



HO WAH GENTING BERHAD

Company No: 272923-H
(Incorporated In Malaysia)

**NOTES TO FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 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 10 and MFRS 128 : Sale of Contribution of Assets between an Investor and it's Associate or Joint Venture	01 January 2016
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
Annual Improvements to MFRSs 2012 – 2014 Cycle	01 January 2016

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.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 *Revenue from Contracts with Customers* was issued in September 2014 and established a new five-step model that will apply recognition of revenue arising from contracts with customers. Under this Standard, revenue is recognized at an amount that reflects the considerations to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principle of this Standard is to provide a more structured approach in measuring and recognising revenue.

This Standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 01 January 2017 with early adoption permitted. The Group is currently assessing the impact of this Standard and plans to adopt this Standard on the required effective date.

2. Significant Accounting Policies (continued)

MFRS 9 Financial Instruments

In November 2014, the MASB issued the final version of MFRS 9 *Financial Instruments*, replacing the MFRS 139. This Standard made changes to the requirements for classifications and measurements, impairment and hedge accounting. The adoption of this Standard will have an effect on the classification and measurement of the Group's financial assets, but no impact on classification and measurement of the Group's financial liabilities.

MFRS 9 *Financial Instruments* also requires impairment assessment to be based on an expected loss model, replacing MFRS 139 incurred loss model. Finally, MFRS 9 *Financial Instruments* align hedge accounting more closely with risk management, established a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the previous model.

The Standard will come into effect on or after 01 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of the adoption of this Standard in relation to the new requirements for classification, measurement and impairment, but the requirements for hedge accounting is not relevant to 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 year ended 31 December 2014 are given as follows:

	Segment Revenue RM'000	Profit/(Loss) Before Tax For The Year RM'000
Investments	610	(11,090)
Manufacturing	173,283	(6,103)
Mining	2,083	(3,020)
Trading – wires and cables	13,931	(396)
Trading – automotives	661	(1,204)
Trading – consumer products	182	(999)
Travel and tour and rendering of services	648	81
	191,398	(22,731)
Share in results of associates		(74)
		(22,805)

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

(a) Acquisition of Ho Wah Genting Holiday Sdn Bhd (“HWGH”)
(company no. 203789–P)
(Formerly known as Ho Wah Genting Poipet Resorts Sdn Bhd)

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 HWGH 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.

Prior to the Proposed Acquisition 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.

(b) Disposal of Marvel Theme Park City Sdn Bhd

On 15 December 2014, the Company disposed its entire 2 shares of RM1.00 each, representing 100% equity interest in Marvel Theme Park City Sdn Bhd (“MTPC”) to two (2) individuals, namely Ms. Sit Lai Wan and Encik Mohd Najib Bin Ibrahim for a total cash consideration of RM2.00 only.

As a result of the disposal, MTPC ceased to be a subsidiary of HWGB.

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

(c) Internal Group Restructuring Involving the Company, Vitaxel Sdn Bhd (1013530-U) (“Vitaxel”) and Ho Wah Genting Holiday Sdn Bhd (formerly known as Ho Wah Genting Poipet Resorts Sdn Bhd) (203789-P) (“HWGH”)

The Company had on 13 February 2015, completed an internal group restructuring involving the Company, Vitaxel and HWGH by transferring the Company’s 100% equity interest (1,500,000 ordinary shares) in Vitaxel to HWGH (99.48% owned subsidiary), for a total cash consideration of RM120,000.

The consideration of RM120,000 is the same acquisition price paid by the Company earlier.

Upon completion of the aforesaid share transfer, Vitaxel will become a sub-subsidiary of the Company instead.

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 RM50,400

PART B

ADDITIONAL INFORMATION REQUIRED BY BMSB'S LISTING REQUIREMENTS

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

For the current financial year, the Group recorded revenue of RM191.40 million and loss before taxation of RM22.81 million as compared to its preceding year's revenue of RM229.2 million and loss before taxation of RM25.82 million.

The lower revenue recorded in the current financial year is mainly due to lower sales in the manufacturing and wires and cable trading divisions. Whereas the lower loss before tax for current financial year is mainly due to lower impairment losses of RM2.54 million charged on "Available-For-Sale" financial assets as compared to preceding year of RM10.92 million.

The Group's manufacturing division recorded operating revenue of RM173.28 million and loss before taxation of RM6.10 million for the current financial year ended 31 December 2014 as compared to its preceding year's corresponding period operating revenue of RM208.35 million and loss before taxation of RM6.35 million.

The lower revenue recorded in the current financial year 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 loss before taxation incurred was lower as compared to its preceding year corresponding period was due to improvement of production efficiencies after implementing in stages the semi-automated production cycles and replacement of old machineries.

The Group's wires and cables trading division posted operating revenue of RM13.93 million and loss before taxation of RM0.39 million for the current financial year ended 31 December 2014 as compared to its preceding year's corresponding period operating revenue of RM18.11 million and profit before taxation of RM36,000.

The decrease in operating revenue and loss before taxation incurred as compared to the preceding year's corresponding period was due to the decrease of orders from the wholesalers and contractors as a result of lesser new real estate projects launched.

The Group's tin mining division recorded an operating revenue of RM2.08 million and loss before taxation of RM3.02 million for the current financial year ended 31 December 2014 as compared to its preceding year's corresponding period operating revenue of RM1.49 million and loss before taxation of RM3.04 million.

A total of 51 metric tons of tin concentrates had been produced during the current financial year ended 31 December 2014 as compared to its preceding year's corresponding period output of 59 metric tons of tin concentrates.

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

Though the total tin concentrate output was lower as compared to the preceding year's corresponding period, the tin mining division recorded a higher revenue due to higher purity of tin recover. The tin mining division is now 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.

At Company level, the Company recorded a loss before taxation of RM41.15 million for the current financial year ended 31 December 2014 as compared to a loss of RM9.47 million in the preceding year's corresponding period. The increase in loss is mainly due to the impairment losses provided on investment in subsidiary of RM33.08 million and "Available-for-Sale" financial assets amounting to RM2.54 million. Whilst in the preceding year's corresponding period losses, there was an impairment losses on "Available-for-sale" financial assets amounting to RM4.48 million.

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 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 RM39.17 million and RM11.42 million respectively as compared to the preceding quarter's operating revenue and loss before taxation of RM55.98 million and RM0.67 million respectively.

The decrease 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. In the immediate preceding quarter, the manufacturing division recorded a profit before taxation of RM1.48 million as compared to a loss before taxation of RM3.20 million in the current quarter.

The higher loss before taxation in the current quarter is also due to the impairment losses provided for "Available-for-sale" financial assets amounting to RM614,000, allowance for doubtful debts of RM1.0 million, loss on disposal of investment property of RM672,000 and impairment losses provided for goodwill on consolidation of RM3.03 million.

3. Commentary on Prospects

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

However, 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, rising inflationary cost in Indonesia, especially the compulsory annual increment of wages and salaries, high volatility of copper price and additional working capital requirement.

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.

The Group is hopeful that Ho Wah Genting Holiday Sdn Bhd (formerly known as Ho Wah Genting Poipet Resorts Sdn Bhd) and Vitaxel Sdn Bhd, the Multi-Level-Marketing company, are able to contribute positively in near future.

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	
		31/12/2014	31/12/2013	31/12/2014	31/12/2013
		RM'000	RM'000	RM'000	RM'000
a.	Interest income	(7)	(14)	(17)	(68)
b.	Other income including investment income	(1,067)	(1,725)	(3,932)	(4,872)
c.	Interest expense	1,121	1,262	4,592	4,688
d.	Depreciation and amortization	903	2,006	4,491	6,897
e.	Provision for and write off of receivables	998	-	1,008	14
f.	Provision for and write off of inventories	-	-	-	-

5. Notes to the Comprehensive Income Statement (continued)

No	Subject	Individual Quarter		Cumulative Quarter	
		31/12/2014	31/12/2013	31/12/2014	31/12/2013
		RM'000	RM'000	RM'000	RM'000
g.	(Gain) or loss on disposal of quoted or unquoted investments or properties	590	(7)	270	31
h.	Impairment of assets	614	10,918	2,538	10,918
i.	Foreign exchange gain				
	- Realised	(564)	(527)	(815)	(1,196)
	- Unrealised	(231)	(265)	(481)	(847)
	Foreign exchange loss				
	- Realised	186	-	532	-
	- Unrealised	-	105	57	373
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	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
i.	Current tax expense			
	- Malaysian	-	-	-
	- Overseas	-	-	-
		-	-	-
ii.	Over/(under) provision in prior year			
	- Malaysian	(2)	(2)	-
	- Overseas	-	11	-
		(2)	(2)	-
iii.	Deferred tax expense			
	- Malaysian	(300)	(300)	(300)
	- Overseas	60	60	-
		(240)	(240)	(300)
Total		(242)	(289)	(300)

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

During the current financial year, the Company disposed off quoted shares in Hong Kong for RM4.57 million. The cost of these shares was RM6.64 million and the allowance for diminution in value made for these shares was RM2.49 million.

Investments in quoted securities as at 31 December 2014 are as follows:

	RM'000
i. Shares quoted in Malaysia at cost	1,240
ii. Shares quoted in Hong Kong at cost	10,412
iii. Market value of quoted equity shares	5,991

8. Investments in Associates

During the financial year ended 31 December 2014, the Company acquired additional 3,569,000 shares in Ho Wah Genting Holiday Sdn Bhd (“HWGH”) (formerly known as Ho Wah Genting Poipet Resorts Sdn Bhd) from Encik Adanan Bin Baharum for a consideration of RM1,450,284. As a result of the acquisition of additional shares, HWGH became a subsidiary of HWGB on 6 November 2014 as disclosed in Note 13 Changes in the Composition of the Group

Investments in Associates as at 31 December 2014 are as follows:

	RM'000
i. At cost	-
ii. At carrying amount	-

9. Group Borrowings and Debt Securities

	As At 31/12/2014 RM'000	As At 31/12/2013 RM'000
i. Short Term Borrowings		
Secured		
- Bankers' acceptances	18,641	73,263
- Hire purchase and finance lease liabilities	52	66
- Term loans	5,827	-
	24,520	73,329
ii. Long Term Borrowings		
Secured		
- Hire purchase and finance lease liabilities	63	114
- Term loans	22,937	-
	23,000	114

9. Group Borrowings and Debt Securities (continued)

Breakdown of borrowings in foreign denominated debts included above is:

iii. Secured	USD'000	USD'000
- Bills payable	4,000	21,309
- Term loan	8,227	-
	<u>12,227</u>	<u>21,309</u>

10. Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off balance sheet risk as at 17 February 2015, being the latest practicable 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 17 February 2015, being the latest practicable date.

13. Dividends

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

14. Quarterly Updates on Tin Mining Activities (continued)

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	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Loss attributable to shareholders (RM'000)	(10,862)	(14,946)	(21,197)	(24,431)
Weighted average number of ordinary shares ('000) – basic	591,033	567,508	591,033	567,308
Basic (sen)	<u>(1.84)</u>	<u>(2.63)</u>	<u>(3.59)</u>	<u>(4.31)</u>

Diluted

	Individual Quarter		Cumulative Quarter	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Loss attributable to shareholders (RM'000)	(10,862)	(14,946)	(21,197)	(24,431)
<u>Add</u>				
Notional interest savings due to repayment of bank borrowings (RM'000)	<u>528</u>	<u>622</u>	<u>2,112</u>	<u>2,488</u>
Adjusted loss attributable to shareholders (RM'000)	<u>(10,334)</u>	<u>(14,324)</u>	<u>(19,085)</u>	<u>(21,943)</u>
Weighted average number of ordinary shares ('000) – basic	591,033	567,508	591,033	567,308
<u>Add</u>				
Assuming conversion of ESOS and Warrants ('000)	<u>159,830</u>	<u>159,830</u>	<u>159,830</u>	<u>159,830</u>
Weighted average number of ordinary shares ('000) – diluted	<u>750,863</u>	<u>727,338</u>	<u>750,863</u>	<u>727,138</u>
Diluted (sen)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

15. 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 and financial year ended 31 December 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 year ended 31 December 2014.

By Order of the Board

Coral Hong Kim Heong
(MAICSA 7019696)
Company Secretary

Date: 25 February 2015