



## HO WAH GENTING BERHAD

Company No: 272923-H

(Incorporated In Malaysia)

### NOTES TO FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

#### 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 2018.

##### 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 2018 except for the adoption of the following standards which are applicable to its financial statements effective from 1 January 2019:

MFRS 16	:	Leases
Amendments to MFRS 3	:	Business Combination
		Annual Improvements to MFRS 2015 - 2017 Cycle
Amendments to MFRS 9	:	Prepayment Features with Negative Compensation
Amendments to MFRS 11	:	Joint Arrangements
		Annual Improvements to MFRS 2015 – 2017 Cycle
Amendments to MFRS 112	:	Income Taxes – <i>Income tax consequences of payments on financial instruments classified as equity</i>
		Annual Improvements to MFRS 2015 – 2017 Cycle
Amendments to MFRS 119	:	Employee Benefits – <i>Plan Amendment, Curtailment or Settlement</i>
Amendments to MFRS 123	:	Borrowing Costs – <i>Borrowing costs eligible for capitalization</i>
		Annual Improvements to MFRS 2015 – 2017 Cycle
Amendments to MFRS 128	:	Investments in Associates and Joint Ventures – <i>Long-term interest in Associates and Joint Ventures</i>
IC interpretation 23	:	Uncertainty over Income Tax treatments

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.



**PART A (continued)**

**2 Significant Accounting Policies (continued)**

At the date of authorisation of the Condensed Report, the following Standards were issued but not effective and have not been adopted by the Group:

Amendments to MFRS 2	: Share-based Payment	01 January 2020
Amendments to MFRS 3	: Business Combinations	01 January 2020
Amendments to MFRS 6	: Exploration for and Evaluation of Mineral Resources	01 January 2020
Amendments to MFRS 14	: Regulatory Deferral Accounts	01 January 2020
Amendments to MFRS 101	: Presentation of Financial Statements	01 January 2020
Amendments to MFRS 108	: Accounting Policies, Changes in Accounting Estimates and Errors	01 January 2020
Amendments to MFRS 134	: Interim Financial Reporting	01 January 2020
Amendments to MFRS 137	: Provisions, Contingent Liabilities and Contingent Assets	01 January 2020
Amendments to MFRS 138	: Intangible Assets	01 January 2020
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 an 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 2018.



*PART A (continued)*

**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.

**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 undertook a private placement of up to 34,241,766 new ordinary shares representing approximately 10% of the issued shares of the Company. On 15 March 2019, the Company announced the issuance of 32,460,000 new ordinary shares at an issue price of RM0.090 per share. A total of RM2,921,400 was raised from the issuance of new shares and these shares were listed and quoted on Main Market of BMSB on 18 March 2019.

**8. Dividends Paid**

No dividend was paid in the current quarter under review.

**9. The Status of Corporate Proposals**

There were no corporate proposals announced in 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 31 March 2019 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
<b>Current year's 3 months period ended 31 March 2019</b>								
<b>Segmental revenue by strategic/functional division units</b>								
External revenue	55	36,065	-	-	1,223	37,343	-	37,343
Inter-segment revenue	6	-	-	-	11	17	(17)	-
	61	36,065	-	-	1,234	37,360		37,343
<b>Segmental revenue by regions</b>								
Malaysia	61	-	-	-	1,234	1,295	(17)	1,278
The rest of Asia	-	10,761	-	-	-	10,761	-	10,761
North America	-	25,304	-	-	-	25,304	-	25,304
	61	36,065	-	-	1,234	37,360	(17)	37,343
<b>Results</b>								
Operating profit/(loss)	(1,978)	1,835	(94)	-	(27)	(264)	(22)	(286)
Profit/(Loss) before interest and tax	(1,978)	1,835	(94)	-	(27)	(264)	(22)	(286)
Profit/(Loss) before tax	(2,117)	1,548	(144)	-	(21)	(734)	(22)	(756)
Profit/(Loss) after tax	(2,117)	1,294	(144)	-	(21)	(988)	(22)	(1,010)
Non-controlling interest	-	-	-	-	-	-	-	-
Profit/(Loss) attributable to owners of the Company	(2,117)	1,294	(144)	-	(21)	(988)	(22)	(1,010)
<b>Assets and liabilities as at 31 March 2019</b>								
<b>Segmental assets</b>								
Consolidated total assets	105,935	76,267	21,848	-	1,792	205,842	(110,075)	95,767
<b>Segmental liabilities</b>								
Consolidated total liabilities	31,579	59,998	10,906	-	588	103,071	(39,033)	64,038
<b>Segmental non-current assets by regions</b>								
Malaysia	11,160	-	3	-	51	11,214	-	11,214
The rest of Asia	-	22,596	-	-	-	22,596	1,641	24,237
North America	-	-	-	-	-	-	-	-
	11,160	22,596	3	-	51	33,810		35,451



**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
<b>Preceding year's 3 months period ended 31 March 2018</b>								
<b>Segmental revenue by strategic/functional division units</b>								
External revenue	55	38,555	27	-	1,066	39,703	-	39,703
Inter-segment revenue	38	23	-	-	7	68	(68)	-
	93	38,578	27	-	1,073	39,771	(68)	39,703
<b>Segmental revenue by regions</b>								
Malaysia	93	23	27	-	1,073	1,216	(68)	1,148
The rest of Asia	-	1,952	-	-	-	1,952	-	1,952
North America	-	36,603	-	-	-	36,603	-	36,603
	93	38,578	27	-	1,073	39,771	(68)	39,703
<b>Results</b>								
Profit/(Loss) from operations	(2,922)	929	(485)	(327)	(34)	(2,839)	422	(2,417)
Profit/(Loss) before interest and tax	(2,922)	929	(485)	(327)	(34)	(2,839)	422	(2,417)
Profit/(Loss) before tax	(3,106)	655	(536)	(328)	(30)	(3,345)	422	(2,923)
Profit/(Loss) after tax	(3,106)	655	(536)	(328)	(30)	(3,345)	422	(2,923)
Non-controlling interest	3	-	-	137	-	140	-	140
Profit/(Loss) attributable to owners of the Company	(3,103)	655	(536)	(191)	(30)	(3,205)	422	(2,783)
<b>Assets and liabilities as at 31 December 2018</b>								
<b>Segmental assets</b>								
Consolidated total assets	98,961	77,552	22,146	-	1,702	200,361	(107,482)	92,879
<b>Segmental liabilities</b>								
Consolidated total liabilities	28,105	63,385	11,060	-	476	103,026	(40,646)	62,380
<b>Segmental non-current assets by regions</b>								
Malaysia	80,945	-	5	648	54	81,652	(68,559)	13,093
The rest of Asia	-	21,989	-	-	-	21,989	1,250	23,239
North America	-	-	-	-	-	-	-	-
	80,945	21,989	5	648	54	103,641	(67,309)	36,332



***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**

During the financial period, the Company increased its percentage of shareholdings in HWG Duty Free Sdn Bhd (“HWG Duty Free”) (Company no: 1049687-D) from 51% to 100% by acquiring 490,000 ordinary shares from its non-controlling interest for a cash consideration of RM490,000. HWG Duty Free has an issued and paid up share capital of RM1,000,000 represented by 1,000,000 ordinary shares.

**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 Comprehensive Income of the Group**

	Individual Quarter (First Quarter)		Cumulative Quarters (Year todate)					
	Current Year Quarter 31/03/2019 RM’000	Preceding Year Corresponding Quarter 31/03/2018 RM’000	Changes		Current Year to-date 31/03/2019 RM’000	Preceding Year Corresponding Period 31/03/2018 RM’000	Changes	
			RM’000	%			RM’000	%
Revenue	37,343	39,703	(2,360)	-5.9	37,343	39,703	(2,360)	-5.9
Profit/(Loss) from operations	(286)	(2,417)	2,131	88.2	(286)	(2,417)	2,131	88.2
Profit/(Loss) before interest and taxation	(286)	(2,417)	2,131	88.2	(286)	(2,417)	2,131	88.2
Profit/(Loss) before taxation	(756)	(2,923)	2,167	74.1	(756)	(2,923)	2,167	74.1
Loss after taxation	(1,010)	(2,923)	1,913	65.4	(1,010)	(2,923)	1,913	65.4
Loss attributable to owners of the Company	(1,010)	(2,783)	1,773	63.7	(1,010)	(2,783)	1,773	63.7



***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 lower revenue of RM37.34 million (2018: RM39.70 million) recorded for the financial period ended 31 March 2019 were mainly due to lower sales of USD0.97 million from the Moulded Power Supply Cord Sets Division in Indonesia. The reasons for the lower revenue were mainly due to lower average copper price of USD6,470 per metric tonne (“MT”) (2018: USD7,242 per MT) and the re-scheduling of certain delivery shipment from first quarter to second quarter of 2019 despite the higher total consumption of copper rods of 672 MT (2018: 633 MT) and also the depreciation of RM against the USD. The average exchange rate used for the financial period ended 31 March 2019 was RM4.1015/USD (2018: RM3.9505/USD).

The lower loss before taxation of RM0.76 million (2018: RM2.92 million) recorded for the financial period ended 31 March 2019 were mainly due to the followings:

- i) Higher profit before taxation of RM1.55 million (2018: RM0.66 million) generated from the Moulded Power Supply Cords Set Division;
- ii) Lower loss before taxation of RM2.12 million (2018: RM3.11 million) in the Investment Division;
- iii) Lower loss before taxation of RM0.14 million (2018: RM0.54 million) in the Wire and Cable Division;
- iv) The disposal of the Tin Mining Division on 6 December 2018 which incurred a loss before taxation of RM0.33 million for the financial period ended 31 March 2018 had also lowered the loss before taxation for current financial period; and
- v) There was no share of losses in an associate for the current financial period (2018: RM0.37 million).

**B. Summary of Statement of Financial Positions of the Group**

	<b>Unaudited</b>	<b>Audited</b>	<b>Changes</b>	
	<b>31/03/2019</b>	<b>31/12/2018</b>	<b>RM’000</b>	<b>%</b>
	<b>RM’000</b>	<b>RM’000</b>		
Non-current assets	35,451	36,332	(881)	-2.4
Current assets	60,316	56,547	3,769	6.7
Current liabilities	(51,857)	(47,986)	3,871	8.1
Non-current liabilities	(12,181)	(14,394)	(2,213)	-15.4
Equity attributable to owner of the Company	(31,723)	(30,033)	1,690	5.6
Non-controlling interest	(6)	(466)	(460)	-98.7
Total equity	(31,729)	(30,499)	1,230	4.0

*Figures in bracket denotes credit balances*

The decrease of RM0.88 million or 2.4% in non-current assets were mainly due to depreciation charged on property, plant and equipment of RM0.84 million.





***PART B – Additional Information Required By BMSB’s Listing Requirements (continued)***

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

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

The increase of RM3.77 million or 6.7% in current assets were mainly due to increase in inventories of RM1.06 million and increase in prepayment of RM1.66 million paid to suppliers for the purchase of raw materials to cater for the sales orders in the second quarter of 2019. The increase was also due to advances of RM1.94 million to the associate of the Company for working capital requirement and the net increase in cash and bank balances of RM2.94 million from the proceeds of issuance of shares pursuant to private placement. The increased was lowered by RM3.96 million from the improved credit control and collections of trade receivables.

The increase of RM3.87 million or 8.1% in current liabilities were mainly due to reclassifications of promissory notes payable of RM2.07 million into current liabilities and drawdown of the remaining promissory note of RM2.02 million. Trade payables also increased by RM2.25 million for the purchase of inventories. The increased was lowered by net repayment of trade financing facility of RM2.54 million.

The decrease of RM2.22 million or 15.4% in non-current liabilities were mainly due to reclassifications of promissory notes of RM2.07 million from non current liabilities into current liabilities and long term borrowings of RM0.21 million into short term borrowings after scheduled repayment to financial institutions.

The increased in “equity attributable to owner of the Company” of RM1.69 million or 5.6% was mainly due to RM2.92 million proceeds received from the issuance of new ordinary shares pursuant to the private placement of shares. This was reduced by the total comprehensive loss for the period attributable to the owners of the Company of RM1.20 million.

The changes in non-controlling interest (“NCI”) from RM466,000 to RM6,000 was due to the acquisition of remaining 49% shareholdings by the Company in a subsidiary held by NCI as stated in note 13 of Part A above.

The increase in “total equity” of RM1.23 million or 4.0% was mainly due to RM2.92 million proceeds received from the issuance of new ordinary shares pursuant to the private placement of shares. This was reduced by the total comprehensive loss attributable to owners of the Company for the period of RM1.20 million and the reduction of NCI of RM0.46 million.



***PART B – Additional Information Required By BMSB’s Listing Requirements (continued)***

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

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

	<b>Unaudited 31/03/2019 RM’000</b>	<b>Unaudited 31/03/2018 RM’000</b>	<b>Changes</b>	
			<b>RM’000</b>	<b>%</b>
Net cash from/(used in) operating activities	7,492	(142)	7,634	>1,000.0
Net cash used in investing activities	(2,668)	(1)	(2,667)	>1,000.0
Net cash (used in)/from financing activities	(1,520)	11,569	(13,089)	-113.1
Exchange differences	(361)	(114)	(247)	-216.7
Net increase in cash and cash equivalent	<u>2,943</u>	<u>11,312</u>	<u>(8,369)</u>	<u>-74.0</u>

The “net cash from operating activities” for the financial period ended 31 March 2019 was RM7.49 million as compared to a “net cash used in operating activities” of RM0.14 million for the financial period ended 31 March 2018. The higher net cash from operating activities were mainly due to the followings:

- i) Lower loss before taxation of RM0.76 million as compared to RM2.92 million for the corresponding period in the preceding year;
- ii) Improved credit control and collections which resulted in lower trade receivables by RM3.96 million;
- iii) Increased in trade payables of RM2.25 million for the purchase of inventories; and
- iv) Reclassifications of the promissory note of RM2.07 million under non-current liabilities in the fourth quarter 2018 into current liabilities and drawdown of the remaining promissory note of RM2.02 million (USD0.50 million);

The higher net cash from operating activities were reduced by the followings:

- i) Higher inventories of RM1.06 million to cater for the sales orders in the second quarter of 2019;
- ii) Increased in prepayment of RM1.66 million paid to suppliers for the purchase of raw materials to cater for the sales orders in the second quarter of 2019; and
- iii) Payment of income tax of RM0.25 million.

The “net cash used in investing activities” of RM2.67 million were mainly due to cash advanced to an associate of RM1.94 million, acquisition of the remaining 49% shareholding in a subsidiary not owned by the Company from non-controlling interest for RM0.49 million and purchase of plant and equipment of RM0.24 million.

The “net cash used in financing activities” of RM1.52 million for the financial period ended 31 March 2019 were mainly derived from the followings:

- i) Net repayment of trade financing facilities of RM2.54 million;
  - ii) Repayment of term loans of RM1.88 million; and
  - iii) Repayment of hire purchase obligations of RM0.02 million.
- and after deducting the proceeds from private placement of shares RM2.92 million.



**PART B – Additional Information Required By BMSB’s Listing Requirements (continued)**

**I. 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			
	31/03/2019 USD’000	31/03/2018 USD’000	Changes USD’000	%
<b>Sales to external parties</b>				
North America	6,170	9,265	(3,095)	-33.4
The rest of Asia	2,623	494	2,129	431.0
	8,793	9,759	(966)	-9.9
<b>Sales within HWGB Group</b>				
Malaysia – Wires and Cables Division	-	6	(6)	-100.0
	8,793	9,765	(972)	-10.0

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

The sales to North America decreased by USD3.10 million or 33.4% for the financial period ended 31 March 2019 were due to lower average copper rod price of USD6,470 per MT (2018: USD7,242 per MT) and re-scheduling of certain delivery shipments from first quarter to second quarter of 2019. Included in the decrease also is an amount of USD2.00 million from buyers who purchased via the Taiwanese trading house in Asia.

The sales to “the rest of Asia” increased by USD2.13 million or 431.0% as compared to the preceding year’s corresponding period. Included in the increase is an amount of USD2.00 million from North American buyers who purchased via the Taiwanese trading house.

There were no sales in the Wires and Cables Division for the current quarter under review as compared to USD6,000 for the preceding year’s corresponding period mainly due to the following:

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

Summary of results	Cumulative Quarter			
	31/03/2019 USD’000	31/03/2018 USD’000	Changes USD’000	%
Revenue	8,793	9,765	(972)	-10.0
Operating profit	448	352	96	27.3
Profit before interest and taxation	448	352	96	27.3
Profit before taxation	378	282	96	34.0
Profit after taxation	316	282	34	34.0
Profit attributable to owner of the Company	316	282	34	34.0



**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)

**I. Moulded Power Supply Cord Sets Division** (continued)

The higher profit before taxation of USD0.38 million (2018: USD0.28 million) for the financial period ended 31 March 2019 were due to higher profit margin generated from products mixed and improved production efficiency.

**II. Wires and Cables Division**

There were no sales in the period under review for this division as compared to RM0.03 million recorded in the financial period ended 31 March 2018 and were mainly due to the following tough competition from local manufacturers:

- (a) shorter lead time for supply of goods.
- (b) Allowance of smaller quantity order compared to bulk import and with longer credit term given.

The lower loss before taxation of RM0.14 million for the financial period ended 31 March 2019 were mainly due to net unrealised foreign currency exchange loss of RM0.09 million and finance costs of RM0.05 million. The preceding year’s loss before taxation of RM0.54 million were due to net unrealised foreign currency exchange loss of RM0.39 million and finance costs of RM0.05 million. The exchange rate as at 31 March 2019 was RM4.0805/USD as compared to RM3.8630/USD on 31 March 2018.

**III. Travel Services Division**

**Summary of revenue by products**

	Cumulative Quarter			
	31/03/2019 RM'000	31/03/2018 RM'000	Changes RM'000	%
<b>Sales to external parties</b>				
Tour packages	552	470	82	17.4
Cruise tour	92	198	(106)	-53.5
Hotel booking	33	79	(46)	-58.2
Air tickets	530	300	230	76.7
Other tour related services	16	19	(3)	-15.8
	1,223	1,066	157	14.7
<b>Sales within HWGB Group</b>				
Air tickets	11	7	4	57.1
	1,234	1,073	161	15.0

The higher revenue of RM1.23 million (2018: RM1.07 million) for the financial period ended 31 March 2019 were due to higher sales of tour packages and air tickets. The higher revenue generated had reduced the loss before taxation to RM0.02 million (2017: RM0.03 million).



***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)***

**III. Travel Services Division (continued)**

The higher revenue generated from the sales of tour packages and air tickets were mainly contributed from the introduction of new tour destinations. The lower revenue recorded for cruise tour was due to one off group cruise tour of RM0.19 million for the preceding year’s corresponding period.

**IV. Investment Division**

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

At Company level, the Company recorded a lower loss before taxation RM1.99 million for the financial period ended 31 March 2019 as compared to a loss before taxation of RM2.34 million in the preceding year’s corresponding period. The higher loss before taxation in the preceding year’s corresponding period was mainly due to the allowance for expected credit loss on amount due from a subsidiary of RM0.38 million (2019: RM Nil) which was disposed on 6 December 2018.

In the opinion of the Directors, other than those disclosed above, the results for the financial period ended 31 March 2019 have not been affected by any transactions or events of a material or unusual nature which have arisen from 31 March 2019 to the date of issue of this quarterly report.

**2. Comparison of Current Year’s Quarter Against Preceding Year’s Corresponding Quarter’s Result (Individual 1<sup>st</sup> Quarter 2019 vs Individual 1<sup>st</sup> Quarter 2018)**

The lower revenue of RM37.34 million (2018: RM39.70 million) recorded for the financial period ended 31 March 2019 were mainly due to lower sales of USD0.97 million from the Moulded Power Supply Cord Sets Division in Indonesia. The reasons for the lower revenue were mainly due to lower average copper price of USD6,470 per metric tonne (“MT”) (2018: USD7,242 per MT) and the re-scheduling of certain delivery shipment from first quarter to second quarter of 2019 despite the higher total consumption of copper rods of 672 MT (2018: 633 MT) and also the depreciation of RM against the USD. The average exchange rate used for the financial period ended 31 March 2019 was RM4.1015/USD (2018: RM3.9505/USD).

***PART B – Additional Information Required By BMSB’s Listing Requirements (continued)***

**2. Comparison of Current Year’s Quarter Against Preceding Year’s Corresponding Quarter’s Results (Individual 1<sup>st</sup> Quarter 2019 vs Individual 1<sup>st</sup> Quarter 2018) (continued)**

The lower loss before taxation of RM0.76 million (2018: RM2.92 million) recorded for the financial period ended 31 March 2019 were mainly due to the followings:

- (i) Higher profit before taxation of RM1.55 million (2018: RM0.66 million) generated from the Moulded Power Supply Cords Set Division;
- (ii) Lower loss before taxation of RM2.12 million (2018: RM3.11 million) in the Investment Division;
- (iii) Lower loss before taxation of RM0.14 million (2018: RM0.54 million) in the Wire and Cable Division;
- (iv) The disposal of the Tin Mining Division on 6 December 2018 which incurred a loss before taxation of RM0.33 million for the financial period ended 31 March 2018 had also lowered the loss before taxation for current financial period; and
- (v) There was no share of losses in an associate for the current financial period (2018: RM0.37 million).

**3. Comparison of Current Quarter Against Preceding Quarter’s Results (Individual 1<sup>st</sup> Quarter 2019 vs Individual 4<sup>th</sup> Quarter 2018)**

The Group’s revenue for the current quarter decreased by RM1.11 million or 2.9% as compared to its immediate preceding quarter. The lower revenue was mainly due to seasonal lower sales recorded of USD8.79 million (Q4 2018: USD8.90 million) in the Moulded Power Supply Cord Sets Division. The depreciation of RM against the USD in the current quarter has increased the RM revenue. The average exchange rate used for financial period ended 31 March 2019 was RM4.1015/USD (Q4 2018: RM4.0299/USD).

The Group incurred a loss before taxation of RM0.76 million in the current quarter as compared to a profit before taxation of RM1.55 million in the immediate preceding quarter. The profit before taxation in the immediate preceding quarter were mainly due to the reversal of overprovision of interest expense on overdue trade payable of RM0.93 million incurred by the Moulded Power Supply Cord Sets Division and gain on disposal of the Tin Mining Division of RM0.59 million.

**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.



***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, improve efficiencies, and better 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 its retail business in February 2018 and gradually fully open to shoppers in October 2018. From the improved revenue and lower loss before taxation recorded in the first quarter of 2019, 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.

Barring unforeseen circumstances, the Group is targeting to achieve better operating and financial performance for the financial year ending 31 December 2019.

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 2019.



**PART B – Additional Information Required By BMSB’s Listing Requirements (continued)**

**6. Loss from operations**

Loss from operations is derived at:

	Individual Quarter		Cumulative Quarter	
	31/03/2019 RM'000	31/03/2018 RM'000	31/03/2019 RM'000	31/03/2018 RM'000
<b>After charging:</b>				
Amortisation of intangible assets	-	2	-	2
Bad debts written off	34	-	34	-
Depreciation - Property, plant and equipment	839	1,239	839	1,239
Depreciation – Right of use asset	#	-	#	-
Rental of premises	6	6	6	6
Rental of plant and equipment	1	42	1	42
Retirement benefit obligations	123	241	123	241
Loss on foreign exchange				
- Realised	235	19	235	19
- Unrealised	292	1,098	292	1,098
<b>And crediting:</b>				
Allowance for expected credit loss no longer required – Trade receivables	2	2	2	2
Gain on disposal of plant and equipment	-	25	-	25
Rental income from premises	90	146	90	146
Gain on foreign exchange				
- Realised	-	93	-	93
- Unrealised	237	409	237	409
# - Represents RM274				

**7. Finance income**

	Individual Quarter		Cumulative Quarter	
	31/03/2019 RM'000	31/03/2018 RM'000	31/03/2019 RM'000	31/03/2018 RM'000
Interest income from fixed deposit	5	5	5	5
Interest income from bank accounts	5	2	5	2
Interest income from loan to an associate	34	-	34	-
	44	7	44	7

**8. Finance costs**

	Individual Quarter		Cumulative Quarter	
	31/03/2019 RM'000	31/03/2018 RM'000	31/03/2019 RM'000	31/03/2018 RM'000
Interest expense – hire purchase	7	3	7	3
Interest expense – lease	*	-	*	-
Interest expense – promissory notes	123	-	123	-
Interest expense – term loans	204	193	204	193
Interest expense – trade finance	180	-	180	-
	514	196	514	196

\* Represents RM132





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

**9. Taxation**

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

	Individual Quarter		Cumulative Quarter	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
<b>i. Current tax expense</b>				
- Malaysia	-	-	-	-
- Overseas	254	-	254	-
	<u>254</u>	<u>-</u>	<u>254</u>	<u>-</u>
<b>ii. Under/(Over) provision in prior year:</b>				
- Malaysia	-	-	-	-
- Overseas	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>iii. Deferred tax liabilities/(assets):</b>				
- Malaysia	-	-	-	-
- Overseas	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>254</u>	<u>-</u>	<u>254</u>	<u>-</u>

**10. 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 31 March 2019.

**11. Investment in an associate**

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

The investment in associate as at 31 March 2019 is as follows:

	31/03/2019	31/12/2018
	RM'000	RM'000
Unquoted shares at cost	980	980
Share of post acquisition loss	(980)	(980)
	<u>-</u>	<u>-</u>

The Group's share of post acquisition loss was capped at RM0.98 million, being the equivalent cost of investment in the associate.



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

**11. Investment in an associate (continued)**

The summarised financial information of the Company's associate is as follows:

**(a) Summarised statement of comprehensive income**

	<b>31/03/2019</b>	<b>31/03/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	5,985	470
Loss before tax	(282)	(886)
Net loss/Total comprehensive loss	<u>(282)</u>	<u>(886)</u>

**(b) Summarised statement of financial position**

	<b>31/03/2019</b>	<b>31/12/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>		
Non-current assets	2,695	6,949
Current assets	2,438	10,728
Total assets	<u>5,133</u>	<u>17,677</u>
<b>Liabilities</b>		
Non-current liabilities	2,117	545
Current liabilities	3,600	19,889
Total liabilities	<u>5,717</u>	<u>20,434</u>
<b>Net liabilities</b>	<u>(584)</u>	<u>(2,757)</u>

**12. Group Borrowings and Debt Securities**

	<b>As at first quarter ended 31 March 2019</b>					
	<b>Long term</b>		<b>Short term</b>		<b>Total borrowing</b>	
	<b>Denomination</b>		<b>Denomination</b>		<b>Denomination</b>	
	<b>USD'000</b>	<b>RM'000</b>	<b>USD'000</b>	<b>RM'000</b>	<b>USD'000</b>	<b>RM'000</b>
<b>Secured</b>						
Term Loan 1	-	3,762	-	189	-	3,951
Term Loan 2	-	1,537	-	63	-	1,600
Term Loan 3 *	-	-	1,272	5,197	1,272	5,197
Trade financing*	-	-	2,014	8,228	2,014	8,228
	-	<u>5,299</u>	<u>3,286</u>	<u>13,677</u>	<u>3,286</u>	<u>18,976</u>
Hire purchase liabilities	-	449	-	93	-	542
Lease liabilities	-	4	-	1	-	5
	-	<u>5,752</u>	<u>3,286</u>	<u>13,771</u>	<u>3,286</u>	<u>19,523</u>

\* USD1.0000 is equivalent to RM4.0805



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

**12. Group Borrowings and Debt Securities (continued)**

	As at fourth quarter ended 31 December 2018					
	Long term Denomination		Short term Denomination		Total borrowing Denomination	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
<b>Secured</b>						
Term loan 1	-	3,803	-	198	-	4,001
Term loan 2	-	1,570	-	30	-	1,600
Term loan 3 *	32	133	1,667	6,893	1,699	7,026
Trade financing *	-	-	2,635	10,901	2,635	10,901
	32	5,506	4,302	18,022	4,334	23,528
Hire purchase liabilities	-	470	-	95	-	565
	32	5,976	4,302	18,117	4,334	24,093

\* USD1.0000 is equivalent to RM4.1360

The trade financing facility obtained by the foreign subsidiary of the Company has a limit of up to USD3.00 million and bears an interest rate of 7.00% floating per annum.

**13. Off Balance Sheet Financial Instruments**

The Group did not have any financial instruments with off balance sheet risk as at 23 May 2019, being the latest practicable date.

**14. 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 2018.

**15. Material Litigation**

There is no material litigation for the Group as at 23 May 2019, being the latest practicable date.

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

(a) The proposed and actual utilisation of RM2,921,400 proceeds raised from the Private Placement of 32,460,000 new ordinary shares at an issue price of RM0.090 each, which was completed on 18 March 2019 are as follows:



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

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

<b>Proposed utilisation of proceeds</b>	<b>Proposed utilisation RM'000</b>	<b>Actual utilisation as at 23/05/2019 RM'000</b>	<b>Balance RM'000</b>	<b>Estimated timeframe for utilisation from listing of Placement Shares</b>
Repayment of borrowings	2,000	(2,000)	-	Within 1 month
Working capital	721	-	721	Within 12 months
Estimated expenses relating to Proposed Private Placement	200	(200)	-	Within 2 weeks
	<b>2,921</b>	<b>(2,200)</b>	<b>721</b>	

(b) 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:

<b>Proposed utilization of proceeds</b>	<b>Proposed utilization RM'000</b>	<b>Actual utilization as at 23/05/2019 RM'000</b>	<b>Varied utilization of proceed RM'000</b>	<b>Balance RM'000</b>	<b>Estimated timeframe for utilization from listing of Placement Shares</b>
Shareholder's equity and loan to Dufry HWG Shopping Sdn Bhd	9,000	(9,000)	-	-	Within 12 months
Working capital: For the Group's manufacturing of moulded power supply cord sets division	2,564	(2,564)	400	400	Within 12 months
Working capital: For the Group's tin mining division	1,300	(900)	(400)	-	Within 12 months
Estimated expenses for the proposals	620	(620)	-	-	Within 1 month
<b>Total</b>	<b>13,484</b>	<b>(13,084)</b>	<b>-</b>	<b>400</b>	



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

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

Out of the total proceeds raised from the Private Placement exercise, RM1.30 million is earmarked for financing of tin mining tailings processing and drilling works of HWG Tin Mining Sdn Bhd (“HWGTM”). As at 11 December 2018, RM0.40 million out of the RM1.30 million earmarked for tin mining division remain unutilised.

Following the completion of the disposal of HWGTM which was announced on 6 December 2018, the Company has resolved to vary the aforementioned balance of RM0.40 million to be utilised for purchase of copper rods for the Group’s manufacturing of moulded power supply cord sets division.

Accordingly, on 11 December 2018, the Company announced the variation of the utilisation of proceeds to BMSB.

**17. Memorandum of Agreement Announced**

On 22 January 2019, the Board of Directors of HWGB announced that the Company had on the same day entered into a Memorandum of Agreement (“MOA”) with Dato’ Mohd Razaly Bin Maulud (NRIC no: 770329-01-6739) and Datin Rubaizah Binti Sakari (NRIC no: 771217-01-6130) (collectively the “Vendors”) to acquire from the Vendors 70% equity interest in VTI Marketing (M) Sdn Bhd (Company no: 1167871-A) for a cash consideration of RM3,000,000.

On 17 May 2019, the Company announced that both the Vendors and the Company had mutually and amicably terminated the MOA.



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

**18. Loss per share**

**Basic**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31/03/2019</b>	<b>31/03/2018</b>	<b>31/03/2019</b>	<b>31/03/2018</b>
Loss attributable to shareholders of the Company (RM'000)	(1,010)	(2,783)	(1,010)	(2,783)
Weighted average number of ordinary shares ('000) – basic	329,661	252,170	329,661	252,170
<b>Basic (sen)</b>	<b><u>(0.31)</u></b>	<b><u>(1.10)</u></b>	<b><u>(0.31)</u></b>	<b><u>(1.10)</u></b>

**Diluted**

As at 31 March 2019 and 31 March 2018, the diluted loss per share was 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: 30 May 2019