



HO WAH GENTING BERHAD

Company No: 272923-H
(Incorporated In Malaysia)

**NOTES TO FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015**

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 2014.

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 2014 except for the adoption of the following standards which are applicable to its financial statements effective from 1 January 2015:

Amendments to MFRS 119	: Employees Benefits - <i>Defined Benefit Plans: Employees Contributions</i>	
Annual Improvements to MFRSs 2010 – 2012 Cycle		01 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle		01 July 2014

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:

		Effective for financial periods beginning on or after
MFRS 14	: Regulatory Deferral Accounts	01 January 2016
Amendments to MFRS 11	: Joint Arrangements - <i>Accounting for Acquisition of Interest in Joint Venture Operations</i>	01 January 2016
Amendments to MFRS 116 and MFRS 138	: Property, Plant and Equipment and Intangible Assets - <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	01 January 2016
Amendments to MFRS 116 and MFRS 141	: Property, Plant and Equipment and Agriculture - <i>Bearer Plants</i>	01 January 2016

2 Significant Accounting Policies (continue)

	Effective for financial periods beginning on or after
Amendments to MFRS 127 : Consolidated and Separate Financial Statements - <i>Equity Method in Separate Financial Statements</i>	01 January 2016
Amendments to MFRS 10 and MFRS 128 : Consolidated Financial Statements and Investments In Associates and Joint Ventures - <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	01 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 : Consolidated Financial Statements, Disclosure of Interest in Other Entities and Investments in Associates and Joint Ventures – <i>Investment Entities: Applying the Consolidation Exception</i>	01 January 2016
Amendments to MFRS 101 : Presentation of Financial Statements – <i>Disclosure Initiative</i>	01 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	01 January 2016
MFRS 15 : Revenue from Contract with Customers	01 January 2018
MFRS 9 : Financial Instruments (IFRS 9 as issued by International Accounting Standards Board in July 2014)	01 January 2018

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 2014.

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

During the financial period under review, the Company increased its issued and paid up share capital from RM118,206,669 to RM120,229,009 by way of issuance of 10,111,699 new ordinary shares of RM0.20 each pursuant to the conversion of Warrants 2010/2015 at a conversion price at RM0.20 per ordinary share.

8. Dividends Paid

No dividend was paid in the current quarter.

9. The Status of Corporate Proposals

On 5 August 2015, the Company announced the following Multiple Corporate Proposals:

a) Proposed Par Value Reduction

Proposed reduction of the existing issued and paid up share capital of the Company via the cancellation of RM0.15 of the par value of each existing issued and paid-up ordinary share of RM0.20 to RM0.05 each (“HWGB Shares”) pursuant to Section 64 of the Companies Act, 1965;

b) Proposed Rights Issue with Warrants

Proposed renounceable rights issue of up to 617,598,349 new HWGB Shares (“Rights Shares”) on the basis of one (1) Right Share for every one (1) existing HWGB Share held after the Proposed Par Value Reduction, together with up to 494,078,679 free detachable warrants (“Warrants”) on the basis of four (4) Warrants for every five (5) Rights Shares subscribed on the entitlement date and at an issue price to be determined later;

9. The Status of Corporate Proposals (continued)

c) Proposed Amendments to the Memorandum and Articles of Association of the Company

Proposed amendments to the Memorandum and Articles of Association of the Company to facilitate the implementation of the Proposed Par Value Reduction;

d) Proposed Termination of the Existing ESOS

Proposed termination of the Company's existing Employees' Share Option Scheme 2010; and

e) Proposed Establishment of a new ESOS

Proposed establishment of a new Employees' Share Option Scheme for the eligible directors and employees of HWGB and its subsidiary companies.

On 30 September 2015, the Company announced that Bursa Securities had, vide its letter dated 29 September 2015, resolved to approve the following:

- a) The listing and quotation of up to 617,598,349 new Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
- b) Admission to the Official List and the listing of and quotation for up to 494,078,679 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants;
- c) The listing and quotation of up to 494,078,679 new ordinary shares of RM0.05 each to be issued pursuant to the exercise of the Warrants;
- d) The listing and quotation of up to 2,146,470 Additional Warrants 2011/2016 arising from the adjustment made pursuant to the Proposed Rights Issue with Warrants;
- e) The listing and quotation of up to 2,980,792 new ordinary shares of RM0.05 each to be issued pursuant to the exercise of the Additional Warrants 2011/2016 and existing Employees' Share Option Scheme; and
- f) The listing and quotation of such number of new ordinary shares of RM0.05 each in HWGB, representing up to 10% of the issued and paid up share capital of HWGB to be issued pursuant to the exercise of options under the Proposed New ESOS.

The approval by Bursa Securities for the Proposed Rights Issue with Warrants and Proposed New ESOS is subject to the following conditions:

- a) HWGB and its adviser must fully comply with the relevant provisions under the Main Market Listing Requirements ("LR") pertaining to the implementation of the Proposed Rights Issue with Warrants and Proposed New ESOS;

9. The Status of Corporate Proposals (continued)

- b) HWGB and its adviser are to inform Bursa Securities upon the completion of the Proposed Rights Issue with Warrants;
- c) HWGB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Rights Issue with Warrants is completed;
- d) HWGB’s adviser is required to submit a confirmation to Bursa Securities of full compliance of the Proposed New ESOS pursuant to Paragraph 6.43 (1) of the LR and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in general meeting approving the proposed New ESOS;
- e) HWGB is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants and Proposed New ESOS as at end of each quarter together with a detailed computation of listing fees payable; and

On 12 November 2015, the Company announced that all the resolutions for the aforesaid Multiple Corporate Proposals set out in the Notice of Extraordinary General Meeting (“EGM”) dated 20 October 2015 were duly passed at the EGM held on Thursday, 12 November 2015.

On 13 November 2015, the Company’s solicitor had submitted the petition for capital reduction to the High Court of Malaya for sanction.

10. Segmental Reporting

Analysis of the Group’s segment revenue and segment result for business segments for the current financial period ended 30 September 2015 are given as follows:

	Segment Revenue RM’000	Loss Before Tax For The Period RM’000
Investments	36	(3,054)
Moulded power supply cord sets	120,544	(4,746)
Tin mining	6,326	(3,976)
Wire and cable	9,851	320
Travel services and direct sales	10,550	(2,331)
	147,307	(13,787)

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) 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 became a sub-subsidiary of the Company instead.

(b) Disposal of Sub-subsidiary company Orient Sun Motors Sdn Bhd (840617-P) (“OSM”)

On 25 March 2015, the Company announced the disposal of the entire 70% equity interest in OSM held by its wholly owned subsidiary Rex Oriental Sdn Bhd (1056831-K) (“ROSB”) for a cash consideration of RM595,000. The disposal was completed on 2 April 2015 and OSM ceased to be a subsidiary of ROSB and a sub-subsidiary of the Company.

(c) Disposal of Sub-subsidiary company Vitaxel Sdn Bhd (1013530-U) (“Vitaxel”)

On 17 November 2015, the Company announced that its subsidiary, Ho Wah Genting Holiday Sdn Bhd (203789-P) (“HWGH”) has on 17 November 2015 entered into a Share Sale Agreement (“Agreement”) with Lim Chun Yen, Leong Yee Ming, Lim Wee Kiat and Megat D. Shariman Bin Zaharudin (“Purchasers”), to dispose to the Purchasers its entire 100% equity holding in Vitaxel for a total cash consideration of RM150,000.00 (“Sale Consideration”) payable upon completion (“Proposed Disposal”). Upon the completion of the Proposed Disposal, Vitaxel will cease to be a subsidiary of HWGH and sub-subsidiary of the Company.

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” of the Group for the purchase of plant and equipment at the end of the current quarter stood at RM68,000.

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 RM147.31 million and loss before taxation of RM13.79 million as compared to its preceding year's revenue of RM152.23 million and loss before taxation of RM11.44 million.

The lower revenue recorded in the current financial period is mainly due to the Group's lower sales in Moulded Power Supply Cord Sets Division in Indonesia despite the favourable currency conversion effect from USD to RM. The higher revenue from the Tin Mining Division and additional revenue from new division in Travel Services and Direct Sales also improved the revenue in the current financial period.

The Group's Moulded Power Supply Cord Sets Division recorded operating revenue of RM120.54 million and loss before taxation of RM4.75 million for the current financial period ended 30 September 2015 as compared to its preceding year's corresponding period operating revenue of RM139.27 million and loss before taxation of RM2.90 million.

The lower revenue recorded in the current financial period is due to intense competition from China made products and limitations of working capital available. The higher loss before taxation was due to low contribution generated from lower revenue.

The Group's Wire and Cable Trading Division posted operating revenue of RM9.85 million and profit before taxation of RM320,000 for the current financial period ended 30 September 2015 as compared to its preceding year's corresponding period operating revenue of RM10.57 million and loss before taxation of RM213,000.

Generally, the demand for wire and cable market is slow as there is lesser new real estate projects launched. The profit before taxation recorded in the current financial period is mainly due to net foreign exchange gain of RM1.2 million.

The Group's Tin Mining Division recorded an operating revenue of RM6.33 million and loss before taxation of RM3.98 million for the current financial period ended 30 September 2015 as compared to its preceding year's corresponding period operating revenue of RM1.49 million and loss before taxation of RM1.57 million.

A total of 199 metric tons of tin concentrates had been produced during the current financial period ended 30 September 2015 as compared to its preceding year's corresponding period output of 34 metric tons of tin concentrates.

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

Though the total tin concentrates output and revenue were higher as compared to the preceding year's corresponding period, the Tin Mining Division recorded a higher losses due to increase in mining activities on the site. The Tin Mining Division is now processing the tin ores from a selection of top soil with high grade of tin ore contents while focusing on the top soil removal.

The Group's Travel Services and Direct Sales Division recorded a revenue of RM10.55 million and a loss before taxation of RM2.33 million for the financial period ended 30 September 2015. The loss incurred was due to higher commission and incentive payout to members as a marketing strategy to expedite the recruitment of new members during this initial stage of operations by the Direct Sales Division.

There are no comparative figures for Travel Services and Direct Sales Division for the same financial period in the preceding year.

At Company level, the Company recorded a loss before taxation of RM2.26 million for the current financial period ended 30 September 2015 as compared to a loss of RM5.08 million in the preceding year's corresponding period. The lower loss before taxation recorded in the current financial period was contributed by the gain on disposal of "Available-For-Sale" financial assets of RM1.92 million as against the impairment loss of RM1.92 million recorded in the preceding year's corresponding period.

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 from 30 September 2015 to 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 RM53.43 million and RM3.86 million respectively as compared to the preceding quarter's operating revenue and loss before taxation of RM44.84 million and RM5.76 million respectively.

The higher revenue recorded in the current quarter is mainly due to the higher sales in Moulded Power Supply Cord Sets Division to cater for festive seasons towards the year end. The weaker Ringgit Malaysia ("RM") against the United States Dollar ("USD") had resulted in higher revenue as the revenue generated by the Moulded Power Supply Cord Sets Division was converted from USD to RM.

The lower loss before taxation in the current quarter is mainly due to higher contributions from the Moulded Power Supply Cord Set Division. Also included in the immediate preceding quarter, there is a loss on disposal of shares in a subsidiary company of RM808,000.

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 sale of moulded power supply cord sets 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 wire and cable 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 cable may be affected by the tighter credit controls set by financial institutions as lenders are more cautious in providing the consumer loan.

On the Travel Services and Direct Sales Division, the implementation of "Goods and Services Tax" ("GST") since April this year and the continuous weakening of Ringgit Malaysia had also affected the consumer spending.

The Board is hopeful that the implementation of the Corporate Proposals as mentioned in Note 9 (Part A) of this Report would provide funding requirement and improve the financial position of the Group.

Meanwhile, the Board 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	
		30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
a.	Interest income	(57)	(4)	(89)	(10)
b.	Other income including investment income	(944)	(975)	(3,302)	(2,865)
c.	Interest expense	765	1,164	2,422	3,471
d.	Depreciation and amortization	1,101	923	2,949	3,588
e.	Provision for and write off of receivables	144	11	166	11

5. Notes to the Comprehensive Income Statement (continued)

No	Subject	Individual Quarter		Cumulative Quarter	
		30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
f.	Provision for and write off of inventories	-	-	310	-
g.	(Gain)/loss on disposal of quoted or unquoted investments or properties	65	(306)	(1,134)	(320)
h.	Impairment of assets	-	-	-	1,924
i.	Foreign exchange gain:				
	- Realised	(137)	(130)	(2,066)	(251)
	- Unrealised	(1,474)	-	(2,177)	(250)
	Foreign exchange loss:				
	- Realised	-	69	439	346
	- Unrealised	967	-	1,075	113
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	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
i. Current tax expense				
- Malaysian	-	-	-	-
- Overseas	12	-	16	-
	<u>12</u>	<u>-</u>	<u>16</u>	<u>-</u>
ii. Over/(under) provision in prior year:				
- Malaysian	-	-	-	-
- Overseas	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
iii. Deferred tax expense:				
- Malaysian	-	-	-	-
- Overseas	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>12</u>	<u>-</u>	<u>16</u>	<u>-</u>

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

During the current financial period, the Company disposed off its entire Available-For-Sale quoted shares in Hong Kong for RM7.81 million. The cost of these shares was RM10.41 million and the allowance for diminution in value made for these shares was RM4.52 million.

During the same financial period, Ho Wah Genting Kintron Sdn Bhd, a wholly-owned subsidiary of the Company also disposed off its entire Available-For-Sale quoted shares in Malaysia for RM107,000. The cost of these shares was RM1.12 million and the allowance for diminution in value made for these shares was RM1.01 million.

Investments in quoted securities as at 30 September 2015 are as follows:

	RM'000
i. Shares quoted in Malaysia at cost	-
ii. Shares quoted in Hong Kong at cost	-
iii. Market value of quoted equity shares	-

8. Group Borrowings and Debt Securities

	As At 30/09/2015 RM'000	As At 31/12/2014 RM'000
i. Short Term Borrowings		
Secured		
- Bankers' acceptances	-	13,986
- Hire purchase and finance lease liabilities	44	52
- Term loans	7,708	5,827
	7,752	19,865
ii. Long Term Borrowings		
Secured		
- Hire purchase and finance lease liabilities	25	63
- Term loans	27,589	27,592
	27,614	27,655

8. Group Borrowings and Debt Securities (continued)

Breakdown of borrowings in foreign denominated debts included above is:

	As At 30/09/2015 USD'000	As At 31/12/2014 USD'000
iii. Secured		
- Bills payable	-	4,000
- Term loan	6,977	8,227
	6,977	12,227

9. Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off balance sheet risk as at 18 November 2015, being the latest practicable date.

10. 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 2014.

11. Material Litigation

There is no material litigation for the Group as at 18 November 2015, being the latest practicable date.

12. Dividends

No dividend has been declared for the current quarter and financial period ended 30 September 2015.

13. 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 Tin Mining Division increased its mining activities on the site. The Tin Mining Division is now processing the tin ores from a selection of top soil with high grade of tin ore contents while focusing on the top soil removal.

14. Loss per share

Basic

	Individual Quarter		Cumulative Quarter	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
Loss attributable to shareholders (RM'000)	(3,391)	(314)	(11,841)	(10,390)
Weighted average number of ordinary shares ('000) – basic	601,145	591,033	601,145	591,033
Basic (sen)	<u>(0.56)</u>	<u>(0.05)</u>	<u>(1.97)</u>	<u>(1.76)</u>

Diluted

	Individual Quarter		Cumulative Quarter	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
Loss attributable to shareholders (RM'000)	(3,391)	(314)	(11,841)	(10,390)
<u>Add</u>				
Notional interest savings due to repayment of bank borrowings (RM'000)	<u>475</u>	<u>528</u>	<u>1,425</u>	<u>1,584</u>
Adjusted loss attributable to shareholders (RM'000)	<u>(2,916)</u>	<u>214</u>	<u>(10,416)</u>	<u>(8,806)</u>
Weighted average number of ordinary shares ('000) – basic	601,145	591,033	601,145	591,033
<u>Add</u>				
Assuming conversion of ESOS and Warrants ('000)	<u>16,453</u>	<u>159,850</u>	<u>16,453</u>	<u>159,830</u>
Weighted average number of ordinary shares ('000) – diluted	<u>617,598</u>	<u>750,863</u>	<u>617,598</u>	<u>750,863</u>
Diluted (sen)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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 2015. 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 2015.



Ho Wah Genting Berhad (Company No: 272923-H)
[Notes to Quarterly Financial Report – continued]

By Order of the Board

Coral Hong Kim Heong
(MAICSA 7019696)
Company Secretary

Date: 25 November 2015

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