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

NOTES TO FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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, 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.

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
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 2	:	Share-based payment – *Classification and Measurement of Share-based Payment transactions*	01 January 2018
MFRS 15	:	Revenue from Contract with Customers – *Clarifications to MFRS 15 Revenue from Contracts with Customers*	01 January 2018
MRFS 9	:	Financial Instruments	01 January 2018
MFRS 140	:	Investment property – *Transfers of investment property*	01 January 2018
Annual Improvements to MFRSs 2014 – 2016 Cycles			
MFRS 16	:	Leases	01 January 2019
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.

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 year, the Company made the following issuance of ordinary shares:

(a) 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. A total of RM24,493,553.84 was raised from the allotment of the Rights Shares. 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.

(b) 45,365,700 new ordinary shares were issued on 10 November 2016 at RM0.055 per share under the first tranche of the Private Placement exercise ("Placement Shares") announced by the Company on 6 September 2016. A total of RM2,495,113.50 was raised from the allotment of the first tranche of the Placement Shares. The first tranche of the Placement Shares were listed on the Main Market of Bursa Malaysia Securities Berhad on 11 November 2016.

45,365,700 new ordinary shares were issued on 2 December 2016 at RM0.055 per share under the second tranche of the Private Placement exercise. A total of RM2,495,113.50 was raised from the allotment of the second tranche of the Placement Shares. The second tranche of the Placement Shares were listed on the Main Market of Bursa Malaysia Securities Berhad on 6 December 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 year ended 31 December 2016 are given as follows:

Analysis of Business Segment	**Segment Revenue RM'000**	**Profit/(Loss) Before Tax For The Year RM'000**
Investments	284	(32,780)
Moulded power supply cord sets	138,911	764
Tin mining	1,137	(11,830)
Wire and cable	2,051	(4)
Travel services	7,486	(281)
	149,869	(44,131)
Inter-segment elimination	(1,769)	24,953
	148,100	**(19,178)**

11. Valuations of Property, Plant and Equipment

The Group adopted the revaluation method to measure its entire class of buildings. Buildings are stated at revalued amount, which is the fair value at the date of the date of the revaluation less any accumulated depreciation and impairment losses, if any. Fair value is determined from market-based evidence by appraisal that is undertaken by professional qualified valuers.

An increase arising from revaluation is recognized in other comprehensive income and accumulated in equity under revaluation reserve. Any decrease arising is first offset against the revaluation surplus on an earlier valuation in respect of the same property and thereafter charged to profit or loss.

For the financial year ended 31 December 2016, the net fair value gain arising from the revaluation of buildings amounting to RM3.45 million was recognized.

12. Material Events Subsequent to the End of the Interim Period

There were 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 year to date

For the current financial year, the Group recorded revenue of RM148.10 million and loss before taxation of RM19.18 million as compared to its preceding year's revenue of RM188.73 million and loss before taxation of RM20.26 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 year 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 year was also due to the lower revenue from the Tin Mining Division and the disposal of the Direct Sales Division in the previous financial year.

The lower loss before taxation recorded in the current financial year 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 disposal of the Direct Sales Division in the previous financial year also reduced the loss before taxation in the current financial year.

The Group's Moulded Power Supply Cord Sets Division recorded operating revenue of RM138.91 million and profit before taxation of RM0.76 million for the current financial year ended 31 December 2016 as compared to its preceding year's operating revenue of RM165.03 million and loss before taxation of RM8.59 million. The lower revenue recorded in the current financial year were due to intense competition from China-made products, cut down in production of low margin products and constraint in working capital funding. The turnaround from loss to profit despite a 15.8% 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 RM2.05 million and loss before taxation of RM4,000 for the current financial year ended 31 December 2016 as compared to its preceding year's operating revenue of RM11.93 million and loss before taxation of RM270,000.

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 RM1.14 million and loss before taxation of RM11.83 million for the current financial year ended 31 December 2016 as compared to its preceding year's operating revenue of RM8.49 million and loss before taxation of RM7.78 million. The higher loss before taxation for the current financial year is mainly due to the impairment loss on mines properties of RM5.05 million, and plant and machinery of RM4.48 million.

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

The Group's Tin Mining Division output was 26 metric tons of tin concentrates for the current financial year ended 31 December 2016 as compared to its preceding year's output of 261 metric tons of tin concentrates. The lower output of tin concentrates was due to reduced mining works on the site.

The Group's Travel Services Division recorded operating revenue of RM7.49 million and a loss before taxation of RM0.28 million for the financial year ended 31 December 2016 as compared to its preceding year's operating revenue of RM14.63 million and loss before taxation of RM3.73 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 in the previous financial year.

At Company level, the Company recorded a loss before taxation of RM33.20 million for the current financial year ended 31 December 2016 as compared to a loss of RM4.62 million in the preceding year. The higher loss before taxation in the current financial year is mainly due to impairment of investment in subsidiaries of RM1.83 million, allowance for doubtful debts of RM24.24 million due from subsidiaries and the cost of granting Employee Share Options Scheme ("ESOS") to employees of the Company amounting to RM0.74 million. Whereas in the preceding year, 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 31 December 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 RM33.86 million and RM11.48 million respectively as compared to the preceding quarter's operating revenue and profit before taxation of RM42.74 million and RM1.60 million respectively.

The lower 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 higher loss before taxation in the current quarter is mainly due to the impairment of mines properties of RM5.05 million, plant and machinery of RM4.48 million and the cost of granting ESOS to employees of the Group amounting to RM2.10 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 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 whilst the replacement of old machineries in stages had reduced the repair and maintenance cost. These had successfully turned the Moulded Power Supply Cord Sets Division from losses to profits in the last two quarters of the current financial year 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 the overall cold sale in property market due to 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 2017.

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 31/12/2016 RM'000	Individual Quarter 31/12/2015 RM'000	Cumulative Quarter 31/12/2016 RM'000	Cumulative Quarter 31/12/2015 RM'000
a.	Interest income	(2)	(32)	(29)	(121)
b.	Other income including investment income	(766)	(456)	(2,452)	(3,542)
c.	Interest expense	641	1,412	2,741	3,834
d.	Depreciation and amortization	978	2,110	3,860	5,060
e.	Provision for and write off of receivables	-	524	5	690
f.	Provision for and write off of inventories	-	-	-	310
g.	(Gain)/loss on disposal of quoted or unquoted investments or properties	(28)	(4,998)	(428)	(6,455)
h.	Impairment of assets	9,534	-	9,534	-
i.	Foreign exchange gain:				
	- Realised	(287)	(213)	(290)	(1,654)
	- Unrealised	(693)	(1,509)	(2,533)	(3,686)
	Foreign exchange loss:				
	- Realised	491	1,754	1,951	2,193
	- Unrealised	(887)	412	131	862
j.	Gain or loss on derivatives	-	-	-	-
k.	Exceptional items				
	- Fair value of ESOS granted	2,097	-	2,097	-

6. Taxation

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

		Individual Quarter 31/12/2016 RM'000	Individual Quarter 31/12/2015 RM'000	Cumulative Quarter 31/12/2016 RM'000	Cumulative Quarter 31/12/2015 RM'000
i.	**Current tax expense**				
	- Malaysian	-	-	-	-
	- Overseas	-	-	-	-
		-	-	-	-
ii.	**Over/(under) provision in prior year:**				
	- Malaysian	-	6	-	8
	- Overseas	-	16	-	-
		-	22	-	8

6. Taxation (continued)

		Individual Quarter		Cumulative Quarter	
		31/12/2016	**31/12/2015**	**31/12/2016**	**31/12/2015**
		RM'000	**RM'000**	**RM'000**	**RM'000**
iii.	**Deferred tax expense:**				
	- Malaysian	(78)	62	(78)	111
	- Overseas	-	(17)	-	-
		(78)	45	(78)	-
	Total	(78)	67	(78)	119

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 year.

8. Group Borrowings and Debt Securities

		As At 31/12/2016 RM'000	**As At 31/12/2015 RM'000**
i.	**Short Term Borrowings**		
	Secured		
	- Hire purchase and finance lease liabilities	52	15
	- Term loans	7,726	7,322
		7,778	**7,337**
ii.	**Long Term Borrowings**		
	Secured		
	- Hire purchase and finance lease liabilities	257	22
	- Term loans	18,627	25,326
		18,884	**25,348**

Breakdown of borrowings in foreign denominated debts included above is:

		As At 31/12/2016 USD'000	**As At 31/12/2015 USD'000**
iii.	**Secured**		
	- Term loan	4,893	6,560
		4,893	**6,560**

9. Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off balance sheet risk as at 17 February 2017, 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 17 February 2017, being the latest practicable date.

12. Dividends

No dividend has been declared for the current quarter and financial year ended 31 December 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 Memorandum and Understanding announced

On 10 August 2016 the Company announced that it had entered into a Memorandum and Understanding ("MOU") with SM Duty Free Co. Ltd to negotiate on services for business know-how, products and information technology for proposed opening of duty free outlets in Malaysia.

The MOU remains status quo as at the latest practicable date of this report.

15. Status of Utilization of Proceeds Raised from the Private Placement of ordinary shares

The proposed and actual utilization of RM4,990,227 proceeds raised from the Private Placement of which 90,731,400 new ordinary shares of RM0.05 each ("Placement Shares") were issued at an issue price of RM0.055 each, which was completed on 6 December 2016 are as follows:

Purpose	Proposed utilization RM'000	Actual utilization as at 17 Feb 2017 RM'000	Balance RM'000	Estimated timeframe for utilization from listing of Rights Issue Shares
Working capital	4,881	(4,759)	122	Within 12 months
Expenses related to the Private Placement	110	(232)	(122)	Within 1 month
TOTAL	**4,991**	**(4,991)**	**-**	

16. Loss per share

Basic

	Individual Quarter		Cumulative Quarter	
	31/12/2016	**31/12/2015**	**31/12/2016**	**31/12/2015**
Loss attributable to shareholders (RM'000)	(6,957)	(4,462)	(13,468)	(16,252)
Weighted average number of ordinary shares ('000) – basic	856,412	598,458	856,412	598,458
Basic (sen)	**(0.81)**	**(0.74)**	**(1.57)**	**(2.72)**

16. Loss per share (continued)

Diluted

	Individual Quarter		Cumulative Quarter	
	31/12/2016	**31/12/2015**	**31/12/2016**	**31/12/2015**
Loss attributable to shareholders (RM'000)	(6,957)	(4,462)	(13,468)	(16,252)
Add				
Notional interest savings due to repayment of bank borrowings (RM'000)	490	475	1,293	1,425
Adjusted loss attributable to shareholders (RM'000)	(6,367)	(3,987)	(12,175)	(14,827)
Weighted average number of ordinary shares ('000) – basic	856,412	598,458	856,412	598,458
Add				
Assuming full conversion of Warrants and ESOS ('000)	283,940	16,453	283,940	16,453
Weighted average number of ordinary shares ('000) – diluted	1,140,352	614,911	1,140,352	614,911
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 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 and ESOS into new ordinary shares.

There was no dilution in loss per share during the current quarter and financial year ended 31 December 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 year ended 31 December 2016.

By Order of the Board

Coral Hong Kim Heong
(MAICSA 7019696)
Company Secretary

Date: 24 February 2017