



**HO WAH GENTING BERHAD**

**Company No: 272923-H**

*(Incorporated In Malaysia)*

**NOTES TO FINANCIAL REPORT  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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)**

	<b>Effective for financial periods beginning on or after</b>
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 <i>Ventures – Long-term interest in 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)**

	<b>Effective for financial periods beginning on or after</b>
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: Intangible Assets - 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 revenue contributor 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 to 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 the share capital.

(b) Private Placement of shares

Upon the completion of the Company’s 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 issuance of new 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 September 2018 are 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
<b>Current year's 9 months period ended 30 September 2018</b>								
<b>Segmental revenue by strategic/functional division units</b>								
External revenue	166	117,551	99	-	3,443	121,259	-	121,259
Inter-segment revenue	71	90	-	-	24	185	(185)	-
	<u>237</u>	<u>117,641</u>	<u>99</u>	<u>-</u>	<u>3,467</u>	<u>121,444</u>	<u>(185)</u>	<u>121,259</u>
<b>Segmental revenue by regions</b>								
Malaysia	237	90	99	-	3,467	3,893	(185)	3,708
The rest of Asia	-	7,592	-	-	-	7,592	-	7,592
North America	-	109,959	-	-	-	109,959	-	109,959
	<u>237</u>	<u>117,641</u>	<u>99</u>	<u>-</u>	<u>3,467</u>	<u>121,444</u>		<u>121,259</u>
<b>Results</b>								
Operating profit/(loss)	(6,044)	5,990	(1)	(800)	(137)	(992)	780	(212)
Profit/(Loss) before interest and tax	(6,044)	5,990	(1)	(800)	(137)	(992)	780	(212)
Profit/(Loss) before tax	(7,072)	5,196	(154)	(801)	(137)	(2,968)	780	(2,188)
Profit/(Loss) after tax	(7,072)	2,696	(154)	(801)	(137)	(5,468)	780	(4,688)
Non controlling interest	4	-	-	357	-	361	-	361
Profit/(Loss) attributable to owners of the Company	<u>(7,068)</u>	<u>2,696</u>	<u>(154)</u>	<u>(444)</u>	<u>(137)</u>	<u>(5,107)</u>	<u>780</u>	<u>(4,327)</u>
<b>Assets and liabilities as at 30 September 2018</b>								
<b>Segmental assets</b>								
Consolidated total assets	<u>97,718</u>	<u>72,459</u>	<u>22,284</u>	<u>784</u>	<u>1,723</u>	<u>194,968</u>	<u>(105,504)</u>	<u>89,464</u>
<b>Segmental liabilities</b>								
Consolidated total liabilities	<u>25,000</u>	<u>58,639</u>	<u>11,132</u>	<u>57,126</u>	<u>476</u>	<u>152,373</u>	<u>(94,507)</u>	<u>57,866</u>
<b>Segmental non current assets by regions</b>								
Malaysia	81,486	-	4	644	53	82,187	(69,896)	12,291
The rest of Asia	-	23,792	-	-	-	23,792	1,483	25,275
North America	-	-	-	-	-	-	-	-
	<u>81,486</u>	<u>23,792</u>	<u>4</u>	<u>644</u>	<u>53</u>	<u>105,979</u>		<u>37,566</u>

**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
<b>Preceding year's 9 months period ended 30 September 2017</b>								
<b>Segmental revenue by strategic/functional division units</b>								
External revenue	99	111,279	77	400	3,001	114,856	-	114,856
Inter-segment revenue	114	61	-	-	47	222	(222)	-
	<u>213</u>	<u>111,340</u>	<u>77</u>	<u>400</u>	<u>3,048</u>	<u>115,078</u>		<u>114,856</u>
<b>Segmental revenue by regions</b>								
Malaysia	213	61	77	400	3,048	3,799	(222)	3,577
The rest of Asia	-	7,274	-	-	-	7,274	-	7,274
North America	-	104,005	-	-	-	104,005	-	104,005
	<u>213</u>	<u>111,340</u>	<u>77</u>	<u>400</u>	<u>3,048</u>	<u>115,078</u>	<u>(222)</u>	<u>114,856</u>
<b>Results</b>								
Profit/(Loss) from operations	(5,368)	6,073	(960)	(931)	(249)	(1,435)	(512)	(1,947)
Profit/(Loss) before interest and tax	(5,368)	6,073	(960)	(931)	(249)	(1,435)	(512)	(1,947)
Profit/(Loss) before tax	(5,378)	4,789	(1,114)	(933)	(249)	(2,885)	(512)	(3,397)
Profit/(Loss) after tax	(5,378)	4,789	(1,114)	(933)	(249)	(2,885)	(512)	(3,397)
Non controlling interest	7	-	-	457	2	466	-	466
Profit/(Loss) attributable to owners of the Company	<u>(5,371)</u>	<u>4,789</u>	<u>(1,114)</u>	<u>(476)</u>	<u>(247)</u>	<u>(2,419)</u>	<u>(512)</u>	<u>(2,931)</u>
<b>Assets and liabilities as at 31 December 2017</b>								
<b>Segmental assets</b>								
Consolidated total assets	91,731	72,288	23,768	854	1,963	190,604	(107,428)	83,176
<b>Segmental liabilities</b>								
Consolidated total liabilities	56,063	60,403	12,462	56,418	511	185,857	(124,352)	61,505
<b>Segmental non current assets by regions</b>								
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	-	-	-	-	-	-	-	-
	<u>80,170</u>	<u>23,604</u>	<u>4</u>	<u>650</u>	<u>56</u>	<u>104,484</u>	<u>(66,681)</u>	<u>37,803</u>

***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**

On 19 November 2018, the Company announced that it had entered into a Conditional Share Sale and Purchase Agreement with Madam Chuar Siew Khim to dispose off its entire 51% equity shareholding in HWG Tin Mining Sdn Bhd (“HWGTM”), comprising of 1,020,000 ordinary shares in HWGTM for a total cash consideration of RM1.00 (“Disposal”). Upon completion of the Disposal, HWGTM will cease to be a subsidiary 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 (Third Quarter)		Changes		Cumulative Quarters (Year todate)			
	Current Year Quarter 30/09/2018 RM'000	Preceding Year Corresponding Quarter 30/09/2017 RM'000	RM'000	%	Current Year to-date 30/09/2018 RM'000	Preceding Year Corresponding Period 30/09/2017 RM'000	RM'000	%
Revenue	44,102	42,853	1,249	2.9	121,259	114,856	6,403	5.6
Profit/(Loss) from operations	518	(145)	663	457.2	(212)	(1,947)	1,735	89.1
Profit/(Loss) before interest and taxation	518	(145)	663	457.2	(212)	(1,947)	1,735	89.1
Profit/(Loss) before taxation	121	(583)	704	120.8	(2,188)	(3,397)	1,209	35.6
Loss after taxation	(2,178)	(583)	(1,595)	-273.6	(4,688)	(3,397)	(1,291)	-38.0
Loss attributable to owners of the Company	(2,106)	(421)	(1,685)	-400.2	(4,327)	(2,931)	(1,396)	-47.6



**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 RM121.26 million (2017: RM114.86 million) recorded for the financial period ended 30 September 2018 was contributed by higher sales of USD4.01 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 September 2018 was RM3.9839/USD (2017: RM4.3626/USD).

The lower loss before taxation of RM2.19 million (2017: RM3.40 million) recorded in the financial period ended 30 September 2018 were mainly due to higher profit before taxation in the Moulded Power Supply Cord Sets Division of RM5.20 million (2017: RM4.79 million). Also contributed to the lower loss before taxation in the Group were lower losses recorded in the Wire and Cable Division of RM0.15 million (2017: RM1.11 million), Tin Mining Division of RM0.80 million (2017: RM0.93 million) and the Travelling Services Division of RM0.14 million (2017: RM0.25 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 30/09/2018 RM'000	Audited 31/12/2017 RM'000	Changes	
			RM'000	%
Non current assets	40,335	41,436	(1,101)	-2.7
Current assets	49,129	41,740	7,389	17.7
Current liabilities	(43,722)	(43,468)	254	0.6
Non current liabilities	(14,144)	(18,037)	(3,893)	-21.6
Equity attributable to owner of the Company	(58,739)	(48,451)	10,288	21.2
Non controlling interest	27,141	26,780	361	1.3
Total equity	(31,598)	(21,671)	9,927	45.8

*Figures in bracket denotes credit balances*

The decrease of RM1.10 million or 2.7% 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 for current financial period. Also contributed to the changes in non-current assets were depreciation charged on property, plant and equipment of RM2.63 million as disclosed in Note 6 to the Comprehensive Income Statement and the purchased of plant and equipment of RM1.89 million.

The increase of RM7.39 million or 17.7% in current assets were mainly due to increase in inventories of RM3.77 million to cater for the sales orders in the fourth quarter and advance to an associate of RM5.03 million. However, the decrease in trade receivable of RM1.11 million from improved credit control and collections had reduced the increase in current assets accordingly.

***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 increase of RM0.25 million or 0.6% in current liabilities were mainly due to increase in short term borrowings of RM8.03 million and tax payable provision of RM1.40 million. However, the increase was lower due to payments to trade and other payables of RM9.39 million.

The decrease of RM3.89 million or 21.6% in non-current liabilities was mainly due to reclassifications of long term borrowings of RM4.36 million into short term borrowings after scheduled repayment to financial institutions. Other changes were additional provision for retirement benefit obligations of RM0.47 million and drawdown of a new hire purchase and finance lease facility of RM0.32 million.

The increase in non-controlling interest (“NCI”) of RM0.36 million or 1.3% 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 RM10.29 million or 21.2% were mainly due to the increase in issued and paid up share capital of RM13.33 million, increase in ESOS reserve of RM0.84 million and after deducting total comprehensive loss attributable to the owners of the Company of RM3.98 million.

The increase in “total equity” of RM9.93 million or 45.8% were mainly due to the increase in issued and paid up share capital of RM13.33 million, increase in ESOS reserve of 0.84 million and after deducting total comprehensive loss incurred of RM4.34 million for the financial period ended 30 September 2018.

**C. Summary of Statement of Cash Flows of the Group**

	<b>Unaudited</b>	<b>Unaudited</b>	<b>Changes</b>	
	<b>30/09/2018</b>	<b>30/09/2017</b>	<b>RM'000</b>	<b>%</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
Net cash (used in)/from operating activities	(10,112)	1,921	(12,033)	-626.4
Net cash used in investing activities	(6,849)	(1,910)	(4,939)	-258.6
Net cash from/(used in) financing activities	16,597	(4,001)	20,598	514.8
Exchange differences	39	(88)	127	144.3
Net increase/(decrease) in cash and cash equivalent	<u>(325)</u>	<u>(4,078)</u>	3,753	92.0

The “net cash used in operating activities” for the financial period ended 30 September 2018 was RM10.11 million as compared to a “net cash from operating activities” of RM1.92 million for the financial period ended 30 September 2017. The higher “net cash used in operating activities” for the current financial period were mainly due to payments to trade and other payables of RM9.39 million, increase in inventories of RM3.13 million to cater for sales orders in the fourth quarter and payment of income tax of RM1.15 million. The net cash used in operating activities were reduced by the decrease in trade and other receivables of RM1.37 million due to improved credit control and collections.

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

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

**C. Summary of Statement of Cash Flows of the Group**

The “net cash used in investing activities” of RM6.85 million were mainly due to cash advanced to an associate of RM5.03 million and purchase of plant and equipment of RM1.89 million.

The “net cash from financing activities” of RM16.60 million for the financial period ended 30 September 2018 were mainly derived from private placement proceeds of RM13.48 million, proceeds from trade financing of RM30.12 million and repayment of trade financing and bank borrowings of RM22.53 million and RM4.68 million respectively.

**D. Segmental Analysis**

**I. Moulded Power Supply Cord Sets Division**

Summary of revenue by regions	Cumulative Quarters			
	30/09/2018	30/09/2017	Changes	
	USD' 000	USD' 000	USD' 000	%
<b>Sales to external parties</b>				
North America	27,601	23,840	3,761	15.8
The rest of Asia	1,905	1,668	237	14.2
	29,506	25,508	3,998	15.7
<b>Sales within HWGB Group</b>				
Malaysia – Wires and Cables Division	23	14	9	64.3
	29,529	25,522	4,007	15.7

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

The sales to North America increased by USD3.76 million or 15.8% for the financial period ended 30 September 2018 were due to higher average copper rod price of USD7,179 per metric tonne (2017: USD6,033 per metric tonne) and higher total consumption of copper rods of 1,880 metric tonne in 2018 (2017: 1,795 metric tonne). The sales to “the rest of Asia” increased by USD0.24 million or 14.2% as compared to the preceding year’s corresponding period were due to higher demand from existing and new customers.

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

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

**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)**

	30/09/2018 USD' 000	Cumulative Quarter		%
		30/09/2017 USD' 000	Changes USD' 000	
Revenue	29,529	25,522	4,007	15.8
Operating profit	1,503	1,391	112	8.1
Profit before interest and tax	1,503	1,391	112	8.1
Profit before tax	1,304	1,098	206	18.8
Profit after tax	677	1,098	(421)	-38.3
Profit attributable to owner of the Company	677	1,098	(421)	-38.3

The higher profit before taxation of USD1.30 million (2017: USD1.10 million) for the financial period ended 30 September 2018 was due to higher revenue generated for the period under review.

The lower profit after taxation were due to the current period provision for taxation of USD0.40 million and under provision in prior years of USD0.22 million.

**II. Wires and Cables Division**

The low sales of RM0.10 million and RM0.08 million for both financial periods ended 30 September 2018 and 30 September 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 RM0.15 million (2017: RM1.11 million) for the financial period ended 30 September 2018 was mainly due to net foreign currency exchange gain of RM0.15 million as compared to a net foreign currency exchange loss of RM0.55 million in 2017. The exchange rate as at 30 September 2018 was RM4.1365/USD as compared to RM4.2220/USD on 30 September 2017.

**III. Tin Mining Division**

The Tin Mining Division has temporary halted its mining activities due to low grade of tin ore. Accordingly, no operating revenue was recorded for the financial period ended 30 September 2018 (2017: RM0.40 million). The loss before taxation of RM0.80 million (2017: RM0.93 million) were maintenance and repair costs incurred on plant and machineries and also rehabilitation costs at the tin mining site.

***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			
	30/09/2018 RM' 000	30/09/2017 RM' 000	Changes RM' 000	%
<b>Sales to external parties</b>				
Tour packages	1,565	1,517	48	3.2
Cruise tour	325	183	142	77.6
Hotel booking	205	456	(251)	-55.0
Air tickets	1,297	784	513	65.4
Other tour related services	51	61	(10)	-16.4
	<u>3,443</u>	<u>3,001</u>	<u>442</u>	<u>14.7</u>
<b>Sales within HWGB Group</b>				
Air tickets	24	47	(23)	-48.9
	<u>3,467</u>	<u>3,048</u>	<u>419</u>	<u>13.7</u>

The higher revenue of RM3.47 million (2017: RM3.05 million) for the financial period ended 30 September 2018 were due to higher sales of tour packages, cruise tour and air tickets. The higher revenue generated had reduced the loss before taxation to RM0.14 million (2017: RM0.25 million).

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

**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 RM6.39 million for the financial period ended 30 September 2018 as compared to a loss before taxation of RM4.73 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 RM1.02 million (2017: RM nil), fair value of ESOS expense relating to ESOS granted to employees of the Company of RM0.44 million (2017: RM nil) and expenses incurred for corporate proposals.

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

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

**2. Comparison of Preceding Year's Corresponding Quarter's Result**  
*(Individual 3<sup>rd</sup> Quarter 2018 vs Individual 3<sup>rd</sup> Quarter 2017)*

The Group's revenue for current quarter as compared to preceding year's corresponding quarter increased by RM1.25 million or 2.9%. The higher revenue was contributed by the Moulded Power Supply Cords Sets Division in Indonesia which recorded a higher sales of USD0.87 million. The lower revenue recorded in terms of RM was 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 RM3.9839/USD as compared to preceding year's corresponding quarter of RM4.3626/USD.

The Group posted a profit before taxation of RM0.12 million in the current quarter as compared to a loss before taxation of RM0.58 million in the preceding year's corresponding quarter. The turnaround were mainly due to profit before taxation in the Wire and Cable Division of RM0.13 million from gain on foreign exchange (Q3 2017: loss before taxation of RM0.34 million) and lower loss before taxation in the Tin Mining Division of RM0.17 million (Q3 2017: RM0.33 million).

**3. Comparison of Current Year Preceding Quarter's Results**  
*(Individual 3<sup>rd</sup> Quarter 2018 vs Individual 2<sup>nd</sup> Quarter 2018)*

The Group's revenue for the current quarter increased by RM6.65 million or 17.8% as compared to its immediate preceding quarter. The higher revenue was mainly due to seasonal higher sales recorded of USD10.54 million (Q2 2018: USD9.23 million) in the Moulded Power Supply Cord Sets Division.

The Group posted a lower profit before taxation of RM0.12 million in the current quarter as compared to RM0.61 million in the immediate preceding quarter despite the higher gross profit of RM3.79 million (Q2 2018: RM2.68 million) from higher revenue and products mixed was due to RM0.97 million fair value of ESOS expense relating to the ESOS granted to employees of the Group. Included in the immediate preceding quarter was share of loss of RM0.55 million of an associate.

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

**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 commenced 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 the near future.

Subject to the completion of the Disposal of HWGTM as stated in Note 13 of Part A above, the Group is expected to incur a loss on disposal of RM25.89 million for the financial year ending 31 December 2018. Apart from this loss on disposal, the Group is targeting to achieve better operating and financial performance for the current financial year.

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 ending 31 December 2018.

***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	
	30/09/2018 RM' 000	30/09/2017 RM' 000	30/09/2018 RM' 000	30/09/2017 RM' 000
<b>After charging:</b>				
Amortisation of intangible assets	2	2	6	6
Depreciation of property, plant and equipment	967	1,232	2,629	3,460
Interest expense	397	438	1,112	1,450
Rental of premises	6	6	18	18
Rental of plant and equipment	8	2	111	32
Lease rental of equipment	-	-	-	22
Retirement benefit obligations	124	128	482	393
Fair value ESOS expense	970	-	970	-
Loss on foreign exchange				
- Realised	(10)	23	151	81
- Unrealised	144	746	200	1,908
<b>And crediting:</b>				
Allowance for doubtful debts no longer required				
- Trade receivables	3	-	7	-
Interest income	3	1	21	11
Gain on disposal of plant and equipment	1	-	77	112
Rental income from premises	(22)	185	267	185
Gain on foreign exchange				
- Realised	239	336	475	336
- Unrealised	382	244	583	618



***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	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM' 000	RM' 000	RM' 000	RM' 000
<b>i. Current tax expense</b>				
- Malaysia	-	-	-	-
- Overseas	1,580	-	1,580	-
	<u>1,580</u>	<u>-</u>	<u>1,580</u>	<u>-</u>
<b>ii. Over/(under) provision in prior year:</b>				
- Malaysia	-	-	-	-
- Overseas	719	-	920	-
	<u>719</u>	<u>-</u>	<u>920</u>	<u>-</u>
<b>iii. Deferred tax expense:</b>				
- Malaysia	-	-	-	-
- Overseas	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>2,299</u>	<u>-</u>	<u>2,500</u>	<u>-</u>

**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 September 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 September 2018 is as follows:

	30/09/2018	31/12/2017
	RM' 000	RM' 000
Unquoted shares at cost	980	980
Share of post acquisition loss	(980)	(116)
	<u>-</u>	<u>864</u>

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

**10. Group Borrowings and Debt Securities**

	As at third quarter ended 30 September 2018					
	Long term		Short term		Total borrowing	
	Denomination		Denomination		Denomination	
	USD' 000	RM' 000	USD' 000	RM' 000	USD' 000	RM' 000
<b>Secured</b>						
Term Loan 1 (“TL1”) *	-	-	-	-	-	-
Term Loan 2	-	3,855	-	185	-	4,040
Term Loan 3	-	1,600	-	-	-	1,600
Term Loan 4 (“TL4”) *	449	1,857	1,667	6,896	2,116	8,753
Trade financing*	-	-	1,904	7,876	1,904	7,876
	449	7,312	3,571	14,957	4,020	22,269
Hire purchase and finance lease liabilities	-	496	-	93	-	589
	449	7,808	3,571	15,050	4,020	22,858

\* USD1.0000 is equivalent to RM4.1365

- The TL1 of the foreign subsidiary of the Company was fully refinanced by TL4 during the financial period. 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.
- During the financial period, 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		Short term		Total borrowing	
	Denomination		Denomination		Denomination	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
<b>Secured</b>						
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 15 November 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 15 November 2018, being the latest practicable date.

**14. Quarterly Updates on Tin Mining Activities**

On 10 June 2013, HWG Tin Mining Sdn Bhd ("HWGTM") 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 HWGTM 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.

HWGTM 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 follows:

***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)**

<b>Purpose</b>	<b>Proposed utilization RM'000</b>	<b>Actual utilization as at 15.11.2018 RM'000</b>	<b>Balance RM'000</b>	<b>Estimated timeframe for utilization from listing of Placement Shares</b>
Shareholder's equity and shareholder's loan into Dufry HWG Shopping Sdn Bhd	9,000	7,030	1,970	Within 12 months
Working capital: For the Group's manufacturing of moulded power supply cord sets division	2,564	2,564	-	Within 12 months
Working capital: For the Group's tin mining division	1,300	790	510	Within 12 months
Estimated expenses for the proposals	620	556	64	Within 1 month
<b>Total</b>	<b>13,484</b>	<b>10,940</b>	<b>2,544</b>	

**16. Earnings/(Loss) per share**

**Basic**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30/09/2018</b>	<b>30/09/2017</b>	<b>30/09/2018</b>	<b>30/09/2017</b>
Loss attributable to shareholders (RM'000)	(2,106)	(421)	(4,327)	(2,931)
Weighted average number of ordinary shares ('000) – basic	300,730	249,534	300,730	249,534
<b>Basic (sen)</b>	<b>(0.70)</b>	<b>(0.17)</b>	<b>(1.44)</b>	<b>(1.17)</b>

**Diluted**

As at 30 September 2018 and 30 September 2017, diluted loss per share were not presented in the financial statements as there is an anti-dilutive effect on the loss per share.

**By Order of the Board**

**Coral Hong Kim Heong**  
(MAICSA 7019696)  
*Company Secretary*

Date: 22 November 2018