



HO WAH GENTING BERHAD

Company No: 272923-H
(Incorporated In Malaysia)

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

		Effective for financial periods beginning on or after
MFRS 9 *	: Financial Instruments (IFRS 9 issued by International Accounting Standard Board (IASB) in November 2009)	
MFRS 9 *	: Financial Instruments (IFRS 9 issued by IASB in October 2010)	
MFRS 9 *	: Financial Instruments: Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9, MFRS 7)	Will be superseded by MFRS 9 (IFRS 9 as issued by IASB in July 2014)
MFRS 9 *	: Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)	
MFRS 9*	: Financial Instruments (IFRS 9 as issued by IASB in July 2014)	01 January 2018
MFRS 14	: Regulatory Deferral Accounts	01 January 2016
MFRS 15	: Revenue from Contracts with Customers	01 January 2017
Amendments to MFRS 11	: Accounting for Acquisition of Interest in Joint Venture	01 January 2016
Amendments to MFRS 116 and MFRS 138	: Clarification of Acceptable Methods of Depreciation and Amortisation	01 January 2016
Amendments to MFRS 116 and MFRS 141	: Agriculture: Bearer Plants	01 January 2016
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

* On 24 July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. This standard will come into effect on 01 January 2018, with early application permitted.

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 announcement 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 September 2014 are given as follows:

10. Segmental Reporting (continued)

	Segment Revenue RM'000	Loss For The Period RM'000
Investments	509	(5,074)
Manufacturing	139,267	(2,903)
Mining	1,487	(1,566)
Trading – wires and cables	10,567	(213)
Trading – automotives	375	(936)
Trading – consumer products	28	(697)
	152,233	(11,389)
Share in results of associates		(55)
		(11,444)

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

On 16 October 2014, the Company entered into a Share Sale Agreement with Encik Adanan Baharum (“the Vendor”) to acquire from him his entire shareholding of 3,569,000 ordinary shares of RM1.00 each (representing 59.48%) in Ho Wah Genting Holiday Sdn Bhd (“HWGH”) (formerly known as Ho Wah Genting Poipet Resorts Sdn Bhd) (company no: 203789-P) for a total consideration of RM1,450,284 (“Proposed Acquisition”).

HWGH was incorporated in Malaysia on 5 September 1990 under the Companies Act, 1965 as a private limited company. Presently, the authorised share capital of HWGH is RM10,000,000 divided into 10,000,000 ordinary shares of RM1.00 each of which 6,000,000 ordinary shares have been issued and fully paid up. Its principal activity is to carry on the business as travel agent and tour coaches charterer.

HWGH has a 70% owned subsidiary; HWG Travel (MM2H) Sdn Bhd (“HWG MM2H”) with authorised and issued and paid up share capital of RM100,000 and RM50,000 respectively. The principal activity is to carry on the business of consultancy services to foreigner for setting up second home in Malaysia under the “Malaysia My Second Home” Programme.

13. Changes in the Composition of the Group (continued)

HWGH is an associate of the Company with 40% equity holding.

With the completion of the Proposed Acquisition on 6 November 2014, the equity holding of the Company in HWGH had increased to 99.48%, both HWGH and HWG MM2H had become subsidiary and sub-subsidiary of the Company respectively.

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 RM498,000.

PART B

ADDITIONAL INFORMATION REQUIRED BY BMSB'S LISTING REQUIREMENTS

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

For the current financial period, the Group recorded revenue of RM152.23 million and loss before taxation of RM11.44 million as compared to its preceding year's corresponding period revenue of RM183.38 million and loss before taxation of RM10.83 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 RM139.27 million and loss before taxation of RM2.90 million for the current financial period ended 30 September 2014 as compared to its preceding year's corresponding period operating revenue of RM168.06 million and loss before taxation of RM3.76 million.

The lower revenue 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 lower loss recorded in the current financial period is due to the exchange gain of RM1.38 million as a result of foreign currency conversion from United States Dollar to Ringgit Malaysia.

The Group's wires and cables trading division posted operating revenue of RM10.57 million and loss before taxation of RM213,000 for the current financial period ended 30 September 2014 as compared to its preceding year's corresponding period operating revenue of RM13.71 million and profit before taxation of RM60,000.

The decrease in operating revenue and incurred 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 RM1.49 million and loss before taxation of RM1.57 million for the current financial period ended 30 September 2014 as compared to its preceding year's corresponding period operating revenue of RM1.10 million and loss before taxation of RM2.47 million.

A total of 34 metric tons of tin concentrates had been produced during the current financial period ended 30 September 2014 as compared to its preceding year's corresponding period output of 53 metric tons of tin concentrates.

Though the tin concentrate output was lower as compared to the 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, reclaim tailings from the tailing pond and selection of top soil with high grade of tin ore contents while focusing on the top soil removal.

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

At Company level, the Company recorded a loss before taxation of RM5.08 million for the current financial period ended 30 September 2014 as compared to a loss of RM4.35 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. However, in the current financial period there was a gain on disposal of "Available-for-Sale" financial assets of RM306,000. Whilst in the preceding year's corresponding period losses, there was a Private Placement expense of RM530,000 included.

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 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 RM55.98 million and RM666,000 respectively as compared to the preceding quarter's operating revenue and loss before taxation of RM52.19 million and RM3.75 million respectively.

The increase in the Group's operating revenue is 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 lower loss before taxation in the current quarter is due to the inclusion of gain on disposal of "Available-for-sale" financial assets amounting to RM306,000 and foreign exchange gain from the conversion of United States Dollar to Ringgit Malaysia for the manufacturing division amounting to RM1.38 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 continuing recovery in the US economy has pushed the demand for housing market higher, improve the employment rate and higher consumer spending. All these factors are expected to have a favourable effect to the manufacturing division as US accounts for a majority of the Group's revenue.

3. Commentary on Prospects (continued)

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.

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.

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	
		30/09/2014 RM'000	30/09/2013 RM'000	30/09/2014 RM'000	30/09/2013 RM'000
a.	Interest income	(4)	(33)	(10)	(54)
b.	Other income including investment income	(975)	(1,446)	(2,865)	(3,148)
c.	Interest expense	1,164	1,247	3,471	3,437
d.	Depreciation and amortization	923	1,682	3,588	4,877
e.	Provision for and write off of receivables	11	8	11	8
f.	Provision for and write off of inventories	-	-	-	-
g.	Gain or loss on disposal of quoted or unquoted investments or properties	(306)	38	(320)	38
h.	Impairment of assets	-	-	1,924	-
i.	Foreign exchange gain				
	- Realised	(130)	(407)	(251)	(669)
	- Unrealised	-	(149)	(250)	(582)
	Foreign exchange loss				
	- Realised	69	-	346	-
	- Unrealised	-	-	113	268
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	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
	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	-	-	-	-
	-	-	-	-
Total	-	-	-	-

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

During the current quarter, the Company disposed off quoted shares in Hong Kong for RM1.81 million. The cost of these shares was RM2.40 million and the allowance for diminution in value made for these shares were RM0.9 million.

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

	RM'000
i. Shares quoted in Malaysia at cost	1,240
ii. Shares quoted in Hong Kong at cost	14,648
iii. Market value of quoted equity shares	10,044

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 September 2014 are as follows:

	RM'000
i. At cost	2,400
ii. At carrying amount	975

9. Group Borrowings and Debt Securities

	As At 30/09/2014 RM'000	As At 31/12/2013 RM'000
i. Short Term Borrowings		
Secured		
- Bank overdraft	-	-
- Bankers' acceptances	43,188	73,263
- Hire purchase and finance lease liabilities	57	66
- Term loans	5,467	-
	48,712	73,329
ii. Long Term Borrowings		
Secured		
- Hire purchase and finance lease liabilities	74	114
- Term loans	22,887	-
	22,961	114

Breakdown of borrowings in foreign denominated debts included above is:

	USD'000	USD'000
iii. Secured		
- Bills payable	11,979	21,309
- Term loan	8,643	-
	20,622	21,309

10. Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off balance sheet risk as at 20 November 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 20 November 2014, being the latest practicable date.

13. Dividends

No dividend has been declared for the current quarter and financial period ended 30 September 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, reclaim tailings from the tailing pond and selection of top soil with high grade of tin ore contents while focusing on the top soil removal.

15. Loss per share

Basic

	Individual Quarter		Cumulative Quarter	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Loss attributable to shareholders (RM'000)	(314)	(2,468)	(10,390)	(9,496)
Weighted average number of ordinary shares ('000) – basic	591,033	559,515	591,033	559,515
Basic (sen)	<u>(0.05)</u>	<u>(0.44)</u>	<u>(1.76)</u>	<u>(1.70)</u>

15. Loss per share (continued)

Diluted

	Individual Quarter		Cumulative Quarter	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Loss attributable to shareholders (RM'000)	(314)	(2,468)	(10,390)	(9,496)
<u>Add</u>				
Notional interest savings due to repayment of bank borrowings (RM'000)	528	622	1,584	1,866
Adjusted Profit/(Loss) attributable to shareholders (RM'000)	214	(1,846)	(8,806)	(7,630)
Weighted average number of ordinary shares ('000) – basic	591,033	559,515	591,033	559,515
<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	719,365	750,863	719,365
Diluted (sen)	N/A	N/A	N/A	N/A

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 September 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 September 2014.

By Order of the Board

Coral Hong Kim Heong
 (MAICSA 7019696)
 Company Secretary

Date: 27 November 2014