



**HO WAH GENTING BERHAD**

**Company No: 272923-H**  
(Incorporated In Malaysia)

**NOTES TO FINANCIAL REPORT  
FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

**PART A**

**1. Basis of Preparation**

The interim financial report is unaudited and has been prepared and presented in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of Bursa Malaysia Securities Berhad (“BMSB”) Listing Requirements. The interim financial report does not include all of the information required for full annual financial statements and should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2013.

**2. Significant Accounting Policies**

The significant 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 2013 except for the adoption of the following standards which are applicable to its financial statements effective from 1 January 2014:

Amendments to MFRS 10	:	Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12	:	Disclosure of Interest in Other Entities: Investment Entities
Amendments to MFRS 127	:	Separate financial statements: Investment Entities
Amendments to MFRS 132	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	:	Impairment of Assets – Recoverable amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	:	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	:	Levies

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

At the date of authorization of the Condensed Report, the following Standards were issued but not yet effective and have not been adopted by the Group

## 2. Significant Accounting Policies (Continued)

		<b>Effective for financial periods beginning on or after</b>
MFRS 9	: Financial Instruments (IFRS 9 issued by International Accounting Standard Board (IASB) in November 2009)	To be announce by Malaysian Accounting Standard Board (MASB)
MFRS 9	: Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announce by MASB
MFRS 9	: Financial Instruments: Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9, MFRS 7)	To be announce by MASB
MFRS 9	: Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)	To be announce by MASB
Amendments to MFRS 119	: Defined Benefit Plans: Employee Contributions	01 July 2014
	Annual Improvements to MFRSs 2010 – 2012 Cycle	01 July 2014
	Annual Improvements to MFRSs 2011 – 2013 Cycle	01 July 2014

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group.

## 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 2013.

## 4. Seasonality or Cyclicity of Operations

Based on past historical trend, sales of the manufacturing division, 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.

## 6. Material Change in Estimates

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

## 7. Issuance and Repayment of Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale nor repayment of debt and equity securities, share buy-backs during the current quarter.

## 8. Dividends Paid

No dividend was paid in the current quarter.

## 9. The Status of Corporate Proposal

There was no corporate proposal announced during the current quarter.

## 10. Segmental Reporting

Analysis of the Group's segment revenue and segment result for business segments for the current financial period ended 30 June 2014 are given as follows:

	<b>Segment Revenue RM'000</b>	<b>Loss For The Period RM'000</b>
Investments	339	(4,113)
Manufacturing	88,358	(4,378)
Mining	798	(1,016)
Trading – wires and cables	6,709	(164)
Trading – automotives	34	(663)
Trading – consumer products	15	(416)
	<b>96,253</b>	<b>(10,750)</b>
Share in results of associates		(28)
		<b>(10,778)</b>

## 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.

**14. Contingent Liabilities and Contingent Assets**

There were no material contingent liabilities and contingent assets for the Company and the Group at the end of the current quarter.

**15. Capital Commitments**

The total capital commitments “authorized and contracted for” for the Group for the purchase of plant and equipment at the end of the current quarter stood at RM133,000.

## PART B

### ADDITIONAL INFORMATION REQUIRED BY BMSB'S LISTING REQUIREMENTS

#### 1. Review of Performance for the second quarter and current financial period to date

For the current financial period, the Group recorded revenue of RM96.25 million and loss before taxation of RM10.78 million as compared to its preceding year's corresponding period revenue of RM117.44 million and loss before taxation of RM7.92 million. The increase in loss is mainly due to the impairment of losses provided on "Available-for-Sale" financial assets amounting to RM1.92 million.

The Group's manufacturing division recorded operating revenue of RM88.36 million and loss before taxation of RM4.38 million for the current financial period ended 30 June 2014 as compared to its preceding year's corresponding period operating revenue of RM106.69 million and loss before taxation of RM3.10 million.

The lower revenue and higher loss before taxation recorded in the current financial period is due to the lower demand for wires and cables particularly in housing and industrial sectors as a result of extreme winter weather experienced in North America in the first quarter of 2014.

The Group's wires and cables trading division posted operating revenue of RM6.71 million and loss before taxation of RM164,000 for the current financial period ended 30 June 2014 as compared to its preceding year's corresponding period operating revenue of RM9.31 million and profit before taxation of RM21,000.

The decrease in operating revenue and higher loss before taxation as compared to the preceding year's corresponding period was due to the decrease of orders from the wholesalers.

The Group's tin mining division recorded an operating revenue of RM0.80 million and loss before taxation of RM1.02 million for the current financial period ended 30 June 2014 as compared to its preceding year's corresponding period operating revenue of RM1.10 million and loss before taxation of RM1.66 million.

A total of 14 metric tons of tin concentrates had been produced during the current financial period ended 30 June 2014 as compared to its preceding year's corresponding period output of 48 metric tons of tin concentrates.

Though the tin concentrate output was lower as compared to preceding year's corresponding period, the tin mining division recorded a lower loss before taxation as the tin mining division is processing the tin ores from river sand and reclaim tailings from the tailing pond instead of surface mining.

## **1 Review of Performance for the second quarter and current financial period to date (Continued)**

At Company level, the Company recorded a loss before taxation of RM4.15 million for the current financial period ended 30 June 2014 as compared to a loss of RM3.00 million in the preceding year's corresponding period. The increase in loss is mainly due to the impairment losses provided on "Available-for-Sale" financial assets amounting to RM1.92 million. Included in the preceding year's corresponding period, is an amount of RM0.53 million incurred for the Private Placement expense.

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 June 2014 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 current quarter under review were RM52.19 million and RM3.75 million respectively as compared to the preceding quarter's operating revenue and loss before taxation of RM44.06 million and RM7.02 million respectively.

The increase in the Group's operating revenue and decrease in loss before taxation were due to seasonal sales at the manufacturing division which would normally show a gradual uptrend during the second quarter of the financial year and would be reaching its peak during the third quarter of the financial year.

The higher loss before taxation in the preceding quarter was due to charging of impairment losses on the decline in market value of "Available-for-Sale" financial assets amounting to RM1.92 million.

## **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 and the rising inflationary cost in Indonesia.

The recovery in the US economy has pushed the demand for housing market higher, improve employment rate and higher consumer spending are expected to have favourable effect to the manufacturing division as US accounts for a majority of the Group's revenue.

To improve the performance, the manufacturing division would continue to focus on production efficiencies by implementing in stages semi automated production cycles and replacement of old machineries to reduce cost of production. The Group will also develop new products and penetrate new markets particularly in Asia which have higher growth rates as compared to the US to increase revenue.

### 3. Commentary on Prospects (Continued)

The outlook for domestic demand would be underpinned by domestic consumption, market demand for local real estate projects, accommodative monetary policies and continued fiscal stimulus by the public sector. The Group's revenue from trading of wire and cables may be affected by the tighter credit controls set by financial institutions as lenders are more cautious in providing the consumer loan. Also, the recent increase in interest rate may affect the demand for housing.

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

### 4. Profit Forecast or Profit Guarantee

The Group did not issue any profit forecast or profit guarantee for the current quarter.

### 5. Notes to the Comprehensive Income Statement

Loss before tax is arrived at after charging / (crediting) the following items:

No.	Subject	Individual Quarter		Cumulative Quarter	
		30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
a.	Interest income	(1)	(18)	(6)	(21)
b.	Other income including investment income	(997)	(567)	(1,890)	(1,702)
c.	Interest expense	1,198	1,083	2,307	2,190
d.	Depreciation and amortization	1,003	1,359	2,665	3,195
e.	Provision for and write off of receivables	-	-	-	-
f.	Provision for and write off of inventories	-	-	-	-
g.	Gain or loss on disposal of quoted or unquoted investments or properties	-	-	-	-
h.	Impairment of assets	16	-	1,940	-
i.	Foreign exchange gain				
	- Realised	(15)	-	(121)	(262)
	- Unrealised	(276)	(131)	(506)	(433)
	Foreign exchange loss				
	- Realised	10	-	277	-
	- Unrealised	305	257	471	412
j.	Gain or loss on derivatives	-	-	-	-
k.	Exceptional items (with details)	-	-	-	-

## 6. Taxation

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

	Individual Quarter		Cumulative Quarter	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	RM'000	RM'000	RM'000	RM'000
i. Current tax expense				
- Malaysian	-	-	-	-
- Overseas	-	-	-	-
	-	-	-	-
ii. Over/(under) provision in prior year				
- Malaysian	-	-	-	-
- Overseas	-	-	-	-
	-	-	-	-
iii. Deferred tax expense				
- Malaysian	-	-	-	-
- Overseas	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-

## 7. Purchase or Disposal of Quoted Securities/Other Financial Assets

There was no purchase or disposal of quoted securities/other financial assets for the current quarter.

Investments in quoted securities as at 30 June 2014 are as follows:

	RM'000
i. Shares quoted in Malaysia at cost	1,240
ii. Shares quoted in Hong Kong at cost	17,050
iii. Market value of quoted equity shares	11,684



## 8. Investments in Associates

There was no purchase or disposal of equity stakes in Associates during the current quarter.

Investments in Associates as at 30 June 2014 are as follows:

	<b>RM'000</b>
i. At cost	2,400
ii. At carrying amount	986

## 9. Group Borrowings and Debt Securities

	<b>As At 30/06/2014 RM'000</b>	<b>As At 31/12/2013 RM'000</b>
<b>i. Short Term Borrowings</b>		
<b>Secured</b>		
- Bank overdraft	-	-
- Bankers' acceptances	43,199	73,263
- Hire purchase and finance lease liabilities	61	66
- Term loans	6,421	-
	<b>49,681</b>	<b>73,329</b>
<b>ii. Long Term Borrowings</b>		
<b>Secured</b>		
- Hire purchase and finance lease liabilities	87	114
- Term loans	23,740	-
	<b>23,827</b>	<b>114</b>

Breakdown of borrowings in foreign denominated debts included above is:

	<b>USD'000</b>	<b>USD'000</b>
<b>iii. Secured</b>		
- Bills payable	11,968	21,309
- Term loan	9,393	-
	<b>21,361</b>	<b>21,309</b>

## 10. Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off balance sheet risk as at 14 August 2014, being the latest practical date.

## 11. Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2013.

## 12. Material Litigation

There is no material litigation for the Group as at 14 August 2014, being the latest practicable date.

## 13. Dividends

No dividend has been declared for the current quarter and financial period ended 30 June 2014.

## 14. Quarterly Updates on Tin Mining Activities

On 10 June 2013, HWG Tin Mining Sdn Bhd (“HWG Tin Mining”) had engaged an external exploration consultancy company to carry out resource estimation works entailing among others, evaluation of historical data, geological evaluation, geological mapping, geophysical survey, review of all existing drill data, design drill and exploration plan, field and surface sampling, laboratory chemical analysis, culminating in a resource estimation report.

The fieldwork was completed on 27 July 2013 and a copy the geological and geophysical report dated 16 August 2013 was issued. The report indicated a rough resource estimation of tin deposits and iron deposits of approximately 44,000 metric tons and 29,250,000 metric tons respectively. The report also recommended HWG Tin Mining to undertake a deep drilling plan to determine the essential features such as the possibility of the ore body continuance, origin and type of the deposit and economic feasibility.

HWG Tin Mining has yet to engage the drilling contractor to do the drilling works as at the latest practicable date of this report.

During the quarter, the mining division was processing the tin ores from river sand and reclaim tailings from the tailing pond.

## 15. Loss per share

### Basic

	Individual Quarter		Cumulative Quarter	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Loss attributable to shareholders (RM'000)	(3,322)	(2,596)	(10,076)	(7,028)
Weighted average number of ordinary shares ('000) – basic	591,033	543,405	591,033	543,405
<b>Basic (sen)</b>	<b>(0.56)</b>	<b>(0.48)</b>	<b>(1.70)</b>	<b>(1.29)</b>

15. Loss per share (Continued)

**Diluted**

	Individual Quarter		Cumulative Quarter	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Loss attributable to shareholders (RM'000)	(3,322)	(2,596)	(10,076)	(7,028)
<u>Add</u>				
Notional interest savings due to repayment of bank borrowings (RM'000)	528	622	1,056	1,244
Adjusted Loss attributable to shareholders (RM'000)	(2,794)	(1,974)	(9,020)	(5,784)
Weighted average number of ordinary shares ('000) – basic	591,033	543,405	591,033	543,405
<u>Add</u>				
Assuming conversion of ESOS and Warrants ('000)	159,830	159,850	159,830	159,850
Weighted average number of ordinary shares ('000) – diluted	750,863	703,255	750,863	703,255
<b>Diluted (sen)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

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 financial period ended 30 June 2014. 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 period ended 30 June 2014.

**By Order of the Board**

**Coral Hong Kim Heong**  
(MAICSA 7019696)  
Company Secretary

Date: 21 August 2014