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

NOTES TO FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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 2016.

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 2016 except for the adoption of the following standards which are applicable to its financial statements effective from 1 January 2017:

Amendments to MFRS 107	:	Statement of Cash Flows – *Disclosure initiative*
Amendments to MFRS 112	:	Income Taxes – *Recognition of deferred Tax Assets for Unrealised Losses*
Amendments to MFRS 12	:	Disclosure of interests in Other Entities
Annual Improvements to MFRSs 2014 – 2016 Cycle		

The adoption of the above pronouncements did not have any impact on the financial statements of the Group, except for the Amendments to MFRS 107 Statement of Cash Flows – *Disclosure Initiative*.

These amendments to MFRS 107 Statement of Cash Flows require the entity to disclose a reconciliation between the opening and closing balances for liabilities arising from financing activities, including both changes arising from cash flows and non-cash flow changes. The adoption of these amendments affects only the disclosure notes to the financial statements and has no financial impact on the Group's financial statements.

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 1	:	First-time Adoption of Malaysia Financial Reporting Standards	01 January 2018
Annual Improvements to MFRSs 2014 – 2016 Cycles			
Amendments to MFRS 2	:	Share-based payment – *Classification and Measurement of Share-based Payment transactions*	01 January 2018
Amendments to MFRS 4	:	Insurance Contracts – *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract*	01 January 2018
Amendments to MFRS 140	:	Investment property – *Transfers of investment property*	01 January 2018
Amendments to MFRS 128		Investment in Associates and Joint Ventures	01 January 2018
Annual Improvements to MFRSs 2014 – 2016 Cycles			
IC Interpretations 22 Foreign Currency Transactions and Advanced Consideration			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 – *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 2016.

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

There were no issuances, repayment and repurchases of debt and securities during the current quarter.

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 31 March 2017 are given as follows:

Analysis of Business Segment	**Segment Revenue RM'000**	**Profit/(Loss) Before Tax For The Period RM'000**
Investments	71	(1,540)
Moulded power supply cord sets	32,781	598
Tin mining	226	(335)
Wire and cable	13	(317)
Travel services	903	(96)
	33,994	(1,690)
Inter-segment elimination	(69)	(142)
	33,925	**(1,832)**

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 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 period to date

For the current financial period, the Group recorded revenue of RM33.93 million and loss before taxation of RM1.83 million as compared to its preceding year's corresponding period revenue of RM32.31 million and loss before taxation of RM6.09 million.

The higher revenue recorded in the current financial period was mainly due to favourable currency conversion effect from USD to RM despite the 0.7% lower actual sales recorded in USD for the Moulded Power Supply Cord Sets Division in Indonesia as compared to the preceding year's corresponding period. The higher revenue in the current financial period was also due to revenue generated by the Tin Mining Division as there were no revenue recorded in the preceding year's corresponding period.

The lower loss before taxation recorded in the current financial period was mainly due to the improved production efficiencies after the implementation of semi-automated production cycle and replacement of old machineries in stages in the Moulded Power Supply Cord Sets Division. The reduction in tin mining and its related activities at the mining site has also reduced the loss before taxation for the current financial period.

The Group's Moulded Power Supply Cord Sets Division recorded operating revenue of RM32.78 million and profit before taxation of RM0.60 million for the current financial period ended 31 March 2017 as compared to its preceding year's corresponding period operating revenue of RM30.19 million and loss before taxation of RM2.41 million. The higher revenue recorded in the current financial period were mainly due to favourable currency conversion effect from USD to RM. The turnaround from loss to profit despite a 0.7% drop in operating revenue in terms of USD was due to improved production efficiencies after the implementation of semi-automated production cycles and replacement of old machineries in stages.

The Group's Tin Mining Division recorded an operating revenue of RM0.23 million from the sale of tin concentrates inventories brought forward from previous financial year and incurred a loss before taxation of RM0.34 million for the current financial period ended 31 March 2017 as compared to its preceding year's corresponding period with no operating revenue and loss before taxation of RM1.18 million. The lower loss before taxation for the current financial period is mainly due to reduced tin mining and its related activities at the mining site.

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

The Group's Travel Services Division recorded operating revenue of RM0.90 million and a loss before taxation of RM0.10 million for the financial period ended 31 March 2017 as compared to its preceding year's corresponding period operating revenue of RM0.77 million and loss before taxation of RM0.11 million. The higher revenue and lower loss before taxation was due to the introduction of new travel packages and cruise tours by the Travel Services Division.

At Company level, the Company recorded a loss before taxation of RM1.37 million for the current financial period ended 31 March 2017 as compared to a loss of RM1.44 million in the preceding year's corresponding period. The higher loss before taxation in the preceding year's corresponding period was mainly due to expenses incurred related to corporate exercise.

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 March 2017 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 RM33.93 million and RM1.83 million respectively as compared to the preceding quarter's operating revenue and loss before taxation of RM33.86 million and RM11.84 million respectively.

Overall, the revenue of the Group remained constant and incurred a lower loss before taxation in the current quarter. The higher loss before taxation in the immediate preceding quarter is mainly due to the impairment on 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, improved the employment rate and led to higher consumer spending. All these factors may have a favourable effect to the sale of moulded power supply cord sets as the sales in US accounts for 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 working capital requirement.

3. Commentary on Prospects (continued)

To counter these unfavourable conditions, the Moulded Power Supply Cord Sets Division will continue to focus on lean manufacturing process for operational productivity, improve efficiencies and product quality to attract more customers.

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		Cumulative Quarter	
		31/03/2017 RM'000	31/03/2016 RM'000	31/03/2017 RM'000	31/03/2016 RM'000
a.	Interest income	(9)	(56)	(9)	(56)
b.	Other income including investment income	(578)	(750)	(578)	(750)
c.	Interest expense	530	816	530	816
d.	Depreciation and amortization	1,118	1,068	1,118	1,068
e.	Provision for and write off of receivables	-	5	-	5
f.	Provision for and write off of inventories	-	-	-	-
g.	(Gain)/loss on disposal of quoted or unquoted investments or properties	-	-	-	-
h.	Impairment of assets	-	-	-	-
i.	Foreign exchange gain:				
	- Realised	(2)	(283)	(2)	(283)
	- Unrealised	(126)	(1,453)	(126)	(1,453)
	Foreign exchange loss:				
	- Realised	46	78	46	78
	- Unrealised	388	2,389	388	2,389
j.	Gain or loss on derivatives	-	-	-	-
k.	Exceptional items	-	-	-	-

6. Taxation

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

		Individual Quarter		Cumulative Quarter	
		31/03/2017	**31/03/2016**	**31/03/2017**	**31/03/2016**
		RM'000	**RM'000**	**RM'000**	**RM'000**
i.	**Current tax expense**				
	- Malaysian	-	-	-	-
	- Overseas	-	-	-	-
		-	-	-	-
ii.	**Over/(under) provision in prior year:**				
	- Malaysian	-	-	-	-
	- Overseas	-	-	-	-
		-	-	-	-
iii.	**Deferred tax expense:**				
	- Malaysian	-	-	-	-
	- Overseas	-	-	-	-
		-	-	-	-
	Total	-	-	-	-

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 31/03/2017 RM'000	As At 31/12/2016 RM'000
i.	**Short Term Borrowings**		
	Secured		
	- Hire purchase and finance lease liabilities	53	55
	- Term loans	7,621	7,654
		7,674	**7,709**
ii.	**Long Term Borrowings**		
	Secured		
	- Hire purchase and finance lease liabilities	243	255
	- Term loans	16,532	18,700
		16,775	**18,955**

8. Group Borrowings and Debt Securities (continued)

Breakdown of borrowings in foreign denominated debts included above is:

		As At 31/03/2017 USD'000	As At 31/12/2016 USD'000
iii.	**Secured**		
	- Term loan	4,477	4,893
		4,477	**4,893**

9. Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off balance sheet risk as at 23 May 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 2016.

11. Material Litigation

There is no material litigation for the Group as at 23 May 2017, being the latest practicable date.

12. Dividends

No dividend has been declared for the current quarter and financial period ended 31 March 2017.

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.

13. Quarterly Updates on Tin Mining Activities (continued)

The report also recommended HWG Tin Mining to undertake a deep drilling plan to determine the essential features such as the possibility of the ore body continuance, origin and type of the deposit and economic feasibility.

HWG Tin Mining has yet to engage the drilling contractor to do the exploration drilling works as at the latest practicable date of this report.

Currently mining activities on site had reduced. The Tin Mining Division planned to carry out drilling works on certain 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. Loss per share

Basic

	Individual Quarter		**Cumulative Quarter**	
	31/03/2017	**31/03/2016**	**31/03/2017**	**31/03/2016**
Loss attributable to shareholders (RM'000)	(1,661)	(5,502)	(1,661)	(5,502)
Weighted average number of ordinary shares ('000) – basic	998,046	661,706	998,046	661,706
Basic (sen)	**(0.17)**	**(0.83)**	**(0.17)**	**(0.83)**

15. Loss per share (continued)

Diluted

	Individual Quarter		Cumulative Quarter	
	31/03/2017	**31/03/2016**	**31/03/2017**	**31/03/2016**
Loss attributable to shareholders (RM'000)	(1,661)	(5,502)	(1,661)	(5,502)
Add				
Notional interest savings due to repayment of bank borrowings (RM'000)	475	213	475	213
Adjusted loss attributable to shareholders (RM'000)	(1,186)	(5,289)	(1,186)	(5,289)
Weighted average number of ordinary shares ('000) – basic	998,046	661,706	998,046	661,706
Add				
Assuming full conversion of Warrants and ESOS ('000)	282,741	257,849	282,741	257,849
Weighted average number of ordinary shares ('000) – diluted	1,280,787	919,555	1,280,787	919,555
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 period ended 31 March 2017. 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 31 March 2017.

By Order of the Board

Coral Hong Kim Heong
(MAICSA 7019696)
Company Secretary

Date: 30 May 2017