer and is expected to be completed during the fourth quarter of the current financial year.

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 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 (with its date of expiry on 16 February 2012) 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.

On 23 February 2011, CVM had entered into a conditional Sale and Purchase Agreement to acquire 51% of the issued share capital of Step Pacific Development Limited ("SPDL") via issuance of new 653,125,000 ordinary shares ("Consideration Shares") (at par value of HKD0.025 per share) at an issue price of HKD0.32 per share. All the conditions precedent had been fulfilled and the acquisition was completed on 19 April 2011. The consequential effect of this acquisition had resulted in HWGB's equity stake in CVM being further diluted from 26.02% to 21.18%.

On 1 September 2011, CVM entered into a new Warrant Placing Agreement with another Placing Agent pursuant to which the Placing Agent agreed to place out, on a best effort basis, 543.636 million new Warrants at an issue price of HKD0.001 per new Warrant to Independent Third Party Investors. Each new Warrant (with its date of expiry on 5 October 2014) carries the right to subscribe for one (1) new ordinary share (at par value of HKD0.025 per share) at an exercise price of HKD0.10 per share. The aforesaid new Warrant Placing was completed in October 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 30 September 2011 are as follows:

	RM'000
(i) At cost	26,897
(ii) At carrying amount	46,928
(iii) Market value of a quoted associate	45,988

9. Group Borrowings and Debt Securities

		As At 30/09/2011 RM'000	As At 31/12/2010 RM'000
(i)	**Short Term Borrowings**		
	Secured		
	- Bank overdraft	1,466	1,514
	- Bankers' acceptances	52,817	52,848
	- Finance lease liabilities	63	46
	- Term loans	9,022	8,886
	Unsecured		
	- Bank overdrafts	-	-
		63,368	**63,294**
(ii)	**Long Term Borrowings**		
	Secured		
	- Finance lease liabilities	271	221
	- Term loans	10,838	15,962
		11,109	**16,183**

Breakdown of borrowings in foreign denominated debts included above is:

(iii)	**Secured**	**USD'000**	**USD'000**
	- Bills payable	16,456	17,128
	- Short term loan	1,667	1,667
	- Long term loan	2,083	3,333
		20,206	**22,128**

10. Status of Utilization of Proceeds raised from Rights Issue

The proposed and actual utilization (as of 18 November 2011) of RM10,663,238 proceeds raised from the rights issue of 23,696,084 new ordinary shares of RM0.20 each ("Rights Shares") ("RS") at an issue price of RM0.45, which was completed on 28 September 2011, is given as follows:-

Description	Proposed Utilization RM'000	As at 18 Nov 2011 Actual Utilization RM'000	Balance RM'000	Estimated timeframe for utilization of proceeds
Working Capital	9,663	4,663	5,000	Within one (1) year from listing and quotation of RS
Expenses for Rights Issue	1,000	350	650	Within one (1) month from listing and quotation of RS
TOTAL	**10,663**	**5,013**	**5,650**	

11. Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off balance sheet risk as at 18 November 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 November 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 30 September 2011.

14. (Loss)/Profit per share

Basic

	Individual Quarter		Cumulative Quarters	
	30/09/2011	**30/09/2010**	**30/09/2011**	**30/09/2010**
(Loss)/Profit attributable to shareholders (RM'000)	(5,553)	2,260	(1,658)	6,861
Weighted average number of ordinary shares ('000) – basic	463,917	413,667	462,448	360,043
Basic (sen)	**(1.20)**	**0.55**	**(0.36)**	**1.91**

Diluted

	Individual Quarter		Cumulative Quarters	
	30/09/2011	**30/09/2010**	**30/09/2011**	**30/09/2010**
(Loss)/Profit attributable to shareholders (RM'000)	(5,553)	2,260	(1,658)	6,861
Add Notional interest savings due to repayment of bank borrowings (RM'000)	605	730	1,815	1,338
Adjusted (Loss)/Profit attributable to shareholders (RM'000)	(4,948)	2,990	157	8,199
Weighted average number of ordinary shares ('000) – basic	463,917	413,667	462,448	360,043
Add Assuming conversion of ESOS and Warrants ('000)	145,530	155,047	145,161	94,751
Weighted average number of ordinary shares ('000) – diluted	609,447	568,714	607,609	454,794
Diluted (sen)	**N/A**	**0.53**	**N/A**	**1.80**

14. (Loss)/Profit 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 and current financial period ended 30 September 2011. The additional notional interest savings and the increase in the number of ordinary shares arising from the abovementioned conversion of all ESOS and warrants, both of which would have a positive effect of reducing the loss per share for the current quarter and financial year to date.