



HO WAH GENTING BERHAD

Company No: 272923-H

(Incorporated In Malaysia)

NOTES TO FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 - <i>Accounting for Acquisition of Interest in Joint Venture Operations</i>
Amendments to MFRS 116 and MFRS 138	:	Property, Plant and Equipment and Intangible Assets - <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to MFRS 116 and MFRS 141	:	Property, Plant and Equipment and Agriculture – <i>Agriculture: Bearer Plants</i>
Amendments to MFRS 127	:	Separate Financial Statements - <i>Equity Method in Separate Financial Statements</i>
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>
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>
Amendments to MFRS 101	:	Presentation of Financial Statements – <i>Disclosure Initiative</i>
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 – <i>Disclosure initiatives</i>	01 January 2017
Amendments to MFRS 112	: Income Taxes – <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	01 January 2017
Amendments to MFRS 2	: Share-based payment – <i>Classification and Measurement of Share-based Payment transactions</i>	01 January 2018
MFRS 15	: Revenue from Contract with Customers	01 January 2018
MFRS 9	: Financial Instruments	01 January 2018
MFRS 16	: Leases	01 January 2019
Amendments to MFRS 10 and MFRS 128	: Consolidated Financial Statements and Investments in Associates and Joint Ventures – <i>Sale or Contribution of Assets between and Investor and its Associate or Joint Venture</i>	The effective date of these Standards have been deferred, and yet to be announced by MASB.

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 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, 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

On 6 September 2016, the Company through M&A Securities Sdn Bhd (“Advisor”), announced that it wishes to undertake a private placement of up to ten percent (“10%”) of the existing issued and paid-up share capital of the Company (“Proposed Private Placement”).

The Proposed Private Placement will entail the issuance of up to 94,694,800 new HWGB Shares (“Placement Share(s)”) representing not more than 10% of the issued and paid-up share capital of the Company, at an issue price to be determined and announced at a later date. The Placement Shares to be issued pursuant to the Proposed Private Placement is based on the latest issued and paid-up share capital of the Company of RM45,365,723 comprising 907,314,467 HWGB Shares assuming the full exercise of 39,634,100 Employee Share Option Scheme (“ESOS”) 2016/2026 into new HWGB Shares and none of the outstanding Warrants are exercised as the Warrants were out-of-the-money.

On 13 September 2016, the Company through its Advisor announced that the additional listing application for the Placement Shares to be issued pursuant to the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad (“Bursa Securities”).

9. The Status of Corporate Proposals (continued)

On 5 October 2016, the Company through its Advisor announced that Bursa Securities had, vide its letter dated the same date, approved the listing of and quotation for up to 94,694,800 new ordinary shares of RM0.05 each in HWGB to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities subject to the following conditions:

- (a) HWGB and its Advisor must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the Proposed Private Placement;
- (b) HWGB and its Advisor are to inform Bursa Securities upon the completion of the Proposed Private Placement; and
- (c) HWGB is to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed.

On 2 November 2016, the Company through its Advisor announced that the Company has fixed the issue price of the Placement Shares at RM0.055 each. The issue price of RM0.055 per Placement Share represent a premium of approximately RM0.0038 or 7.42% for the five (5)-day weighted average market price of HWGB from 26 October 2016 to 1 November 2016 of approximately RM0.0512 per share.

On 10 November 2016, the Company allotted 45,365,700 Placement Shares at RM0.055 each. A total of RM2,495,113.50 was raised from the allotment of the Placement Shares. These Placement Shares were listed on the Main Market of Bursa Malaysia Securities Berhad on 11 November 2016.

On 14 November 2016, the Company through its Advisor announced that the Company has fixed the issue price for the second tranche of the Placement Shares at RM0.055 each. The issue price of RM0.055 per Placement Share represent a premium of approximately RM0.0052 or 10.44% for the five (5)-day weighted average market price of HWGB from 7 to 11 November 2016 of approximately RM0.0498 per share.

As at 16 November 2016, being the latest practical date, there were no utilization of the funds raised from allotment of Placement Shares on 10 November 2016.

10. Segmental Reporting

Analysis of the Group's segment revenue and segment result for business segments for the current financial period ended 30 September 2016 are given as follows:

	Segment Revenue RM'000	Profit/(Loss) Before Tax For The Period RM'000
Investments	99	(5,046)
Moulded power supply cord sets	105,052	267
Tin mining	1,036	(2,406)
Wire and cable	2,027	(407)
Travel services	6,030	(109)
	114,244	(7,701)

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 was no material events subsequent to the end of the interim period.

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 financial period to date

For the current financial period, the Group recorded revenue of RM114.24 million and loss before taxation of RM7.70 million as compared to its preceding year's corresponding period revenue of RM147.31 million and loss before taxation of RM13.79 million. Included in the Statement of Profit or Loss in 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 was 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 was 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 was 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 RM105.05 million and profit before taxation of RM0.27 million for the current financial period ended 30 September 2016 as compared to its preceding year's corresponding period operating revenue of RM120.54 million and loss before taxation of RM4.75 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 turnaround from loss to profit despite a 12.9% drop in operating revenue was 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 RM2.03 million and loss before taxation of RM0.41 million for the current financial period ended 30 September 2016 as compared to its preceding year's corresponding period operating revenue of RM9.85 million and profit before taxation of RM0.32 million

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 RM2.41 million for the current financial period ended 30 September 2016 as compared to its preceding year's corresponding period operating revenue of RM6.33 million and loss before taxation of RM3.98 million.

1 Review of Performance for the financial period to date (continued)

The Group's Tin Mining Division produced 21 metric tons of tin concentrates during the current financial period ended 30 September 2016 as compared to its preceding year's corresponding period output of 199 metric tons of tin concentrates. The lower output of tin concentrates was due to reduced mining works on the site. The mining site is now carrying out drilling works on identified locations to verify the tin ore.

The Group's Travel Services Division recorded operating revenue of RM6.03 million and a loss before taxation of RM0.11 million for the financial period ended 30 September 2016 as compared to its preceding year's corresponding period operating revenue of RM10.55 million and loss before taxation of RM2.33 million. The lower revenue and lower loss before taxation was due to 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 RM4.96 million for the current financial period ended 30 September 2016 as compared to a loss of RM2.26 million in the preceding year's corresponding period. The higher losses in the current financial period is mainly due to foreign exchange loss at Company level of RM0.51 million, allowance for doubtful debts of RM0.13 million and Real Property Gains Tax of RM0.13 million charged by Inland Revenue Board on an investment property disposed in 2014. Whereas in the preceding year's corresponding period the Company recorded a gain on disposal of "Available-For-Sale" financial assets of RM1.92 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 from 30 September 2016 to the date of issue of this quarterly report.

2. Comparison with Preceding Quarter's Results

The Group's operating revenue and profit before taxation for the current quarter under review were RM42.74 million and RM1.68 million respectively as compared to the preceding quarter's operating revenue and loss before taxation of RM39.20 million and RM3.21 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 profit 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 sales in 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 remain 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 tight working capital.

To counter these unfavourable conditions which is beyond the Group's control, the Moulded Power Supply Cord Sets Division implemented the semi-automated production cycle which has reduced the cost of manpower and the replacement of old machineries in stages to reduce the repair and maintenance cost. This has successfully turned the Moulded Power Supply Cord Sets Division from losses to profits in the current financial period under review.

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		Cumulative Quarter	
		30/09/2016 RM'000	30/09/2015 RM'000	30/09/2016 RM'000	30/09/2015 RM'000
a.	Interest income	(2)	(57)	(27)	(89)
b.	Other income including investment income	(562)	(944)	(1,686)	(3,302)
c.	Interest expense	584	765	2,100	2,422
d.	Depreciation and amortization	902	1,101	2,882	2,949
e.	Provision for and write off of receivables	-	144	5	166
f.	Provision for and write off of inventories	-	-	-	310
g.	(Gain)/loss on disposal of quoted or unquoted investments or properties	2	65	(400)	(1,134)
h.	Impairment of assets	-	-	-	-
i.	Foreign exchange gain:				
	- Realised	85	(137)	(3)	(2,066)
	- Unrealised	(619)	(1,474)	(1,840)	(2,177)
	Foreign exchange loss:				
	- Realised	858	-	1,460	439
	- Unrealised	(694)	967	1,017	1,075
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		Cumulative Quarter	
	30/09/2016 RM'000	30/09/2015 RM'000	30/09/2016 RM'000	30/09/2015 RM'000
i. Current tax expense				
- Malaysian	-	-	-	-
- Overseas	-	12	-	16
	-	12	-	16
ii. Over/(under) provision in prior year:				
- Malaysian	-	-	-	-
- Overseas	-	-	-	-
	-	-	-	-

6. Taxation (continued)

	Individual Quarter		Cumulative Quarter	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
iii. Deferred tax expense:				
- Malaysian	-	-	-	-
- Overseas	-	-	-	-
	-	-	-	-
Total	-	12	-	16

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	As At
	30/09/2016	31/12/2015
	RM'000	RM'000
i. Short Term Borrowings		
Secured		
- Hire purchase and finance lease liabilities	52	15
- Term loans	7,275	7,322
	7,327	7,337
ii. Long Term Borrowings		
Secured		
- Hire purchase and finance lease liabilities	276	22
- Term loans	19,162	25,326
	19,438	25,348

Breakdown of borrowings in foreign denominated debts included above is:

	As At	As At
	30/09/2016	31/12/2015
	USD'000	USD'000
iii. Secured		
- Term loan	5,310	6,560
	5,310	6,560

9. Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off balance sheet risk as at 16 November 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 16 November 2016, being the latest practicable date.

12. Dividends

No dividend has been declared for the current quarter and financial period ended 30 September 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 exploration drilling works as at the latest practicable date of this report.

Currently mining activities on site had reduced, while drilling works are 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 16 Nov 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	(14,519)	-	Within 6 months
Working capital	1,777	(1,777)	-	Within 12 months
Expenses related to the Corporate Exercise	800	(800)	-	Within 1 month
TOTAL	24,494	(24,494)	-	

15. Profit/(Loss) per share

Basic

	Individual Quarter		Cumulative Quarter	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Profit/(Loss) attributable to shareholders (RM'000)	1,675	(3,391)	(6,511)	(11,841)
Weighted average number of ordinary shares ('000) – basic	825,744	601,145	825,744	601,145
Basic (sen)	0.20	(0.56)	(0.78)	(1.97)

15. Profit/(Loss) per share (continued)

Diluted

	Individual Quarter		Cumulative Quarter	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Profit/(Loss) attributable to shareholders (RM'000)	1,675	(3,391)	(6,511)	(11,841)
<u>Add</u>				
Notional interest savings due to repayment of bank borrowings (RM'000)	490	475	803	1,425
Adjusted loss attributable to shareholders (RM'000)	2,165	(2,916)	(5,708)	(10,416)
Weighted average number of ordinary shares ('000) – basic	825,744	601,145	825,744	601,145
<u>Add</u>				
Assuming full conversion of Warrants and ESOS ('000)	284,547	16,453	284,547	16,453
Weighted average number of ordinary shares ('000) – diluted	1,110,291	617,598	1,110,291	617,598
Diluted (sen)	0.19	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 financial period ended 30 September 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 September 2016.

By Order of the Board

Coral Hong Kim Heong
(MAICSA 7019696)
Company Secretary

Date: 23 November 2016