



HO WAH GENTING BERHAD

Company No: 272923-H

(Incorporated In Malaysia)

**NOTES TO FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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:

PART A (continued)

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 – <i>Classification and Measurement of Share-based Payment transactions</i>	01 January 2018
Amendments to MFRS 4 : Insurance Contracts – <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract</i>	01 January 2018
Amendments to MFRS 140 : Investment property – <i>Transfers of investment property</i>	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 3 : Business Combination	01 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycles	
Amendments to MFRS 9 : Prepayment Features with Negative Compensation	01 January 2019
Amendments to MFRS 11 : Joint Arrangements	01 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycles	
Amendments to MFRS 112 : Income Taxes	01 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycles	
Amendments to MFRS 123 : Borrowing Costs	01 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycles	
Amendments to MFRS 128 : Investments in Associates and Joint Ventures – <i>Long-term interest in Associates and Joint Ventures</i>	01 January 2019
IC Interpretations 23 Uncertainty over Income Tax Treatments	01 January 2019
MFRS 17 : Insurance Contracts	01 January 2021
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.

PART A (continued)

2 Significant Accounting Policies (continued)

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 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 under review.

6. Material Change in Estimates

There were no changes in estimates that had a material effect in the results of the current quarter under review.

7. Issuance and Repayment of Debt and Equity Securities

During the financial year, a total of 200,000 employee share options (“ESOS”) had been converted into 200,000 new ordinary shares at an issue price of RM0.055 each and a total proceeds of RM11,000 was raised. These new ordinary shares were listed on BMSB on 15 June 2017.

8. Dividends Paid

No dividend was paid in the current quarter under review.

PART A (continued)

9. The Status of Corporate Proposals

On 14 November 2017, the Company through its adviser, M&A Securities Sdn Bhd (“Adviser”) announced that the Company intends to undertake the following:-

- (a) Proposed share consolidation involving the consolidation of every four (4) existing ordinary shares in HWGB into one (1) ordinary share (“Consolidated Share”) (“Proposed Share Consolidation”);
- (b) Proposed diversification of HWGB into travel retail business in view of the shareholders’ agreement dated 25 September 2017 entered into between the Company and Dufry International AG, a member of the Dufry Group to establish a joint-venture company, for the operation of a duty free and tax free shop in Genting Highlands resort, Pahang (“Proposed Diversification”); and
- (c) Proposed private placement of up to 77,597,200 new Consolidated Shares representing up to 30% of the issued shares in HWGB after the Proposed Share Consolidation. (“Placement Shares”) (“Proposed Private Placement”)

Collectively referred to as the “Proposals”.

On 21 November 2017, the Company through its Adviser announced that the listing application to BMSB in relation to the Proposed Share Consolidation and the Proposed Private Placement has been submitted on 21 November 2017.

On 26 December 2017 the Company’s Adviser announced that Bursa Securities vide its letter dated 22 December 2017 approved the following applications:

- (a) The Proposed Share Consolidation; and
- (b) The listing and quotation of up to 77,597,200 Placement Shares pursuant to the Proposed Private Placement.

The approval by Bursa Securities is subject to the following conditions:

- (i) 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 Share Consolidation and Proposed Private Placement;
- (ii) HWGB and its Adviser are to inform Bursa Securities upon the completion of the Proposed Share Consolidation and Proposed Private Placement;
- (iii) HWGB’s Adviser is to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Share Consolidation and Proposed Private Placement are completed;

PART A (continued)

9. The Status of Corporate Proposals (continued)

- (iv) HWGB is required to make the relevant announcements pursuant to Paragraph 13.20 (2) of the LR pertaining to the Proposed Share Consolidation;
- (v) HWGB or its Adviser is to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders in general meeting approving the Proposals prior to listing and quotation of the ordinary shares pursuant to the Proposed Share Consolidation and Proposed Private Placement; and
- (vi) HWGB and its Adviser are to incorporate Bursa Securities' comments in the draft circular to shareholders.

On 22 January 2018, HWGB announced that the Extraordinary General Meeting for the Proposals will be held at 9.30 am on the 14 February 2018.

On 14 February 2018, the Board of Directors of HWGB announced that the Proposals including the proposed issuance of up to 50% Placement Shares to Ho Wah Genting Holding Sdn Bhd as detailed in the Circular to shareholders dated 23 January 2018 were duly approved by the shareholders at the Extraordinary General Meeting held on the same date.

10. Segmental Reporting

Analysis of the Group's segmental revenue, results, assets and liabilities for business segments for the financial year ended 31 December 2017 are given as follow:

PART A (continued)

10. Segmental Reporting (continued)

	Investment RM' 000	Moulded Power Supply Cord sets RM' 000	Wires And Cables RM' 000	Mining RM' 000	Travelling services RM' 000	Total RM' 000	Elimination RM' 000	Group RM' 000
Current year's 12 months' period ended 31 December 2017								
Segmental revenue by strategic/functional division units								
External revenue	147	151,691	146	400	4,181	156,565		156,565
Inter-segment revenue	152	120	-	-	60	332	(332)	-
	299	151,811	146	400	4,241	156,897		156,565
Segmental revenue by geographical location								
Malaysia	299	120	146	400	4,241	5,206	(332)	4,874
Asia	-	8,589	-	-	-	8,589		8,589
North America	-	143,102	-	-	-	143,102		143,102
	299	151,811	146	400	4,241	156,897		156,565
Results								
Operating profit/(loss)	(39,560)	6,913	(1,463)	(18,174)	(328)	(52,612)	31,852	(20,760)
Profit/(Loss) before interest and tax	(39,560)	6,913	(1,463)	(18,174)	(328)	(52,612)	31,852	(20,760)
Profit/(Loss) before tax	(39,923)	5,300	(1,668)	(18,176)	(328)	(54,795)	31,852	(22,943)
Profit/(Loss) after tax	(39,813)	8,318	(1,668)	(18,176)	(328)	(51,667)	31,852	(19,815)
Non controlling interest	8	-	-	8,906	2	8,916		8,916
Profit/(Loss) attributable to ordinary equity holders of parent	(39,805)	8,318	(1,668)	(9,270)	(326)	(42,751)	31,852	(10,899)
Assets and liabilities as at 31 December 2017								
Segmental assets								
Consolidated total assets	91,847	69,815	23,768	854	1,947	188,231	(106,479)	81,752
Segmental liabilities								
Consolidated total liabilities	27,188	59,477	12,462	56,419	632	156,178	(97,075)	59,103
Segmental non current assets by geographical location								
Malaysia	81,150	-	4	651	56	81,861	(68,499)	13,362
Asia	-	23,604	-	-	-	23,604	3,053	26,657
North America	-	-	-	-	-	-		-
	81,150	23,604	4	651	56	105,465		40,019

PART A (continued)

10. Segmental Reporting (continued)

	Investment RM' 000	Moulded power supply cord sets RM' 000	Wires and cables RM' 000	Tin mining RM' 000	Travelling services RM' 000	Total RM' 000	Elimination RM' 000	Group RM' 000
Preceding year's 12 months' period ended 31 December 2016								
Segmental revenue by strategic/functional division units								
External revenue	132	137,342	2,052	1,137	7,438	148,101		148,101
Inter-segment revenue	152	1,568	-	-	49	1,769	(1,769)	-
	284	138,910	2,052	1,137	7,487	149,870		148,101
Segmental revenue by geographical location								
Malaysia	284	1,568	2,052	1,137	7,487	12,528	(1,769)	10,759
Asia	-	12,321	-	-	-	12,321		12,321
North America	-	125,021	-	-	-	125,021		125,021
	284	138,910	2,052	1,137	7,487	149,870		148,101
Results								
(Loss)/Profit from operations	(32,890)	1,729	184	(11,827)	(281)	(43,085)	26,287	(16,798)
(Loss)/Profit before interest and tax	(32,890)	1,729	184	(11,827)	(281)	(43,085)	26,287	(16,798)
Loss before tax	(32,904)	(808)	(3)	(11,830)	(281)	(45,826)	26,287	(19,539)
Loss after tax	(32,842)	(759)	(3)	(11,830)	(281)	(45,715)	26,287	(19,428)
Non controlling interest	12	-	-	5,797	2	5,811		5,811
Loss attributable to ordinary equity holders of parent	(32,830)	(759)	(3)	(6,033)	(279)	(39,904)	26,287	(13,617)
Assets and liabilities as at 31 December 2016								
Segmental assets								
Consolidated total assets	157,677	72,303	25,664	18,155	1,961	275,760	(170,807)	104,953
Segmental liabilities								
Consolidated total liabilities	53,653	66,800	12,690	55,544	318	189,005	(126,949)	62,056
Segmental non current assets by geographical location								
Malaysia	83,115	-	1	17,484	60	100,660	(70,541)	30,119
Asia	-	27,130	-	-	-	27,130	1,998	29,128
North America	-	-	-	-	-	-		-
	83,115	27,130	1	17,484	60	127,790		59,247

PART A (continued)

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 year 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

The Company had on 25 September 2017 announced that it had entered into a Shareholders Agreement with Dufry International AG (“Dufry”), a member of Dufry Group (“Dufry Group”), to incorporate a company (“JV Co”) for the operation of a duty free and tax free shop in SkyAvenue mall located at the popular tourist spot in Malaysia, Genting Highlands Resort, Pahang, Malaysia.

The said JV Co was incorporated on 27 September 2017 under the name of Dufry HWG Shopping Sdn. Bhd. (“Dufry HWG Shopping”) (Company no: 1248672-U) with Dufry and HWGB holding 51% and 49% equity respectively. Therefore, Dufry HWG Shopping is an associate of HWGB.

14. Contingent Liabilities and Contingent Assets

The Company and the Group have no material contingent liabilities and contingent assets at the end of the current quarter under review.

15. Capital Commitments

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

PART B
ADDITIONAL INFORMATION REQUIRED BY BMSB'S LISTING REQUIREMENTS

1. Group's Financial Performance Review And Segmental Analysis

Summary of Statement of Profit and Loss of the Group

	Individual Quarter (Fourth Quarter)		Changes		Cumulative Quarters (Year todate)			
	Current Year Quarter 31/12/2017 RM' mil	Preceding Year Corresponding Quarter 31/12/2016 RM' mil	RM' mil	%	Current Year todate 31/12/2017 RM' mil	Preceding Year Corresponding Period 31/12/2016 RM' mil	RM' mil	%
Revenue	41.71	33.86	7.85	23.2	156.57	148.10	8.47	5.7
Loss from operations	(18.81)	(11.20)	(7.61)	-67.9	(20.76)	(16.80)	(3.96)	-23.6
Loss before interest and taxation	(18.81)	(11.20)	(7.61)	-67.9	(20.76)	(16.80)	(3.96)	-23.6
Loss before taxation	(19.55)	(11.84)	(7.71)	-65.1	(22.94)	(19.54)	(3.40)	-17.4
Loss after taxation	(16.42)	(11.73)	(4.69)	-40.0	(19.82)	(19.43)	(0.39)	-2.0
Loss attributable to ordinary equity holders of the parent	(7.97)	(7.11)	(0.86)	-12.1	(10.90)	(13.62)	2.72	20.0

PART B - Additional Information Required By BMSB's Listing Requirements (continued)

1. Group's Financial Performance Review And Segmental Analysis (continued)

A. Overall Review of Group's Financial Performance

The higher revenue of RM156.57 million (2016: RM148.10 million) recorded in the financial year ended 31 December 2017 were mainly due to favourable currency conversion effect from USD to RM and the higher sales of USD1.53 million or 4.5% recorded in USD for the Moulded Power Supply Cord Sets Division in Indonesia as compared to the preceding year's corresponding period. The average exchange rate used in the financial year ended 31 December 2017 was RM4.3175/USD as compared to preceding year's corresponding financial year of RM4.1300/USD.

The higher losses before taxation of RM22.94 million (2016: RM19.54 million) recorded in the financial year ended 31 December 2017 was mainly due to impairment losses provided on mines properties, plant and machinery and fixtures and equipment of RM16.69 million (2016: RM9.53 million) for the Tin Mining Division. However, the higher losses before taxation was mitigated by the Moulded Power Supply Cord Sets Division's results which recorded a profit before taxation of RM5.30 million for the financial year ended 31 December 2017 (2016: loss before taxation RM0.81 million).

B. Summary of Statement of Financial Positions of the Group

	Unaudited 31/12/2017 RM' mil	Audited 31/12/2016 RM' mil	Changes RM' mil	%
Non current assets	40.02	59.25	(19.23)	-32.5
Current assets	41.73	45.71	(3.98)	-8.7
Current liabilities	(43.55)	(37.39)	6.16	16.5
Non current liabilities	(15.55)	(24.67)	(9.12)	-37.0
Equity attributable to owner of the Company	(49.43)	(60.76)	(11.33)	-18.6
Non controlling interest	26.78	17.87	8.91	49.9
Total equity	(22.65)	(42.90)	(20.25)	-47.2

Figures in bracket for unaudited 31 December 2017 and audited 31 December 2016 denotes credit balances

The decrease of RM19.23 million or 32.5% in non-current assets was mainly due to depreciation charged and impairment on property, plant and equipment as disclosed in Note 6 to the Comprehensive Income.

The decrease of RM3.98 million or 8.7% in current assets was mainly due to utilization of cash and bank balances to finance the Group's operations.

The increase of RM6.16 million or 16.5% in current liabilities was mainly due to increase in trade payable for materials purchased of RM2.73 million to cater for the higher production in current quarter under review and the increase in advance payment of RM1.64 million from customers for the sales order in the Moulded Power Supply Cord Sets Division. Also contributed to the increase in current liabilities was the increase in other payables and accruals in the Company by RM1.91 million.

PART B - Additional Information Required By BMSB's Listing Requirements (continued)

- I. Group's Financial Performance Review And Segmental Analysis (continued)***
B. Summary of Statement of Financial Positions of the Group (continued)

B. Summary of Statement of Financial Positions of the Group (continued)

The decrease of RM9.12 million or 37.0% in non-current liabilities was mainly due to reclassifications of long term borrowings into short term borrowings after repayment to financial institutions of RM7.36 million and proceeds from new term loan of RM1.60 million. The offsetting of deferred tax liabilities with the recognition of deferred tax assets also resulted in lower non-current liabilities by RM2.67 million.

The increase in non-controlling interest (“NCI”) of RM8.91 million or 49.9% was due to their share of losses in subsidiaries which are not wholly owned by the Company.

The decrease in “equity attributable to owners of the Company of RM11.33 million or 18.6% and the decrease in “total equity” of RM20.25 million or 47.2% were mainly due to the losses incurred for the financial year ended 31 December 2017.

C. Summary of Statement of Cash Flows of the Group

	Unaudited 31/12/2017 RM mil	Audited 31/12/2016 RM' mil	Changes RM' mil	%
Net cash from/(used in) operating activities	5.24	(20.04)	25.27	126.1
Net cash (used in)/from investing activities	(2.99)	0.85	(3.85)	-451.8
Net cash (used in)/from financing activities	(5.81)	21.67	(27.48)	-126.8
Net decrease in cash and cash equivalent	3.83	7.65	(3.82)	-49.9

The “net cash from operating activities” of RM5.24 million for the financial year ended 31 December 2017 was mainly due to the cash generated from operation in the Moulded Power Supply Cords Sets Division which recorded a profit from operations. The “net cash used in operating activities” in the preceding financial year was mainly due to agreed schedule payments to a major supplier of the Moulded Power Supply Cord Sets Division which was long outstanding.

The “net cash used in investing activities” of RM2.99 million for the financial year ended 31 December 2017 was mainly due to purchase of plant and equipment by the Moulded Power Supply Cord Sets Division of RM2.14 million and the subscription of 49% ordinary shares in an associate of RM0.98 million. The “net cash from investing activities” of RM0.85 million in the preceding year’s corresponding period was mainly from proceed of disposal of plant and equipment and dilution of shares in a subsidiary.

The “net cash used in financing activities” of RM5.81 million for the financial year ended 31 December 2017 was mainly due to repayment of bank borrowings of RM7.36 million and drawdown of new term loan of RM1.60 million. The “net cash from financing activities” in the preceding year were due to proceeds from issuance of new ordinary shares under the Rights Issue with Warrants and subsequent Private Placement exercise.

PART B - Additional Information Required By BMSB's Listing Requirements (continued)

1. Group's Financial Performance Review And Segmental Analysis (continued)

D. Segmental Analysis

I. Moulded Power Supply Cord Sets Division

Summary of revenue by geographical	Cumulative Quarters			
	31/12/2017 USD' 000	31/12/2016 USD' 000	Changes USD' 000 %	
Sales to external parties				
North America	33,145	30,272	2,873	9.5
Other Asia countries	1,989	2,983	(994)	-33.3
	35,134	33,254	1,879	5.7
Sales within HWGB Group				
Malaysia – Wires and Cables Division	28	380	(352)	-92.6
	35,162	33,635	1,527	4.5

Note: "Other Asian countries" refers to Indonesia, Singapore, Thailand, Vietnam, and Taiwan.

The sales to North America increased by USD2.87 million or 9.5% in the financial year ended 31 December 2017 mainly due to higher average copper rod price of USD6,300 per metric tonne (2016: USD5,100 per metric tonne) although the total consumption decrease from 2,625 metric tonne in 2016 to 2,423 metric tonne in 2017. In the financial year ended 31 December 2017, sales to other Asia countries particularly to Singapore and Thailand had dropped by approximately USD0.73 million and USD0.27 million respectively due to competitive price, longer credit terms and competitors also allowing smaller quantity supply instead of bulk purchase.

The lower sales in the Wires and Cables Division for the financial year ended 31 December 2017 were mainly due to the following:

- Local manufacturers had shorter lead time and they accept small quantity order compared to bulk purchase.
- Volatility of RM against USD discourages customers of the Wires and Cables Division to import and instead place order to local manufacturers to minimize their foreign currency exposure.

	Cumulative Quarter			
	31/12/2017 USD' 000	31/12/2016 USD' 000	Changes USD' 000 %	
Revenue	35,162	33,635	1,527	4.5
Operating profit	1,626	419	1,207	288.1
Profit before interest and tax	1,626	419	1,207	288.1
Profit/(loss) before tax	1,252	(110)	1,362	>1,000.0
Profit/(loss) after tax	1,936	(110)	2,046	>1,000.0
Profit/(loss) attributable to owners of the Company	1,936	(110)	2,046	>1,000.0

PART B - Additional Information Required By BMSB's Listing Requirements (continued)

- I. Group's Financial Performance Review And Segmental Analysis (continued)***
D. Segmental Analysis (continued)

I. Moulded Power Supply Cord Sets Division (continued)

The increase in profit before taxation of USD1.36 million was due to improved production efficiencies after the implementation of semi-automated production cycles and replacement of old machineries in stages.

II. Wires and Cables Division

The lower sales for the financial year ended 31 December 2017 of RM0.15 million (2016: RM2.05 million) were mainly due to the following tough competition from local manufacturers:

- shorter lead time for supply of goods.
- allow smaller quantity order compared to bulk purchase with longer credit term given.

The higher losses before taxation of RM1.67 million (2016: RM4,000) in the financial year ended 31 December 2017 were mainly due to lower revenue generated and foreign currency exchange loss of RM0.89 million arising from conversion of USD to RM at the end of the financial year. In the preceding financial year, the net loss before taxation of RM4,000 included a foreign exchange gain of RM0.81 million. The exchange rate as at 31 December 2017 was RM4.0475/USD as compared to RM4.4860/USD on 31 December 2016.

III. Tin Mining Division

The lower operating revenue of RM0.4 million (2016: RM1.04 million) was mainly due to reduced tin mining activities at the tin mining site due to low grade of tin ore extracted. The higher loss before taxation of RM18.18 million (2016: RM11.83 million) in the financial year ended 31 December 2017 was mainly due to impairment on “mines properties” of RM9.01 million (2016: RM5.05 million), “plant and machineries” of RM7.37 million (2016: RM4.49 million) and “furniture, fittings and equipment of RM0.31 million (2016: RM nil). The division also wrote off its obsolete consumable inventories of RM0.21 million (2016: RM nil) in the financial year ended 31 December 2017.

The Tin Mining Division produced 2 metric tons of tin concentrates from process of tailing sands during the financial year ended 31 December 2017 as compared to 21 metric tons from mining works in the preceding financial year.

PART B - Additional Information Required By BMSB's Listing Requirements (continued)

- I. Group's Financial Performance Review And Segmental Analysis (continued)***
D. Segmental Analysis (continued)

IV. Travel Services Division

Summary of revenue by products	Cumulative Quarter			
	31/12/2017 RM' 000	31/12/2016 RM' 000	Changes RM' 000	%
Sales to external parties				
Tour packages	2,125	2,462	(337)	-13.7
Cruise tour	269	3,076	(2,807)	-91.3
Hotel booking	560	222	338	152.3
Air tickets	1,143	1,477	(334)	-22.6
Other tour related services	84	200	(116)	-58.0
	<u>4,181</u>	<u>7,437</u>	<u>(3,256)</u>	<u>-43.8</u>
Sales within HWGB Group				
Air tickets	60	49	11	22.4
	<u>4,241</u>	<u>7,486</u>	<u>(3,245)</u>	<u>-43.3</u>

The lower revenue of RM4.24 million (2016: RM7.49 million) in the financial year ended 31 December 2017 was mainly due to the one-off cruise charter which contributed RM3.00 million or 40.1% revenue in the preceding financial year. The lower revenue had resulted higher loss before taxation of RM0.30 million (2016: RM0.28 million).

The high cost of living and current economic climate had also affected the consumers' spending in leisure and holiday which resulted in lower sales.

V. Investment Division

Investment Division consists of the Company and the subsidiaries which are engaged in investment holding and inactive subsidiaries.

At Company level, the Company recorded a loss before taxation RM39.08 million for the financial year ended 31 December 2017 as compared to a loss before taxation of RM33.20 million in the preceding financial year. The higher loss before taxation in the financial year ended 31 December 2017 was mainly due to the "allowance for doubtful debts arising from amount due from a subsidiary" of RM30.09 million (2016: RM24.24 million) and impairment on investment in subsidiaries of RM2.16 million (2016: RM1.83 million).

In the opinion of the Directors, other than as disclosed above, the results for the financial year ended 31 December 2017 have not been affected by any transactions or events of a material or unusual nature which have arisen from 31 December 2017 to the date of issue of this quarterly report.

PART B - Additional Information Required By BMSB's Listing Requirements (continued)

2. Comparison with Preceding Year's Corresponding Quarter's Result

(Individual 4th Quarter 2017 vs Individual 4th Quarter 2016)

Revenue for current quarter under review increased by RM7.85 million or 23.2% was mainly due to higher average exchange rate of RM4.3175/USD used as compared to RM4.1300/USD in the preceding year's corresponding quarter. The higher average copper price per metric tonne as mentioned in Segmental Analysis – Moulded Power Supply Cord Sets Division above also contributed to the higher revenue.

The Group incurred a loss before taxation of RM19.55 million in the quarter under review as compared to a loss before taxation of RM11.84 million in the preceding year's corresponding quarter mainly due to higher impairment on “mines properties” of RM9.01 million (2016: RM5.05 million), “plant and machineries” RM7.37 million (2016: RM4.49 million) and “furniture, fittings and equipment RM0.31 million (2016: RM nil) in the Tin Mining Division. The same division also wrote off its obsolete consumable inventories of RM0.21 million (2016: RM nil) in the current quarter ended 31 December 2017.

3. Comparison with Current Year Preceding Quarter's Results

(Individual 4th Quarter 2017 vs Individual 3rd Quarter 2017)

	Current Quarter 31/12/2017 RM' mil	Immediate Preceding Quarter 30/09/2017 RM' mil	Changes	
			RM' mil	%
Revenue	41.71	42.85	(1.14)	-2.7
Operating loss	(18.81)	(0.15)	(18.66)	>1,000.0
Loss before interest and tax	(18.81)	(0.15)	(18.66)	>1,000.0
Loss before tax	(19.55)	(0.58)	(18.97)	>1,000.0
Loss after tax	(16.42)	(0.58)	(15.84)	>1,000.0
Loss attributable to ordinary equity holders of the parent	(7.97)	(0.42)	(7.55)	>1,000.0

Overall, the revenue of the Group remained constant for both corresponding quarters. The higher loss before taxation in the current quarter under review was mainly due to impairment on “mines properties” of RM9.01 million, “plant and machineries” RM7.37 million and “furniture, fittings and equipment RM0.31 million in the Tin Mining Division. The same division also wrote off its obsolete consumable inventories of RM0.21 million in the current quarter ended 31 December 2017.

4. 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.

PART B - Additional Information Required By BMSB's Listing Requirements (continued)

4. Commentary on Prospects (continued)

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 high working capital requirement.

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

The Group's 49% owned travel retail business, Dufry HWG Shopping Sdn Bhd had since commence business in February 2018, the Board is hopeful that this new venture will provide additional income stream from the share of operating results after tax of the associate in future.

Barring unforeseen circumstances, the Group is targeting to achieve better operating and financial performance for the financial year ending 31 December 2018.

Meanwhile, the Board will continue to explore viable, synergistic and profitable business ventures to improve the Group's performance.

5. Profit Forecast or Profit Guarantee

The Group did not issue any profit forecast or profit guarantee for the financial year ended 31 December 2017.

PART B - Additional Information Required By BMSB's Listing Requirements (continued)

6. Notes to the Comprehensive Income Statement

Loss before taxation is derived at:

	Individual Quarter		Cumulative Quarter	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
After charging:				
Allowance for doubtful debts				
- Trade receivables	31	-	31	-
- Other receivables	-	-	-	5
Amortisation of intangible	2	2	8	8
Bad debts written off	-	-	194	-
Depreciation of property, plant and equipment	468	966	3,928	3,850
Impairment loss on plant and equipment	16,691	9,534	16,691	9,534
Plant and equipment written off	14	-	206	325
Inventories written off	207	-	207	-
Interest expense	617	641	2,067	2,741
Rental of premises	6	6	24	24
Rental of plant and equipment	2	25	56	381
Retirement benefit obligations	288	944	681	1,165
Loss on disposal of plant and equipment				
Loss on foreign exchange				
- Realised	270	486	351	1,943
- Unrealised	1,674	-	2,678	121
And crediting:				
Allowance for doubtful debts no longer required	-	-	-	238
Interest income	5	2	16	29
Gain on disposal of plant and equipment	66	28	146	428
Rental income from premises	135	268	419	132
Gain on foreign exchange				
- Realised	122	-	458	-
- Unrealised	-	1,579	1,004	2,523

PART B - Additional Information Required By BMSB's Listing Requirements (continued)

7. Taxation

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

	Individual Quarter		Cumulative Quarter	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
i. Current tax expense				
- Malaysia	-	-	-	-
- Overseas	-	-	-	-
	-	-	-	-
ii. Over/(under) provision in prior year:				
- Malaysia	-	-	-	-
- Overseas	-	-	-	-
	-	-	-	-
iii. Deferred tax expense:				
- Malaysia	110	111	110	111
- Overseas	3,018	-	3,018	-
	3,128	111	3,128	111
Total	3,128	111	3,128	111

8. 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 financial year ended 31 December 2017.

9. Investment in Associate

During the quarter under reviewed, the Company subscribed 980,000 ordinary shares representing 49% shareholding in Dufry HWG Shopping for total cash consideration of RM980,000. Thus, Dufry HWG Shopping became an associate of the Company.

The investment in associate as at 31 December 2017 is as follow:

	RM'000
(i) At cost	980
(ii) At carrying amount	864

PART B - Additional Information Required By BMSB's Listing Requirements (continued)

10. Group Borrowings and Debt Securities

	As at fourth quarter ended 31 December 2017					
	Long term		Short term		Total borrowing	
	Denomination		Denomination		Denomination	
	USD' 000	RM' 000	USD' 000	RM' 000	USD' 000	RM' 000
Secured						
Term loan 1*	1,560	6,314	1,667	6,746	3,227	13,060
Term loan 2	-	4,051	-	184	-	4,235
Term loan 3	-	1,600	-	-	-	1,600
	1,560	11,965	1,667	6,930	3,227	18,895
Hire purchase and finance lease liabilities	-	210	-	45	-	255
	1,560	12,175	1,667	6,975	3,227	19,150

* USD1.0000 is equivalent to RM4.0475

Term loan 3 is for a period of 84 months. It bears a fixed interest rate of 12.00% per annum for the first 24 months and 6.50% above local financial institution's Base Rate of 3.00% per annum for subsequent months.

	As at fourth quarter ended 31 December 2016					
	Long term		Short term		Total borrowing	
	Denomination		Denomination		Denomination	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
Secured						
Term loan 1*	3,226	14,472	1,667	7,478	4,893	21,950
Term loan 2	-	4,228	-	176	-	4,404
	3,226	18,700	1,667	7,654	4,893	26,354
Hire purchase and finance lease liabilities	-	255	-	55	-	310
	3,226	18,955	1,667	7,709	4,893	26,664

* USD1.0000 is equivalent to RM4.4860

11. Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off balance sheet risk as at 20 February 2018, being the latest practicable date.

12. 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.

13. Material Litigation

There is no material litigation for the Group as at 20 February 2018, being the latest practicable date.

PART B - Additional Information Required By BMSB's Listing Requirements (continued)

14. Dividends

No dividend has been declared for the current quarter under review and financial year ended 31 December 2017.

15. 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. The Tin Mining Division planned to carry out drilling works on certain identified locations to verify the tin ore.

16. 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.

PART B - Additional Information Required By BMSB's Listing Requirements (continued)

17. Loss per share

Basic

	Individual Quarter		Cumulative Quarter	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Loss attributable to shareholders (RM'000)	(7,968)	(7,106)	(10,899)	(13,617)
Weighted average number of ordinary shares ('000) – basic	998,163	928,862	998,163	928,862
Basic (sen)	<u>(0.80)</u>	<u>(0.77)</u>	<u>(1.09)</u>	<u>(1.47)</u>

Diluted

	Individual Quarter		Cumulative Quarter	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Loss attributable to shareholders (RM'000)	(7,968)	(7,106)	(10,899)	(13,617)
<u>Add</u>				
Notional interest savings due to repayment of bank borrowings (RM'000)	<u>364</u>	<u>490</u>	<u>1,703</u>	<u>1,293</u>
Adjusted loss attributable to shareholders (RM'000)	<u>(7,604)</u>	<u>(6,616)</u>	<u>(9,196)</u>	<u>(12,324)</u>
Weighted average number of ordinary shares ('000) – basic	998,163	928,862	998,163	928,862
<u>Add</u>				
Assuming full conversion of Warrants and ESOS ('000)	<u>281,310</u>	<u>283,940</u>	<u>281,310</u>	<u>283,940</u>
Weighted average number of ordinary shares ('000) – diluted	<u>1,279,473</u>	<u>1,212,802</u>	<u>1,279,473</u>	<u>1,212,802</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 year, 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.



PART B - Additional Information Required By BMSB's Listing Requirements (continued)

17. Loss per share (continued)

There was no dilution in loss per share during the current quarter under review and financial year ended 31 December 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 year ended 31 December 2017.

By Order of the Board

Coral Hong Kim Heong
(MAICSA 7019696)
Company Secretary

Date: 27 February 2018