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

NOTES TO FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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 2015.

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 2015 except for the adoption of the following standards which are applicable to its financial statements effective from 1 January 2016:

MFRS 14	:	Regulatory Deferral Accounts
Amendments to MFRS 11	:	Joint Arrangements - *Accounting for Acquisition of Interest in Joint Venture Operations*
Amendments to MFRS 116 and MFRS 138	:	Property, Plant and Equipment and Intangible Assets - *Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to MFRS 116 and MFRS 141	:	Property, Plant and Equipment and Agriculture – *Agriculture: Bearer Plants*
Amendments to MFRS 127	:	Separate Financial Statements - *Equity Method in Separate Financial Statements*
Amendments to MFRS 10 and MFRS 128	:	Consolidated Financial Statements and Investments In Associates and Joint Ventures - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
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 – *Investment Entities: Applying the Consolidation Exception*
Amendments to MFRS 101	:	Presentation of Financial Statements – *Disclosure Initiative*
Annual Improvements to MFRSs 2012 – 2014 Cycle		

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

2 Significant Accounting Policies (continued)

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
Amendments to MFRS 107	:	Statement of Cash Flows – *Disclosure initiatives*	01 January 2017
Amendments to MFRS 112	:	Income Taxes – *Recognition of Deferred Tax Assets for Unrealised Losses*	01 January 2017
Amendments to MFRS 10 and MFRS 128	:	Consolidated Financial Statements and Investments in Associates and Joint Ventures – *Sale or Contribution of Assets between and Investor and its Associate or Joint Venture*	The effective date of these Standards have been deferred, and yet to be announced by MASB.
MFRS 15	:	Revenue from Contract with Customers	01 January 2018
MRFS 9	:	Financial Instruments	01 January 2018
MFRS 16	:	Leases	01 January 2019

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 2015.

4. Seasonality or Cyclicality 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, the Company issued 306,169,423 new ordinary shares of RM0.05 each at an issue price of RM0.08 and 244,935,533 free detachable warrants pursuant to the Renounceable Rights Issue of up to 617,598,349 new ordinary shares of RM0.05 each in the Company ("Rights Shares(s)") on the basis of one (1) Rights Share for every one (1) existing ordinary share of RM0.05 each in the Company 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. The Company also issued additional 1,065,490 Warrants 2011/2016 arising from the consequential adjustment pursuant to the Rights Issue with Warrants. All the above securities were listed on the Main Market of Bursa Malaysia Securities Berhad on 22 March 2016.

8. Dividends Paid

No dividend was paid in the current quarter.

9. The Status of Corporate Proposals

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 2016 are given as follows:

	Segment Revenue RM'000	**Loss Before Tax For The Period RM'000**
Investments	66	(4,097)
Moulded power supply cord sets	66,671	(2,390)
Tin mining	1,036	(2,215)
Wire and cable	1,961	(376)
Travel services	1,774	(221)
	71,508	**(9,299)**

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

On 10 August 2016, the Company announced that it has entered into Memorandum of Understanding ("MoU") with SM Dutyfree Co., Ltd ("SMDF"). Whereas HWG Duty Free Sdn Bhd *[formerly known as HWG Resources Sdn Bhd*] (Company no: 1049687-D) ("HWGDF"), a subsidiary of the Company plans to open duty free outlets in Malaysia. Whilst SMDF, a company incorporated in Republic of Korea is in the business of operating duty free outlets and is desirous to provide the business know-how, products and information technology system to HWGDF.

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

There were no material capital commitments for the Company and for the Group at the end of the current quarter.

PART B
ADDITIONAL INFORMATION REQUIRED BY BMSB'S LISTING REQUIREMENTS

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

For the current financial period, the Group recorded revenue of RM71.51 million and loss before taxation of RM9.30 million as compared to its preceding year's corresponding period revenue of RM93.87 million and loss before taxation of RM9.92 million. Included in the preceding year corresponding period is a gain on disposal of "Available-For-Sale" financial assets of RM1.86 million.

The lower revenue recorded in the current financial period is mainly due to lower sales in Moulded Power Supply Cord Sets Division in Indonesia despite the favourable currency conversion effect from USD to RM. The lower revenue in the current financial period also due to the lower revenue from the Tin Mining Division and the disposal of the Direct Sales Division.

The lower loss recorded in the current financial period is mainly due to the positive effect of the implementation of semi-automated production cycle and replacement of old machineries in stages in the Moulded Power Supply Cord Sets Division. The reduction of mining activities by the Tin Mining Division at the mining site and the disposal of the Direct Sales Division also reduced the loss before taxation in the current financial period.

The Group's Moulded Power Supply Cord Sets Division recorded operating revenue of RM66.67 million and loss before taxation of RM2.39 million for the current financial period ended 30 June 2016 as compared to its preceding year's corresponding period operating revenue of RM78.32 million and loss before taxation of RM4.24 million. The lower revenue recorded in the current financial period is due to intense competition from China-made products and constraint in working capital funding. The lower losses recorded despite a 15% drop in operating revenue were due to improved production efficiencies after the implementation of semi-automated production cycles and replacement of old machineries in stages.

The Group's Wire and Cable Trading Division posted operating revenue of RM1.96 million and loss before taxation of RM0.37 million for the current financial period ended 30 June 2016 as compared to its preceding year's corresponding period operating revenue of RM6.79 million and profit before taxation of RM93,000.

Generally, the local demand for wire and cable is slow as there were lesser new real estate projects launched.

The Group's Tin Mining Division recorded an operating revenue of RM1.04 million and loss before taxation of RM2.22 million for the current financial period ended 30 June 2016 as compared to its preceding year's corresponding period operating revenue of RM3.04 million and loss before taxation of RM3.00 million.

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

The Group's Tin Mining Division produced 20 metric tons of tin concentrates during the current financial period ended 30 June 2016 as compared to its preceding year's corresponding period output of 92 metric tons of tin concentrates. The lower output of tin concentrates was due to low grade of tin ore recovered and reduced mining works on the site. The mining site is now carrying out in-house drilling works on identified locations to verify the tin ore.

The Group's Travel Services Division recorded a revenue of RM1.77 million and a loss before taxation of RM0.22 million for the financial period ended 30 June 2016 as compared to its preceding year's corresponding period operating revenue of RM5.70 million and loss before taxation of RM1.01 million. The lower revenue and lower loss before taxation was due to more cautious consumer spending in current economic climate and the disposal of the Direct Sales Division.

At Company level, the Company recorded a loss before taxation of RM3.80 million for the current financial period ended 30 June 2016 as compared to a profit of RM0.76 million in the preceding year's corresponding period as the Company recorded a gain on disposal of "Available-For-Sale" financial assets of RM1.92 million 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 June 2016 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 RM39.20 million and RM3.21 million respectively as compared to the preceding quarter's operating revenue and loss before taxation of RM32.31 million and RM6.09 million respectively.

The higher revenue recorded in the current quarter is mainly due to the seasonality of operations in Moulded Power Supply Cord Sets Division as disclosed in Note 4 of Part A.

The lower loss before taxation in the current quarter is mainly due to higher contribution earned from increase in revenue and improvement in production efficiencies in the Moulded Power Supply Cord Set Division.

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.

3. Commentary on Prospects (continued)

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 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 lesser new property projects launched and tighter credit controls set by financial institutions as lenders are more cautious in providing the consumer loan.

Barring unforeseen circumstances, the Group is targeting to achieve better operating and financial performance for the financial year ending 31 December 2016.

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 30/06/2016 RM'000	Individual Quarter 30/06/2015 RM'000	Cumulative Quarter 30/06/2016 RM'000	Cumulative Quarter 30/06/2015 RM'000
a.	Interest income	(3)	(29)	(25)	(32)
b.	Other income including investment income	-	(1,261)	-	(2,358)
c.	Interest expense	700	928	1,516	1,657
d.	Depreciation and amortization	912	932	1,980	1,848
e.	Provision for and write off of receivables	-	12	5	22
f.	Provision for and write off of inventories	-	310	-	310
g.	(Gain)/loss on disposal of quoted or unquoted investments or properties	(402)	665	(402)	(1,199)
h.	Impairment of assets	-	-	-	-
i.	Foreign exchange gain:				
	- Realised	195	(787)	(88)	(1,930)
	- Unrealised	232	(177)	(1,221)	(703)
	Foreign exchange loss:				
	- Realised	524	659	602	1,560
	- Unrealised	(678)	57	1,711	108
j.	Gain or loss on derivatives	-	-	-	-
k.	Exceptional items (with details)	-	-	-	-

6. Taxation

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

		Individual Quarter 30/06/2016 RM'000	Individual Quarter 30/06/2015 RM'000	Cumulative Quarter 30/06/2016 RM'000	Cumulative Quarter 30/06/2015 RM'000
i.	**Current tax expense**				
	- Malaysian	-	-	-	-
	- Overseas	-	4	-	4
		-	4	-	4
ii.	**Over/(under) provision in prior year:**				
	- Malaysian	-	-	-	-
	- Overseas	-	4	-	4
		-	4	-	4

6. Taxation (continued)

	Individual Quarter 30/06/2016 RM'000	Individual Quarter 30/06/2015 RM'000	Cumulative Quarter 30/06/2016 RM'000	Cumulative Quarter 30/06/2015 RM'000
iii. **Deferred tax expense:**				
- Malaysian	-	-	-	-
- Overseas	-	-	-	-
	-	-	-	-
Total	-	4	-	4

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

There was no purchase or disposal of quoted securities and/or other financial assets during the current financial period.

8. Group Borrowings and Debt Securities

	As At 30/06/2016 RM'000	As At 31/12/2015 RM'000
i. **Short Term Borrowings**		
Secured		
- Hire purchase and finance lease liabilities	53	15
- Term loans	7,101	7,322
	7,154	**7,337**
ii. **Long Term Borrowings**		
Secured		
- Hire purchase and finance lease liabilities	285	22
- Term loans	20,419	25,326
	20,704	**25,348**

Breakdown of borrowings in foreign denominated debts included above is:

	As At 30/06/2016 USD'000	As At 31/12/2015 USD'000
iii. **Secured**		
- Term loan	5,727	6,560
	5,727	**6,560**

9. Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off balance sheet risk as at 19 August 2016, 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 2015.

11. Material Litigation

There is no material litigation for the Group as at 19 August 2016, being the latest practicable date.

12. Dividends

No dividend has been declared for the current quarter and financial period ended 30 June 2016.

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.

There is a reduction in mining works on site currently while in-house drilling works were carried out on identified locations to verify the tin ore.

14. Status of Utilization of Proceeds Raised from the Rights Issue of ordinary shares with Warrants 2016/2021

The proposed and actual utilization of RM24,493,554 proceeds raised from the Rights Issue with Warrants of which 306,169,423 new ordinary shares of RM0.05 each ("Rights Shares") were issued at an issue price of RM0.08 each, which was completed on 22 March 2016 are as follows:

Purpose	Proposed utilization RM'000	Actual utilization as at 19 Aug 2016 RM'000	Balance RM'000	Estimated timeframe for utilization from listing of Rights Issue Shares
Repayment of bank borrowings	7,398	(7,398)	-	Within 3 months
Payment to a trade creditor	14,519	(11,748)	2,771	Within 6 months *
Working capital	1,777	(1,580)	197	Within 12 months
Expenses related to the Corporate Exercise	800	(800)	-	Within 1 month
TOTAL	**24,494**	**(21,526)**	**2,968**	

* During the current quarter under review, the Group revised its payment tenure to a trade creditor from within 3 months to within 6 months which is in accordance with the payment schedule agreed upon by the Group and the trade creditor. The final installment of the said payment schedule shall be on 30 September 2016.

15. Loss per share

Basic

	Individual Quarter		Cumulative Quarter	
	30/06/2016	**30/06/2015**	**30/06/2016**	**30/06/2015**
Loss attributable to shareholders (RM'000)	(2,684)	(4,951)	(8,186)	(8,450)
Weighted average number of ordinary shares ('000) – basic	784,510	601,145	784,510	601,145
Basic (sen)	**(0.34)**	**(0.82)**	**(1.04)**	**(1.41)**

15. Loss per share (continued)

Diluted

	Individual Quarter		Cumulative Quarter	
	30/06/2016	**30/06/2015**	**30/06/2016**	**30/06/2015**
Loss attributable to shareholders (RM'000)	(2,684)	(4,951)	(8,186)	(8,450)
Add				
Notional interest savings due to repayment of bank borrowings (RM'000)	213	475	426	950
Adjusted loss attributable to shareholders (RM'000)	(2,471)	(4,476)	(7,760)	(7,500)
Weighted average number of ordinary shares ('000) – basic	784,510	601,145	784,510	601,145
Add				
Assuming full conversion of Warrants and ESOS ('000)	297,953	17,275	297,953	17,275
Weighted average number of ordinary shares ('000) – diluted	1,082,463	618,420	1,082,463	618,420
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 warrants and ESOS into new ordinary shares.

The adjusted net loss 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 warrants into new ordinary shares.

There was no dilution in loss per share during the current quarter and financial period ended 30 June 2016. The notional interest savings and the increase in the number of ordinary shares arising from the abovementioned conversion of all warrants and ESOS, both of which would have a positive effect of reducing the loss per share for the current quarter and financial period ended 30 June 2016.

By Order of the Board

Coral Hong Kim Heong
(MAICSA 7019696)
Company Secretary

Date: 26 August 2016