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

NOTES TO FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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. Changes in Accounting Policies (continued)

The following FRS and IC Interpretations have been issued by the MASB but are not yet effective:

Effective for annual periods commencing on or after 1 July 2011:

IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

Effective for annual periods commencing on or after 1 January 2012:

FRS 124	Related Party Disclosures (revised)
Amendments to FRS1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to FRS 112	Income Taxes - Deferred tax: Recovery of Underlying Assets

Effective for annual periods commencing on or after 1 July 2012:

Amendments to FRS 101	Presentation of Items of Other Comprehensive Income

Convergence of the FRSs with the International Financial Reporting Standards

On 19 November 2011, the MASB issued the new Malaysian Financial Reporting Standards ("MFRS") framework consisting of accounting standards which are in line with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). This MFRS framework is effective for annual periods beginning on or after 1 January 2012.

As at 31 December 2011, all the FRSs issued under the existing FRS framework are the same as the MFRs issued under the MFRS framework, except for differences in relation to the transitional provisions and differences in effective dates contained in certain of the existing FRSs.

Upon the adoption of the MFRS framework, the financial statements of the Group and the Company will be equivalent to the financial statements prepared by other jurisdictions which adopt IFRSs.

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.

6. Material Change in Estimates

There were no changes in estimates that had a material effect in the results of the current quarter and financial year.

7. Issuance and Repayment of Debt and Equity Securities

During the current financial year, a total of 4,672,200 employee share options ("ESOS") had been converted into 4,672,200 new ordinary shares of RM0.20 par value each in HWGB and a total proceeds of RM934,440 had been raised.

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

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.

8. Dividends Paid

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

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 together with one (1) free new warrant for every two (2) rights shares subscribed ("Proposed Rights Issue").

The abovementioned Proposed Rights Issue 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.

On 19 January 2012, the Company had announced to BMSB that it would implement a private placement of up to 48,725,300 new ordinary shares of RM0.20 each in HWGB ("Placement Shares") to independent third party investor(s) to be identified at a later date.

The issue price of the Placement Shares had been fixed at RM0.365 per Placement Share by the Board on 28 February 2012, after having obtained approval from BMSB vide its letter dated 17 February 2012.

Based on the issue price of RM0.365 per Placement Share, the estimated gross proceeds to be raised would amount to RM17.78 million and this additional fund would be utilized to finance the Company's working capital requirements and also for partial pare down of bank borrowings.

10. Segmental Reporting

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

	Segment Revenue RM'000	Profit/(Loss) Before Tax RM'000
Investments	631	(5,858)
Manufacturing	194,798	(4,377)
Mining	2,068	(8,915)
Trading	51,862	1,313
	249,359	**(17,837)**
Gain on deemed disposal of a quoted associate		12,204
Currency translation gain due to reclassification from investment in associate to AFS quoted investment		1,943
Loss on reclassification from investment in associate to AFS quoted investment		(1,221)
Share in results of associates		(6,329)
		(11,240)

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.

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.

15. Capital Commitments

The tin mining division of HWGB had capital commitments amounting to RM4.61 million which was not provided for in the financial statements as at 31 December 2011.

Other than the aforesaid, there were no material capital commitments for the Company and the Group at the end of the current quarter and financial year.

ADDITIONAL INFORMATION REQUIRED BY THE BMSB'S LISTING REQUIREMENTS

1. Review of Performance for the fourth quarter and current financial year

For the current financial year, the Group recorded revenue of RM249.36 million and loss before taxation of RM11.24 million as compared to its preceding year's revenue of RM240.53 million and profit before taxation of RM9.31 million.

Included in the preceding year's profit before taxation of RM9.31 million was a gain of RM22.36 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% to 29.53% as of 31 December 2010.

Whilst, the gain on deemed disposal of CVM during the current financial year as a result of dilution in HWGB's equity stake in CVM from 29.53% to 21.15% as of 31 December 2011 was comparatively lower at RM12.20 million.

The Group's manufacturing division recorded operating revenue of RM194.80 million and loss before taxation of RM4.38 million for the current financial year ended 31 December 2011 as compared to its preceding year's operating revenue of RM210.97 million and profit before taxation of RM528,000.

Included in the current financial year's loss was a fair value downward adjustment in inventories amounting to RM1.78 million due to significant decline in prices of raw materials such as copper and polyvinyl chloride resins.

As the US economy continued its struggle to recovery and the US market becoming ever more competitive, our manufacturing division recorded a lower operating revenue. This coupled with the deterioration in margin, high trade financing costs, inflationary cost pressure and write down of inventories further affected our bottom line and therefore, resulted in a loss position for the current financial year ended 31 December 2011.

The Group's trading division posted operating revenue of RM51.86 million and profit before taxation of RM1.31 million for the current financial year ended 31 December 2011 as compared to its preceding year's operating revenue of RM29.30 million and loss before taxation of RM128,000.

Our domestic economy continued to show its resilience during the current financial year 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 RM2.07 million and a loss before taxation of RM8.92 million for the current financial year ended 31 December 2011. A total output of 62 metric tons of tin concentrates had been produced during the current financial year under review.

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

The tin mining division is currently building up its feed stock and also continuing its exploration activities and top soil removal to reach the higher grade of tin ore deposits underground.

The Group's share of losses in its quoted associate, CVM (now classified as available for sale quoted investment) was RM6.32 million for the current financial year ended 31 December 2011 as compared to a share of loss of RM6.38 million in the preceding year. Though production has commenced, CVM is still working on its magnesium smelter plant to achieve the commercial level of production.

The Group ceased to apply equity accounting for its share of results in CVM effective from 6 October 2011 due to the potential conversion of all warrants into new ordinary shares in CVM which would effectively dilute HWGB's equity stake in CVM to below 20%. This is in accordance with the application of FRS 128: Investments in Associates.

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 RM8.42 million for the current financial year ended 31 December 2011 as compared to a loss of RM5.71 million in the preceding year. The increase in loss before taxation was due to impairment charge relating to investment in a wholly owned subsidiary.

1. Review of Performance for the fourth quarter and current financial year (continued)

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 December 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 RM56.04 million and RM7.16 million respectively as compared to the preceding quarter's operating revenue and loss before taxation of RM72.48 million and RM6.12 million respectively.

The Group had underperformed as compared to the preceding quarter's results. This was due to deterioration in product margin and write down of inventories in the manufacturing division and increase in operating losses incurred by the tin mining division.

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 volatility in prices of commodities or raw materials, inflationary cost pressure, 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 Group would continue to focus on production efficiencies by implementing tighter cost control measures and also development and penetration of new products and new markets.

The outlook for domestic demand for year 2012 is underpinned by steady economic growth, continuing market demand for real estate properties, stable employment condition, accommodative monetary conditions and continued fiscal stimulus by the public sector. The Board expects the roll out of mega projects and the Economic Transformation Program ("ETP") would help to sustain the momentum of our local economy and boost our domestic market moving forward.

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

Barring any unforeseen circumstances, the Board would continue to intensify its efforts to turn around the financial performance of the Group as the Board sets its sight on the prospect of recovery or better performance in the core business segments of the Group.

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.

5. **Taxation**

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

		Individual Quarter		**Cumulative Quarters**	
		31/12/2011	**31/12/2010**	**31/12/2011**	**31/12/2010**
		RM'000	**RM'000**	**RM'000**	**RM'000**
I	Current tax expense				
	- Malaysian	-	-	-	-
	- Overseas	-	-	-	-
		-	-	-	-
II	Over/(under) provision in prior year				
	- Malaysian	-	-	-	-
	- Overseas	(12)	-	(725)	-
		(12)	-	(725)	-
III	Deferred tax expense				
	- Malaysian	600	-	600	-
	- Overseas	-	-	-	-
		-	-	-	-
	Total	**588**	**-**	**(125)**	**-**

6. **Purchase or Disposal of Quoted Securities**

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

Investments in quoted securities as at 31 December 2011 are as follows:

		RM'000
(i)	At cost	18,382
(ii)	At carrying amount/market value	36,619

7. 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 and 543.636 million new Warrants had been issued on 6 October 2011.

The potential conversion of Warrants and new Warrants into new ordinary shares in CVM would effectively dilute HWGB's equity stake in CVM to below 20%. Therefore, HWGB's investment in CVM had been reclassified in accordance with applicable FRSs from investment in a quoted associate to available for sale quoted investment on 6 October 2011 in its financial statement for the current quarter and financial year ended 31 December 2011.

7. Investments in Associates (continued)

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

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

	RM'000
(i) At cost	9,847
(ii) At carrying amount	1,056

8. Group Borrowings and Debt Securities

		As At 31/12/2011 RM'000	As At 31/12/2010 RM'000
(i)	**Short Term Borrowings**		
	Secured		
	- Bank overdraft	1,444	1,514
	- Bankers' acceptances	55,947	52,848
	- Finance lease liabilities	62	46
	- Term loans	7,425	8,886
	Unsecured		
	- Bank overdrafts	-	-
		64,878	**63,294**
(ii)	**Long Term Borrowings**		
	Secured		
	- Finance lease liabilities	259	221
	- Term loans	8,668	15,962
		8,927	**16,183**

Breakdown of borrowings in foreign denominated debts included above is:

		USD'000	USD'000
(iii)	**Secured**		
	- Bills payable	17,610	17,128
	- Short term loan	1,666	1,667
	- Long term loan	1,667	3,333
		20,943	**22,128**

9. Status of Utilization of Proceeds raised from Rights Issue

The proposed and actual utilization (as of 23 February 2012) 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 23 Feb 2012 Actual Utilization RM'000	Balance RM'000	Estimated timeframe for utilization of proceeds
Working Capital	9,663	8,663	1,000	Within one (1) year from listing and quotation of RS
Expenses for Rights Issue	1,000	1,000	Nil	Within one (1) month from listing and quotation of RS
TOTAL	**10,663**	**9,663**	**1,000**	

10. Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off balance sheet risk as at 23 February 2012, being the latest practical date that shall not be earlier than 7 days from the date of issue of this quarterly report.

11. Material Litigation

There is no material litigation for the Group as at 23 February 2012, being the latest practicable date that shall not be earlier than 7 days from the date of issue of this quarterly report.

12. Dividends

No dividend has been declared for the current quarter and financial year ended 31 December 2011.

13. (Loss)/Profit per share

Basic

	Individual Quarter		Cumulative Quarters	
	31/12/2011	**31/12/2010**	**31/12/2011**	**31/12/2010**
(Loss)/Profit attributable to shareholders (RM'000)	(5,341)	2,989	(6,997)	9,851
Weighted average number of ordinary shares ('000) – basic	490,910	429,707	468,442	377,459
Basic (sen)	**(1.09)**	**0.70**	**(1.49)**	**2.61**

Diluted

	Individual Quarter		Cumulative Quarters	
	31/12/2011	**31/12/2010**	**31/12/2011**	**31/12/2010**
(Loss)/Profit attributable to shareholders (RM'000)	(5,341)	2,989	(6,997)	9,851
Add Notional interest savings due to repayment of bank borrowings (RM'000)	605	730	2,420	2,068
Adjusted (Loss)/Profit attributable to shareholders (RM'000)	(4,736)	3,719	(4,577)	11,919
Weighted average number of ordinary shares ('000) – basic	490,910	429,707	468,442	377,459
Add Assuming conversion of ESOS and Warrants ('000)	161,161	151,195	148,926	107,096
Weighted average number of ordinary shares ('000) – diluted	652,071	580,902	617,368	484,555
Diluted (sen)	**N/A**	**0.64**	**N/A**	**2.46**

13. **(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 year ended 31 December 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.