



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

NOTES TO FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 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 material 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 – <i>Definition of a Business</i>	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 – <i>Definition of Material</i>	01 January 2020
Amendments to MFRS 108	: Accounting Policies, Changes in Accounting Estimates and Errors – <i>Definition of Material</i>	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 material 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 audited 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 18 March 2019, the Company announced the completion of the private placement with the listing of 32,460,000 new ordinary shares at an issue price of RM0.090 per share ("Private Placement"). A total of RM2,921,400 was raised from the issuance of new shares.

8. Dividends Paid

No dividend was paid in the current quarter under review.

9. The Status of Corporate Proposals

Kenanga Investment Bank Berhad ("Kenanga IB") had on 16 August 2019 announced on behalf of the Company to BMSB that the Company proposes to undertake the settlement of debts owing by HWGB to three (3) creditors via the issuance of new ordinary shares in HWGB ("Shares(s)") ("Settlement Shares(s)") as detailed below:-

PART A (continued)

9. The Status of Corporate Proposals (continued)

- i) proposed settlement of debt owing to Vitaxel Hotels Group Sdn Bhd of RM1,000,000 via the issuance of 12,437,800 Settlement Shares at an issue price of RM0.0804 per Settlement Share (“Proposed Creditor Capitalisation 1”);
- ii) proposed settlement of debt owing to Grande Legacy Inc. of RM3,123,915 via the issuance of 38,854,700 Settlement Shares at an issue price of RM0.0804 per Settlement Share (“Proposed Creditor Capitalisation 2”); and
- iii) proposed settlement of debt owing to Financial Frontiers Pte. Ltd. of RM4,130,500 via the issuance of 51,374,400 Settlement Shares at an issue price of RM0.0804 per Settlement Share (“Proposed Creditor Capitalisation 3”).

(The Proposed Creditor Capitalisation 1, the Proposed Creditor Capitalisation 2 and the Proposed Creditor Capitalisation 3 are collectively referred to as the “Proposed Creditors Capitalisation”)

The Proposed Creditors Capitalisation is subject to the following approvals being obtained:-

- i) BMSB for the listing of and quotation for the Settlement Shares on the Main Market of BMSB;
- ii) the shareholders of HWGB at an EGM to be convened in relation to the Proposed Creditors Capitalisation; and
- iii) other relevant authorities or parties, if any.

Barring any unforeseen circumstances and subject to the approval of the relevant authority being obtained, the Board expects the Proposed Creditors Capitalisation to be completed by the 4th quarter of 2019.

10. Segmental Reporting

Analysis of the Group’s segmental revenue, results, assets and liabilities for business segments for the financial period ended 30 June 2019 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	Tin 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 2019								
Segmental revenue by strategic/functional division units								
External revenue	110	96,895	-	-	2,365	99,370	-	99,370
Inter-segment revenue	12	-	-	-	25	37	(37)	-
	122	96,895	-	-	2,390	99,407	(37)	99,370
Segmental revenue by regions								
Malaysia	122	-	-	-	2,390	2,512	(37)	2,475
The rest of Asia	-	17,787	-	-	-	17,787	-	17,787
North America	-	79,108	-	-	-	79,108	-	79,108
	122	96,895	-	-	2,390	99,407	(37)	99,370
Results								
Operating profit/(loss)	(3,780)	5,022	(20)	-	(55)	1,167	(44)	1,123
Profit/(Loss) before interest and tax	(3,780)	5,022	(20)	-	(55)	1,167	(44)	1,123
Profit/(Loss) before tax	(4,075)	4,412	(115)	-	(50)	172	(44)	128
Profit/(Loss) after tax	(4,075)	3,100	(115)	-	(50)	(1,140)	(44)	(1,184)
Non-controlling interest	-	-	-	-	*	-	-	*
Profit/(Loss) attributable to owners of the Company	(4,075)	3,100	(115)	-	(50)	(1,140)	(44)	(1,184)
Assets and liabilities as at 30 June 2019								
Segmental assets								
Consolidated total assets	101,143	92,269	21,810	-	1,779	217,001	(109,463)	107,538
Segmental liabilities								
Consolidated total liabilities	29,910	74,010	10,839	-	603	115,362	(39,565)	75,797
Segmental non-current assets by regions								
Malaysia	82,399	-	22	-	52	82,473	(71,427)	11,046
The rest of Asia	-	23,358	-	-	-	23,358	1,619	24,977
North America	-	-	-	-	-	-	-	-
	82,399	23,358	22	-	52	105,831	(69,808)	36,023

* Represents RM258

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 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	-	2,271	77,294	(137)	77,157
Results								
Profit/(Loss) from operations	(4,294)	3,634	(177)	(630)	(61)	(1,528)	780	(748)
Profit/(Loss) before interest and tax	(4,294)	3,634	(177)	(630)	(61)	(1,528)	780	(748)
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 31 December 2018								
Segmental assets								
Consolidated total assets	98,961	77,552	22,146	-	1,702	200,361	(107,482)	92,879
Segmental liabilities								
Consolidated total liabilities	28,105	63,385	11,060	-	476	103,026	(40,646)	62,380
Segmental non-current assets by regions								
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

Save as disclosed in Note 9, there were no material events subsequent to the end of the interim period.

13. Changes in the Composition of the Group

- (a) 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.
- (b) On 12 July 2019, the Company announced that it had disposed of its entire 100% equity holding in Ho Wah Genting (Labuan) Ltd (“HWG Labuan”) (Company no: LL01593) to Ho Wah Genting Holding Sdn Bhd (Company no: 475995-U) for a total cash consideration of USD2,000 (approximately RM8,267). With the completion of the disposal, HWG Labuan ceased to be a subsidiary of the Company.

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 (Second Quarter)		Cumulative Quarters (Year to-date)					
	Current Year Quarter 30/06/2019 RM'000	Preceding Year Corresponding Quarter 30/06/2018 RM'000	Changes		Current Year to-date 30/06/2019 RM'000	Preceding Year Corresponding Period 30/06/2018 RM'000	Changes	
			RM'000	%			RM'000	%
Revenue	62,027	37,454	24,573	65.6	99,370	77,157	22,213	28.8
Profit/(Loss) from operations	1,409	1,669	(260)	-15.6	1,123	(748)	1,871	250.1
Profit/(Loss) before interest and taxation	1,409	1,669	(260)	-15.6	1,123	(748)	1,871	250.1
Profit/(Loss) before taxation	884	614	270	44.0	128	(2,309)	2,437	105.5
Profit/(Loss) after taxation	(174)	413	(587)	-142.1	(1,184)	(2,510)	1,326	52.8
Profit/(Loss) attributable to owners of the Company	(174)	562	(736)	13.1	(1,184)	(2,221)	1,037	46.7

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 higher revenue of RM99.37 million (2018: RM77.16 million) recorded for the financial period ended 30 June 2019 was mainly due to higher sales of USD5.48 million from the Moulded Power Supply Cord Sets Division in Indonesia. The reasons for the higher revenue were mainly due to higher demand from existing customers and the re-scheduling of certain shipment delivery from first quarter to second quarter of 2019. The depreciation of RM against the USD also increased the Group’s revenue which is denominated in RM. The average exchange rate used for the financial period ended 30 June 2019 was RM4.1252/USD (2018: RM3.9376/USD).

The turnaround from loss before taxation of RM2.31 million for the financial period ended 30 June 2018 to profit before taxation of RM0.13 million for the financial period ended 30 June 2019 were mainly due to the followings:

- i) Higher profit before taxation of RM4.41 million (2018: RM3.13 million) generated from the Moulded Power Supply Cords Set Division;
- ii) Lower loss before taxation of RM4.08 million (2018: RM5.25 million) in the Investment Division;
- iii) Lower loss before taxation of RM0.12 million (2018: RM0.28 million) in the Wire and Cable Division; and
- iv) The disposal of Tin Mining Division on 6 December 2018 which incurred a loss before taxation of RM0.63 million for the financial period ended 30 June 2018.

B. Summary of Statement of Financial Positions of the Group

	Unaudited	Audited	Changes	
	30/06/2019	31/12/2018	RM’000	%
	RM’000	RM’000		
Non-current assets	36,023	36,332	(309)	-0.9
Current assets	71,515	56,547	14,968	26.5
Current liabilities	(63,641)	(47,986)	(15,655)	-32.6
Non-current liabilities	(12,156)	(14,394)	2,238	15.5
Equity attributable to owner of the Company	(31,735)	(30,033)	1,702	5.7
Non-controlling interest	(6)	(466)	(460)	98.7
Total equity	(31,741)	(30,499)	1,242	4.1

Figures in bracket denotes credit balances

The decrease of RM0.31 million or 0.9% in non-current assets were mainly due to depreciation charged on property, plant and equipment of RM1.70 million and purchase of plant and equipment of RM1.37 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 RM14.97 million or 26.5% in current assets were mainly due to increase in inventories and prepayment of RM2.27 million and RM2.86 million respectively for the purchase of raw materials to cater for the sales orders in the third quarter of 2019. In addition, there was an increase in trade receivables of RM8.74 million from the higher sales recorded in 2Q 2019 and advances of RM1.94 million to the associate of the Company for working capital requirement. However, the increase was reduced by decrease in cash and bank balances of RM0.89 million used to finance the working capital despite the inflow of RM2.92 million received from the Private Placement.

The increase of RM15.66 million or 32.6% in current liabilities were mainly due to the followings:

- i) Reclassifications of promissory notes payable in long term liabilities in 4Q 2018 of RM2.07 million into current liabilities; and
- ii) Drawdown of the remaining promissory note of RM2.02 million.
Also contributed to the higher current liabilities are the following payables to finance the higher sales recorded in 2Q 2019 which includes:
- iii) Higher trade payables of RM7.95 million;
- iv) Higher bank trade facilities drawdown of RM0.58 million; and
- v) Higher other payables and accruals of RM2.58 million.

The decrease of RM2.24 million or 15.5% 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 RM0.41 million into short term borrowings after scheduled repayment to financial institutions.

The increase in “equity attributable to owner of the Company” of RM1.70 million or 5.7% was mainly due to RM2.92 million proceeds received from the issuance of new ordinary shares pursuant to the private placement of shares. The increase was reduced by the total comprehensive loss for the period attributable to the owners of the Company of RM1.19 million.

The changes in non-controlling interest (“NCI”) from RM466,000 to RM6,000 was due to the acquisition of the remaining 49% from NCI not wholly owned by the Company as stated in Note 13 of Part A above.

The increase in “total equity” of RM1.24 million or 4.1% was mainly due to RM2.92 million proceeds received from the issuance of new ordinary shares pursuant to the private placement of shares. The increase was reduced by the total comprehensive loss attributable to owners of the Company for the period of RM1.19 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

	Unaudited 30/06/2019	Unaudited 30/06/2018	Changes	
	RM’000	RM’000	RM’000	%
Net cash from/(used in) operating activities	(217)	(8,573)	8,356	97.5
Net cash used in investing activities	(3,720)	(5,746)	2,026	35.3
Net cash from financing activities	3,045	16,554	(13,509)	-81.6
Exchange differences	2	5	(3)	-60.0
Net (decrease)/increase in cash and cash equivalent	(890)	2,240	(3,130)	-139.7

The “net cash used in operating activities” for the financial period ended 30 June 2019 was RM0.22 million as compared to RM8.57 million for the financial period ended 30 June 2018.

The lower net cash used in operating activities were mainly due to the following:

- i) Turnaround from loss before taxation of RM2.31 million into profit before taxation of RM0.13 million for the current financial period;
- ii) Increase in trade payables of RM7.95 million for the purchase of inventories; and
- iii) 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 “net cash used in operating” activities were reduced by the following:

- i) Higher inventories of RM2.27 million to cater for the sales orders in the third quarter of 2019;
- ii) Increase in trade receivables of RM8.74 million from the higher sales recorded in the second quarter of 2019;
- iii) Increase in prepayment of RM2.86 million paid to suppliers for the purchase of raw materials to cater for the sales orders in the third quarter of 2019; and
- iv) Payment of income tax of RM1.52 million.

The “net cash used in investing activities” of RM3.72 million were mainly due to cash advanced to an associate of RM1.94 million, acquisition of the remaining 49% from NCI in a subsidiary not wholly owned by the Company for cash consideration of RM0.49 million and purchased of plant and equipment of RM1.37 million.

The “net cash from financing activities” of RM3.05 million for the financial period ended 30 June 2019 were mainly derived from the following:

- i) Net drawdown of trade financing facilities of RM3.87 million; and
- ii) Proceeds of RM2.92 million from private placement of shares;

And deducting

- i) Repayment of term loans of RM3.70 million; and
- ii) Repayment of hire purchase obligations of RM0.05 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

I. Moulded Power Supply Cord Sets Division

Summary of revenue by regions	Cumulative Quarters			
	30/06/2019 USD’000	30/06/2018 USD’000	Changes USD’000	%
Sales to external parties				
North America	19,177	17,770	1,407	7.9
The rest of Asia	4,312	1,208	3,104	257.0
	<u>23,489</u>	<u>18,978</u>	<u>4,511</u>	<u>23.8</u>
Sales within HWGB Group				
Malaysia – Wires and Cables Division	-	14	(14)	-100.0
	<u>23,489</u>	<u>18,992</u>	<u>4,497</u>	<u>23.7</u>

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

The sales to North America increased by USD1.41 million or 7.9% for the financial period ended 30 June 2019 due to higher demand from existing customers and re-scheduling of certain shipments delivery from first quarter to second quarter of 2019.

The sales to “the rest of Asia” was USD4.31 million, an increase of USD3.10 million or 257.0% as compared to the preceding year’s corresponding period. Included in the sales to “the rest of Asia” is an amount of USD3.16 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 USD14,000 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 import.
- 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			
	30/06/2019 USD’000	30/06/2018 USD’000	Changes USD’000	%
Revenue	23,489	18,992	4,497	23.7
Operating profit	1,217	943	274	29.1
Profit before interest and taxation	1,217	943	274	29.1
Profit before taxation	1,069	815	254	31.2
Profit after taxation	751	764	(13)	-1.7
Profit attributable to owner of the Company	751	764	(13)	-1.7

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 USD1.07 million (2018: USD0.82 million) for the financial period ended 30 June 2019 were due to higher revenue generated and better profit margin from the products mix and improved production efficiency.

II. Wires and Cables Division

There were no sales in the period under review for this division as compared to RM0.06 million recorded in the financial period ended 30 June 2018 and were mainly due to the following tough competition from local manufacturers:

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

The lower loss before taxation of RM0.12 million for the financial period ended 30 June 2019 were mainly due to net unrealised foreign currency exchange loss of RM0.01 million and finance costs of RM0.10 million. The preceding year’s loss before taxation of RM0.28 million were mainly due to net unrealised foreign currency exchange loss of RM0.03 million and finance costs of RM0.10 million. The exchange rate as at 30 June 2019 was RM4.1335/USD as compared to RM4.0375/USD on 30 June 2018.

III. Travel Services Division

Summary of revenue by products

	Cumulative Quarter			
	30/06/2019 RM'000	30/06/2018 RM'000	Changes RM'000	%
Sales to external parties				
Tour packages	1,199	1,054	145	13.8
Cruise tour	171	309	(138)	-44.7
Hotel booking	115	164	(49)	-29.9
Air tickets	850	699	151	21.6
Other tour related services	30	29	1	3.4
	2,365	2,255	110	4.9
Sales within HWGB Group				
Air tickets	25	16	9	56.3
	2,390	2,271	119	5.2

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 of RM2.39 million (2018: RM2.27 million) for the financial period ended 30 June 2019 were due to higher sales of tour packages and air tickets. The higher revenue generated had reduced the loss before taxation to RM0.05 million (2018: RM0.06 million).

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 of RM4.06 million for the financial period ended 30 June 2019 as compared to a loss before taxation of RM4.35 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 30 June 2019 have not been affected by any transactions or events of a material or unusual nature which have arisen from 30 June 2019 to the date of issue of this quarterly report.

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 Result (Individual 2nd Quarter 2019 vs Individual 2nd Quarter 2018)

The higher revenue of RM62.03 million (2Q 2018: RM37.45 million) recorded for the current quarter were mainly due to higher sales of USD14.70 million (2Q 2018: USD9.22 million) from the Moulded Power Supply Cord Sets Division in Indonesia. The reasons for the higher revenue were mainly due to the higher demand from existing customers and the re-scheduling of certain shipment delivery from the first quarter to second quarter of 2019. The depreciation of RM against the USD also increased the revenue of the Group in RM denomination. The average exchange rate used for the current quarter was RM4.1252/USD (2Q 2018: RM3.9376/USD).

The higher profit before taxation of RM0.88 million (2Q 2018: RM0.61 million) recorded for the current quarter was mainly due to higher revenue generated from the Moulded Power Supply Cords Set Division.

3. Comparison of Current Quarter Against Preceding Quarter’s Results (Individual 2nd Quarter 2019 vs Individual 1st Quarter 2019)

The Group’s revenue for the current quarter increased by RM24.68 million or 66.1% as compared to its immediate preceding quarter. The higher revenue were mainly due to seasonal higher sales of USD14.70 million (1Q 2019: USD8.79 million) and the re-scheduling of certain shipment delivery from 1Q 2019 to 2Q 2019. The depreciation of RM against the USD in the current quarter has also increased the RM revenue. The average exchange rate used for the current quarter was RM4.1252/USD (1Q 2019: RM4.1015/USD).

The Group recorded a profit before taxation of RM0.88 million in the current quarter as compared to a loss before taxation of RM0.76 million in the immediate preceding quarter. The turnaround from loss before taxation into profit before taxation in the current quarter were mainly due to the following:

- i) Higher profit before taxation in the Moulded Power Supply Cord Sets Division of RM2.86 million (1Q 2019: RM1.55 million); and
- ii) Lower loss before taxation in the Investment Division of RM1.96 million (1Q 2019: RM2.12 million).

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

4. Commentary on Prospects

The trade war between US and China may have a favourable effect on 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. Also, the on-going trade war has caused uncertainties in the global market which may affect the demands and our Group’s revenue as well.

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 opened to shoppers in October 2018. From the improved revenue and lower loss before taxation recorded in the first half year 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. Profit/(Loss) from operations

Profit/(Loss) from operations is derived at:

	Individual Quarter		Cumulative Quarter	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
After charging:				
Amortisation of intangible assets	-	2	-	4
Bad debts written off	-	-	34	-
Depreciation - Property, plant and equipment	865	423	1,704	1662
Depreciation – Right of use assets	6	-	6	-
Rental of premises	6	6	12	12
Rental of plant and equipment	-	61	-	103
Retirement benefit obligations	125	118	248	358
Loss on foreign exchange				
- Realised	(61)	142	174	161
- Unrealised	(122)	(1,042)	170	56
And crediting:				
Allowance for expected credit loss no longer required – Trade receivables	1	2	3	4
Gain on disposal of plant and equipment	-	51	9	76
Rental income from premises	146	143	291	289
Gain on foreign exchange				
- Realised	-	144	-	236
- Unrealised	225	(208)	12	201

7. Finance income

	Individual Quarter		Cumulative Quarter	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Interest income from fixed deposit	7	9	12	15
Interest income from bank accounts	2	2	7	3
Interest income from loan to an associate	-	-	34	-
	9	11	53	18

8. Finance costs

	Individual Quarter		Cumulative Quarter	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Interest expense – hire purchase	6	6	13	10
Interest expense – lease	2	-	2	-
Interest expense – promissory notes	124	184	247	184
Interest expense – term loans	157	300	361	492
Interest expense – trade finance	245	29	425	29
	534	519	1,048	715

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	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
i. Current tax expense				
- Malaysia	-	-	-	-
- Overseas	(1,058)	(201)	(1,312)	(201)
	<u>(1,058)</u>	<u>(201)</u>	<u>(1,312)</u>	<u>(201)</u>
ii. Under/(Over) provision in prior year:				
- Malaysia	-	-	-	-
- Overseas	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
iii. Deferred tax liabilities/(assets):				
- Malaysia	-	-	-	-
- Overseas	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>(1,058)</u>	<u>(201)</u>	<u>(1,312)</u>	<u>(201)</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 30 June 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 30 June 2019 is as follows:

	Unaudited	Audited
	30/06/2019	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

	Unaudited 30/06/2019 RM'000	Unaudited 30/06/2018 RM'000
Revenue	11,343	1,490
Loss before tax	(1,593)	(2,646)
Net loss/Total comprehensive loss	<u>(1,593)</u>	<u>(2,554)</u>

(b) Summarised statement of financial position

	Unaudited 30/06/2019 RM'000	Audited 31/12/2018 RM'000
Assets		
Non-current assets	10,944	6,949
Current assets	9,452	10,728
Total assets	<u>20,396</u>	<u>17,677</u>
Liabilities		
Non-current liabilities	9,465	545
Current liabilities	14,632	19,889
Total liabilities	<u>24,097</u>	<u>20,434</u>
Net liabilities	<u>(3,701)</u>	<u>(2,757)</u>
Equity		
Share capital	2,000	2,000
Reserve		
- Accumulated loss brought forward	(4,757)	-
- Prior year adjustment (Note)	649	-
- Current period losses	(1,593)	(4,757)
- Accumulated loss carried forward	<u>(5,701)</u>	<u>(4,757)</u>
Capital Deficiency	<u>(3,701)</u>	<u>(2,757)</u>

Note:

The prior year adjustment is made in respect of the adoption of "Malaysian Financial Reporting Standard ("MFRS") 16: Leases".

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

12. Group Borrowings and Debt Securities (continued)

	As at second quarter ended 30 June 2019					
	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	-	3,597	-	197	-	3,794
Term Loan 2	-	1,504	-	96	-	1,600
Term Loan 3 *	-	-	855	3,536	855	3,536
Trade financing*	-	-	3,574	14,775	3,574	14,775
	-	5,101	4,429	18,604	4,429	23,705
Hire purchase liabilities	-	426	-	93	-	519
Lease liabilities	-	39	-	12	-	51
	-	5,566	4,429	18,709	4,429	24,275

* USD1.0000 is equivalent to RM4.1335

	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
Secured						
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 USD4.00 million (2018: USD3.0 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 16 August 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 16 August 2019, being the latest practicable date.

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

- (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:

Proposed utilisation of proceeds	Proposed utilisation	Actual utilisation as at 16/08/2019	Balance	Estimated timeframe for utilisation from listing of Placement Shares
	RM'000	RM'000	RM'000	
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
	2,921	(2,200)	721	

- (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:

Proposed utilization of proceeds	Proposed utilization	Actual utilization as at 16/08/2019	Varied utilization of proceed	Balance	Estimated timeframe for utilization from listing of Placement Shares
	RM'000	RM'000	RM'000	RM'000	
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	(2,964)	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
Total	13,484	(13,484)	-	-	

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. Earnings/(Loss) per share

Basic

	Individual Quarter		Cumulative Quarter	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
Profit/(Loss) attributable to shareholders of the Company (RM'000)	(174)	562	(1,184)	(2,221)
Weighted average number of ordinary shares ('000) – basic	343,442	288,591	343,442	288,591
Basic (sen)	<u>(0.05)</u>	<u>0.19</u>	<u>(0.34)</u>	<u>(0.77)</u>

Diluted

As at 30 June 2019 and 30 June 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. The diluted earnings per share for the individual quarter as at 30 June 2018 was 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: 21 August 2019