



HO WAH GENTING BERHAD

Company No: 272923-H

(Incorporated In Malaysia)

**NOTES TO FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

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 2017.

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 2017 except for the adoption of the following standards which are applicable to its financial statements effective from 1 January 2018:

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

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:



PART A (continued)

2 Significant Accounting Policies (continued)

	Effective for financial periods beginning on or after
MFRS 16 : Leases	01 January 2019
Amendments to : Business Combination	
MFRS 3	01 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycles	
Amendments to : Prepayment Features with Negative	
MFRS 9 Compensation	01 January 2019
Amendments to : Joint Arrangements	
MFRS 11	01 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycles	
Amendments to : Income Taxes	
MFRS 112	01 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycles	
Amendments to : Employee Benefits – <i>Plan Amendment,</i>	
MFRS 119 <i>Curtailment or Settlement</i>	
Annual Improvements to MFRSs 2015 – 2017 Cycles	
Amendments to : Borrowing Costs	
MFRS 123	01 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycles	
Amendments to : Investments in Associates and Joint	
MFRS 128 Ventures – <i>Long-term interest in</i>	
<i>Associates and Joint Ventures</i>	01 January 2019
IC Interpretations 23: Uncertainty over Income Tax	
Treatments	01 January 2019
Amendments : Share-based Payment	
to MFRS 2	01 January 2020
Amendments : Business Combinations	
to MFRS 3	01 January 2020
Amendments : Exploration for and Evaluation of	
to MFRS 6 Mineral Resources	01 January 2020
Amendments : Regulatory Deferral Accounts	
to MFRS 14	01 January 2020
Amendments : Presentation of Financial Statements	
to MFRS 101	01 January 2020
Amendments : Accounting Policies, Changes in	
to MFRS 108 Accounting Estimates and Errors	01 January 2020
Amendments : Interim Financial Reporting	
to MFRS 134	01 January 2020
Amendments : Provisions, Contingent Liabilities and	
to MFRS 137 Contingent Assets	01 January 2020
Amendments : Intangible Assets	
to MFRS 138	01 January 2020



PART A (continued)

2 Significant Accounting Policies (continued)

	Effective for financial periods beginning on or after
Amendments to IC Interpretation 12: Service Concession Arrangements	01 January 2020
Amendments to IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments	01 January 2020
Amendments to IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine	01 January 2020
Amendments to IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	01 January 2020
Amendments to IC Interpretation 132: Web Site Costs	01 January 2020
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.

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any impact 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 2017.

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 customers' demand in anticipation of the festive seasons towards year end and then demand would slowly decline in the fourth quarter until 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.



PART A (continued)

6. Material Change in Estimates

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

7. Issuance and Repayment of Debt and Equity Securities

During the financial period, the Company made the following issuance of share capital:

(a) Exercise of Employee Share Options Scheme (“ESOS”)

- (i) A total of 559,893 ESOS was converted into 559,893 new ordinary shares (post consolidation: 139,973) at the issue price of RM0.055 each and a total proceeds of RM30,794.12 was raised. These new ordinary shares were listed on BMSB on 26 January 2018.
- (ii) In consequences to the aforesaid exercise of ESOS, RM29,282.40 was transferred out from the ESOS reserve account to share capital.

(b) Private Placement of shares

Upon the completion of the Company’s Proposed Shares Consolidation Exercise on 7 March 2018, the Company undertook a private placement of up to 77,597,200 new consolidated shares representing up to 30% of the issued shares of the Company. On 27 March 2018, the Company issued 74,910,400 new ordinary shares at an issue price of RM0.18 per share. A total of RM13,483,872.00 was raised from the private placement of shares and these shares were listed on BMSB on 29 March 2018.

8. Dividends Paid

No dividend was paid in the current quarter under review.

9. The Status of Corporate Proposals

There was no corporate proposal announced during the current quarter under review.

10. Segmental Reporting

Analysis of the Group’s segmental revenue, results, assets and liabilities for business segments for the financial period ended 30 June 2018 are as follow:



Ho Wah Genting Berhad (Company No: 272923-H)

[Notes to Quarterly Financial Report – continued]

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 6 months period ended 30 June 2018								
Segmental revenue by strategic/functional division units								
External revenue	111	74,728	63	-	2,255	77,157	-	77,157
Inter-segment revenue	65	56	-	-	16	137	(137)	-
	176	74,784	63	-	2,271	77,294	(137)	77,157
Segmental revenue by regions								
Malaysia	176	56	63	-	2,271	2,566	(137)	2,429
The rest of Asia	-	4,757	-	-	-	4,757	-	4,757
North America	-	69,971	-	-	-	69,971	-	69,971
	176	74,784	63	-	2271	77,294	(137)	77,157
Results								
Operating profit/(loss)	(4,283)	3,637	(177)	(630)	(57)	(1,510)	780	(730)
Profit/(Loss) before interest and tax	(4,283)	3,637	(177)	(630)	(57)	(1,510)	780	(730)
Profit/(Loss) before tax	(5,254)	3,132	(279)	(631)	(57)	(3,089)	780	(2,309)
Profit/(Loss) after tax	(5,254)	2,931	(279)	(631)	(57)	(3,290)	780	(2,510)
Non controlling interest	3	-	-	286	-	289	-	289
Profit/(Loss) attributable to owners of the Company	(5,251)	2,931	(279)	(345)	(57)	(3,001)	780	(2,221)
Assets and liabilities as at 30 June 2018								
Segmental assets								
Consolidated total assets	97,683	71,953	23,036	762	3,954	197,388	(107,209)	90,179
Segmental liabilities								
Consolidated total liabilities	24,116	58,557	12,009	56,959	2,695	154,336	(96,667)	57,669
Segmental non current assets by regions								
Malaysia	81,173	-	4	646	52	81,875	(69,364)	12,511
The rest of Asia	-	23,732	-	-	-	23,732	1,626	25,358
North America	-	-	-	-	-	-	-	-
	81,173	23,732	4	646	52	105,607		37,869



Ho Wah Genting Berhad (Company No: 272923-H)

[Notes to Quarterly Financial Report – continued]

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 6 months period ended 30 June 2017								
Segmental revenue by strategic/functional division units								
External revenue	66	69,763	53	345	1,776	72,003	-	72,003
Inter-segment revenue	76	44	-	-	26	146	(146)	-
	142	69,807	53	345	1,802	72,149	(146)	72,003
Segmental revenue by regions								
Malaysia	142	44	53	345	1,802	2,386	(146)	2,240
The rest of Asia	-	5,317	-	-	-	5,317	-	5,317
North America	-	64,446	-	-	-	64,446	-	64,446
	142	69,807	53	345	1,802	72,149	(146)	72,003
Results								
Profit/(Loss) from operations	(3,243)	3,176	(675)	(604)	(204)	(1,550)	(252)	(1,802)
Profit/(Loss) before interest and tax	(3,243)	3,176	(675)	(604)	(204)	(1,550)	(252)	(1,802)
Profit/(Loss) before tax	(3,251)	2,275	(777)	(605)	(204)	(2,562)	(252)	(2,814)
Profit/(Loss) after tax	(3,251)	2,275	(777)	(605)	(204)	(2,562)	(252)	(2,814)
Non controlling interest	6	-	-	296	2	304	-	304
Profit/(Loss) attributable to owners of the Company	(3,245)	2,275	(777)	(309)	(202)	(2,258)	(252)	(2,510)
Assets and liabilities as at 31 December 2017								
Segmental assets								
Consolidated total assets	91,731	72,288	23,768	854	1,963	190,604	(107,428)	83,176
Segmental liabilities								
Consolidated total liabilities	56,063	60,403	12,462	56,418	511	185,857	(124,352)	61,505
Segmental non current assets by regions								
Malaysia	80,170	-	4	650	56	80,880	(68,383)	12,497
The rest of Asia	-	23,604	-	-	-	23,604	1,702	25,306
North America	-	-	-	-	-	-	-	-
	80,170	23,604	4	650	56	104,484	(66,681)	37,803



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

There were no changes in the composition of the Group for the current quarter.

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 (Second Quarter)		Changes		Cumulative Quarters (Year todate)		Changes	
	Current Year Quarter 30/06/2018 RM’000	Preceding Year Corresponding Quarter 30/06/2017 RM’000	RM’000	%	Current Year to-date 30/06/2018 RM’000	Preceding Year Corresponding Period 30/06/2017 RM’000	RM’000	%
Revenue	37,454	38,078	(624)	-1.6	77,157	72,003	5,154	7.2
Profit/(Loss) from operations	1,680	(500)	2,180	436.0	(730)	(1,802)	1,072	5.9
Profit/(Loss) before interest and taxation	1,680	(500)	2,180	436.0	(730)	(1,802)	1,072	5.9
Profit/(Loss) before taxation	614	(982)	1,596	162.5	(2,309)	(2,814)	505	17.9
Profit/(Loss) after taxation	413	(982)	1,395	142.1	(2,510)	(2,814)	304	10.8
Profit/(Loss) attributable to owners of the Company	562	(849)	1,411	166.2	(2,221)	(2,510)	289	11.5



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 RM77.16 million (2017: RM72.00 million) recorded for the financial period ended 30 June 2018 was contributed by higher sales of USD3.14 million from the Moulded Power Supply Cord Sets Division in Indonesia. However, the increase in RM revenue as compared to the preceding year's corresponding period was lower due to the appreciation of RM against the USD. The average exchange rate used in the financial period ended 30 June 2018 was RM3.9376/USD as compared to preceding year's corresponding financial period of RM4.4034/USD.

The lower loss before taxation of RM2.31 million (2017: RM2.81 million) recorded in the financial period ended 30 June 2018 were mainly due to higher profit in the Moulded Power Supply Cord Sets Division of RM3.13 million (2017: RM2.28 million) and lower loss in the Travelling Services Division of RM0.06 million (2017: RM0.20 million). However, the overall improvement were lower after equity accounting the share of loss of an associate of RM0.86 million (2017: RM nil).

B. Summary of Statement of Financial Positions of the Group

	Unaudited 30/06/2018 RM'000	Audited 31/12/2017 RM'000	Changes RM'000	%
Non current assets	40,638	41,436	(798)	-1.9
Current assets	49,541	41,740	7,801	18.7
Current liabilities	(42,049)	(43,468)	1,419	3.3
Non current liabilities	(15,620)	(18,037)	2,417	13.4
Equity attributable to owner of the Company	(59,579)	(48,451)	11,128	23.0
Non controlling interest	27,069	26,780	289	1.1
Total equity	(32,510)	(21,671)	10,839	50.0

Figures in bracket denotes credit balances

The decrease of RM0.80 million or 1.9% in non-current assets was mainly due to the reduction in carrying amount of RM0.86 million in investment in an associate after equity accounting the share of loss in the associate for current financial period. Also contributed to the changes in non-current assets were depreciation charged on property, plant and equipment of RM1.66 million as disclosed in Note 6 to the Comprehensive Income Statement and the acquisition of plant and equipment of RM1.78 million.

The increase of RM7.80 million or 18.7% in current assets were mainly due to increase in inventories of RM2.32 million to cater for higher sales in the third quarter, advances to an associate of RM4.03 million, increase in cash and cash equivalent of RM2.24 million from the private placement exercise completed in the first quarter and the reduction of trade receivables of RM1.16 million.

The decrease of RM1.42 million or 3.3% in current liabilities were mainly due to net drawdown of trade financing of RM5.80 million and payment of trade and other payables of RM7.39 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)

The decrease of RM2.42 million or 13.4% in non-current liabilities were mainly due to reclassifications of long term borrowings into short term borrowings after scheduled repayment to financial institutions of RM2.99 million, additional provision for retirement benefit obligations of RM0.26 million and drawdown of a new hire purchase and finance lease facility of RM0.39 million.

The increase in non-controlling interest (“NCI”) of RM0.29 million or 1.1% was due to their share of losses in subsidiaries which are not wholly owned by the Company.

The increase in “equity attributable to owner of the Company of RM11.13 million or 23.0% and the increase in “total equity” of RM10.84 million or 50.0% were mainly due to the increase of share capital pursuant to private placement of shares of RM13.48 million and total comprehensive loss incurred of RM2.46 million for the financial period ended 30 June 2018.

C. Summary of Statement of Cash Flows of the Group

	Unaudited 30/06/2018 RM'000	Unaudited 30/06/2017 RM'000	Changes	
			RM'000	%
Net cash used in operating activities	(8,573)	(1,096)	(7,477)	-682.2
Net cash used in investing activities	(5,746)	(1,448)	(4,298)	-296.8
Net cash from/(used in) financing activities	16,554	(3,758)	20,312	540.5
Exchange differences	5	(58)	63	108.6
Net increase/(decrease) in cash and cash equivalent	<u>2,240</u>	<u>(6,360)</u>	8,600	135.2

The “net cash used in operating activities” increased from RM1.10 million to RM8.57 million despite the lower loss before taxation of RM2.31 million (2017: RM2.81 million) were mainly due to decrease in trade and other payables and increase in inventories level to cater for higher production demand in the third quarter of 2018.

The “net cash used in investing activities” of RM5.75 million were mainly due to cash advanced to an associate of RM4.03 million and purchase of plant and equipment of RM1.79 million.

The “net cash from financing activities” of RM16.55 million for the financial period ended 30 June 2018 were mainly derived from private placement proceeds of RM13.48 million, proceeds from trade financing of RM8.83 million and repayment of trade financing and bank borrowings of RM3.03 million and RM2.94 million respectively.



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 regions	Cumulative Quarters			
	30/06/2018 USD' 000	30/06/2017 USD' 000	Changes USD' 000	%
Sales to external parties				
North America	17,770	14,636	3,134	21.4
The rest of Asia	1,208	1,207	1	0.1
	<u>18,978</u>	<u>15,843</u>	<u>3,135</u>	<u>19.8</u>
Sales within HWGB Group				
Malaysia – Wires and Cables Division	14	10	4	40.0
	<u>18,992</u>	<u>15,853</u>	<u>3,139</u>	<u>19.8</u>

Note: “The rest of Asia” refers to Indonesia, Singapore, Thailand, Vietnam and Taiwan.

The sales to North America increased by USD3.13 million or 21.4% for the financial period ended 30 June 2018 were due to higher average copper rod price of USD7,235 per metric tonne (2017: USD6,017 per metric tonne) and higher total consumption of copper rods of 1,172 metric tonne in 2018 as compared to 1,118 metric tonne in 2017. The sales to “the rest of Asia” countries remained constant as compared to the preceding year’s corresponding period.

The low sales in the Wires and Cables Division for both financial periods ended 30 June 2018 and 30 June 2017 were mainly due to the following:

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

	Cumulative Quarter			
	30/06/2018 USD' 000	30/06/2017 USD' 000	Changes USD' 000	%
Revenue	18,992	15,853	3,139	19.8
Operating profit	943	721	222	30.8
Profit before interest and tax	943	721	222	30.8
Profit before tax	815	517	298	57.6
Profit after tax	764	517	247	47.8
Profit attributable to owner of the Company	764	517	247	47.8

The higher profit before taxation of USD0.82 million (2017: USD0.52 million) for the financial period ended 30 June 2018 was due to higher revenue generated for the period under review.



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)

II. Wires and Cables Division

The low sales of RM0.06 million and RM0.05 million for both financial periods ended 30 June 2018 and 30 June 2017 respectively 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 import and with longer credit term given.

The lower loss before taxation of RM0.28 million (2017: RM0.78 million) for the financial period ended 30 June 2018 were mainly due to lower net unrealized foreign currency exchange loss of RM0.03 million (2017: RM0.41 million) arising from conversion of USD to RM at the end of the financial period. The exchange rate as at 30 June 2018 was RM4.0375/USD as compared to RM4.2940/USD on 30 June 2017.

III. Tin Mining Division

The Tin Mining Division has temporary halted its mining activities at the tin mining site due to low grade of tin ore. Accordingly, no operating revenue was recorded for the financial period ended 30 June 2018 (2017: RM0.34 million). The loss before taxation of RM0.54 million (2017: RM0.54 million) were maintenance and repair costs incurred on plant and machineries and also rehabilitation costs at the tin mining site.

IV. Travel Services Division

Summary of revenue by products	Cumulative Quarter			
	30/06/2018 RM' 000	30/06/2017 RM' 000	Changes RM' 000	%
Sales to external parties				
Tour packages	1,054	935	119	12.7
Cruise tour	309	174	135	77.6
Hotel booking	164	112	52	46.4
Air tickets	699	515	184	35.7
Other tour related services	29	40	(11)	-27.5
	<u>2,255</u>	<u>1,776</u>	<u>479</u>	<u>27.0</u>
Sales within HWGB Group				
Air tickets	16	26	(10)	-38.5
	<u>2,271</u>	<u>1,802</u>	<u>469</u>	<u>26.0</u>

The higher revenue of RM2.27 million (2017: RM1.80 million) for the financial period ended 30 June 2018 were due to higher sales of tour packages, cruise charter, hotel booking and air tickets. The higher revenue generated had reduced the loss before taxation to RM0.06 million (2017: RM0.20 million).

The appreciation of RM against the USD during the financial period had improved the consumers' spending thus resulted in higher sales.



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

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

V. Investment Division

Investment Division consists of the Company, investment holding subsidiaries and inactive subsidiaries.

At Company level, the Company recorded a loss before taxation RM4.35 million for the financial period ended 30 June 2018 as compared to a loss before taxation of RM2.78 million in the preceding financial period. The higher loss before taxation were mainly due to the “allowance for doubtful debts on amount due from a subsidiary” of RM0.78 million (2017: RM nil), expenses incurred for corporate proposals and loss on foreign currency exchange.

In the opinion of the Directors, other than as disclosed above, the results for the financial period ended 30 June 2018 have not been affected by any transactions or events of a material or unusual nature which have arisen from 30 June 2018 to the date of issue of this quarterly report.

2. Comparison of Preceding Year's Corresponding Quarter's Result
(Individual 2nd Quarter 2018 vs Individual 2nd Quarter 2017)

Revenue for current quarter compared to preceding year's corresponding quarter decreased by RM0.63 million or 1.7% although the Moulded Power Supply Cords Sets Division in Indonesia recorded a higher sales of USD0.72 million was mainly due to the lower average exchange rate used for the conversion of USD to RM as a result of appreciation of RM. The average exchange rate used in the current quarter was RM3.9376/USD as compared to preceding year's corresponding quarter of RM4.4034/USD.

The Group posted a profit before taxation of RM0.61 million in the current quarter as compared to a loss before taxation of RM0.98 million in the preceding year's corresponding quarter. The turnaround from loss before taxation into profit before taxation in the current quarter were mainly due to higher net foreign exchange gain of RM1.38 million and lower administrative expenses of RM0.22 million.



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

3. Comparison of Current Year Preceding Quarter's Results
(Individual 2nd Quarter 2018 vs Individual 1st Quarter 2018)

The Group's revenue for the current quarter decreased by RM2.25 million or 5.7% as compared to its immediate preceding quarter. The lower revenue was mainly due to lower sales recorded of USD9.23 million (1Q 2018: USD9.77 million) in the Moulded Power Supply Cord Sets Division.

The turnaround from loss before taxation of RM2.92 million into profit before taxation of RM0.61 million in the current quarter were mainly due to higher gross profit of RM0.45 million from products mixed, lower administrative expenses of RM1.14 million and higher foreign exchange gain of RM1.45 million as compared to its immediate preceding quarter.

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 consumers spending. All these factors may have a favourable effect to the sale of moulded power supply cord sets as the sales to 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 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, improve efficiencies, and higher 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 profit from the share of operating results after tax of the associate in near 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.



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

5. Profit Forecast or Profit Guarantee

The Group did not issue any profit forecast or profit guarantee for the financial year ending 31 December 2018.

6. Notes to the Comprehensive Income Statement

Loss before taxation is derived at:

	Individual Quarter		Cumulative Quarter	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM' 000	RM' 000	RM' 000	RM' 000
After charging:				
Amortisation of intangible assets	2	2	4	4
Depreciation of property, plant and equipment	423	1,112	1,662	2,228
Interest expense	519	482	715	1012
Rental of premises	6	6	12	12
Rental of plant and equipment	61	14	103	31
Lease rental of equipment	-	11	-	22
Retirement benefit obligations	118	130	358	264
Loss on foreign exchange				
- Realised	142	12	161	58
- Unrealised	(1,042)	774	56	1,162
And crediting:				
Allowance for doubtful debts no longer required – Trade receivables	2	-	4	-
Interest income	11	1	18	10
Gain on disposal of plant and equipment	51	112	76	113
Rental income from premises	143	33	289	66
Gain on foreign exchange				
- Realised	144	-	236	-
- Unrealised	(208)	248	201	373



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	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM' 000	RM' 000	RM' 000	RM'000
i. Current tax expense				
- Malaysia	-	-	-	-
- Overseas	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
ii. Over/(under) provision in prior year:				
- Malaysia	-	-	-	-
- Overseas	(201)	-	(201)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(201)	-	(201)	-
iii. Deferred tax expense:				
- Malaysia	-	-	-	-
- Overseas	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
Total	<hr/>	<hr/>	<hr/>	<hr/>
	(201)	-	(201)	-

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 period ended 30 June 2018.

9. Investment in Associate

There was no purchase or disposal of equity stakes in associate during the current quarter.

The investment in associate as at 30 June 2018 is as follows:

	30/06/2018	31/12/2017
	RM' 000	RM' 000
Unquoted shares at cost	980	980
Share of post acquisition loss	(980)	(116)
	<hr/>	<hr/>
	-	864



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

10. Group Borrowings and Debt Securities

	As at second quarter ended 30 June 2018					
	Long term Denomination		Short term Denomination		Total borrowing Denomination	
	USD' 000	RM' 000	USD' 000	RM' 000	USD' 000	RM' 000
Secured						
Term Loan 1 (“TL1”) *	-	-	-	-	-	-
Term Loan 2	-	3,884	-	184	-	4,068
Term Loan 3	-	1,600	-	-	-	1,600
Term Loan 4 (“TL4”) *	865	3,495	1,667	6,729	2,532	10,224
Trade finance*	-	-	1,473	5,948	1,473	5,948
	865	8,979	3,140	12,861	4,005	21,840
Hire purchase and finance lease liabilities	-	518	-	93	-	611
	865	9,497	3,140	12,954	4,005	22,451

* USD1.0000 is equivalent to RM4.0375

- The existing TL1 of the foreign subsidiary of the Company was fully refinanced by TL4 in the current quarter. TL4 has a limit of up to USD3.00 million and bears an interest rate of 7.00% floating per annum, which is 2.00% lower than TL1.
- The trade financing facility obtained by the foreign subsidiary of the Company has a limit of up to USD2.00 million and bears an interest rate of 7.00% floating per annum.
- Also during the current quarter, the Company obtained a hire purchase and finance lease facility of RM392,000 from a local financial institution to finance the purchase of a motor vehicle. This facility bears an interest rate of 2.39% flat per annum.

	As at fourth quarter ended 31 December 2017					
	Long term Denomination		Short term Denomination		Total borrowing 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	-	4,049	-	186	-	4,235
Term loan 3	-	1,600	-	-	-	1,600
	1,560	11,963	1,667	6,932	3,227	18,895
Hire purchase and finance lease liabilities	-	205	-	50	-	255
	1,560	12,168	1,667	6,982	3,227	19,150

* USD1.0000 is equivalent to RM4.0475

11. Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off balance sheet risk as at 21 August 2018, being the latest practicable date.



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

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 2017.

13. Material Litigation

There is no material litigation for the Group as at 21 August 2018, being the latest practicable date.

14. Quarterly Updates on Tin Mining Activities

On 10 June 2013, HWG Tin Mining Sdn Bhd ("HWG Tin Mining") engaged an external exploration consultancy company to carry out resource estimation works entailing among others, historical data evaluation, 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 of the geological and geophysical report dated 16 August 2013 was issued. The report indicated a rough resource estimation of tin 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.

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

Currently all tin mining activities on site have been temporary halted.

15. Status of utilisation of proceeds raised from the Private Placement of ordinary shares

The proposed and actual utilisation of RM13,483,872 proceeds raised from the Private Placement of 74,910,400 new ordinary shares at an issue price of RM0.18 each, which was completed on 29 March 2018 are as follow:



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

15. Status of utilisation of proceeds raised from the Private Placement of ordinary shares (continued)

Purpose	Proposed utilization RM'000	Actual utilization as at 21.08.2018 RM'000	Balance RM'000	Estimated timeframe for utilization from listing of Placement Shares
Shareholder's equity and shareholder's loan into Dufry HWG Shopping Sdn Bhd	9,000	6,030	2,970	Within 12 months
Working capital: For the Group's manufacturing of moulded power supply cord sets division	2,564	1,950	614	Within 12 months
Working capital: For the Group's tin mining division	1,300	650	650	Within 12 months
Estimated expenses for the proposals	620	556	64	Within 1 month
Total	13,484	9,186	4,298	

16. Earnings/(Loss) per share

Basic

	Individual Quarter		Cumulative Quarter	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Profit/(Loss) attributable to shareholders (RM'000)	562	(849)	(2,221)	(2,510)
Weighted average number of ordinary shares ('000) – basic	288,591	249,520	288,591	249,520
Basic (sen)	0.19	(0.34)	(0.77)	(1.01)

Diluted

As at 30 June 2018 and 30 June 2017, diluted loss per share were not presented in the financial statements as there is an anti-dilutive effect on the loss per share. The diluted earnings per share for the individual quarter as at 30 June 2018 was also not presented in view that the exercise price for both the Warrants and ESOS are higher than the closing market price of the Company's shares as at 30 June 2018.

By Order of the Board

Coral Hong Kim Heong
 (MAICSA 7019696)
 Company Secretary

Date: 28 August 2018