



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

NOTES TO FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 ("HWGB") to BMSB that the Company proposes to undertake the settlement of debts owing by HWGB to three (3) creditors by 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 Extraordinary General Meeting (“EGM”) to be convened in relation to the Proposed Creditors Capitalisation; and
- iii) other relevant authorities or parties, if any.

On 13 September 2019, the Company through its advisor Kenanga IB has announced that BMSB via its letter dated on the same date has resolved to approve the listing and quotation of 102,666,900 Settlement Shares to be issued pursuant to the Proposed Creditors Capitalisation. The approval by BMSB is subject to the following conditions:-

- i) HWGB and Kenanga IB must fully comply with the relevant provisions under the Main Market Listing Requirements of BMSB pertaining to the implementation of the Proposed Creditors Capitalisation;
- ii) HWGB and Kenanga IB to inform BMSB upon the completion of the Proposed Creditors Capitalisation;
- iii) HWGB or Kenanga IB to confirm and furnish a certified true copy of the resolution passed by the shareholders of HWGB approving the Proposed Creditors Capitalisation to BMSB prior to the listing and quotation of the Settlement Shares; and

PART A (continued)

9. The Status of Corporate Proposals (continued)

- iv) Kenanga IB to furnish BMSB with a written confirmation of its compliance with the terms and conditions of BMSB's approval, including the compliance of the public shareholding spread requirements, prior to the listing and quotation of the Settlement Shares.

On 30 September 2019, HWGB announced that the EGM for the Proposed Creditors Capitalisation will be held at 2.00 pm on 17 October 2019.

On 17 October 2019, the Board of Directors of HWGB announced that the Proposed Creditors Capitalisation as detailed in the Circular to shareholders dated 01 October 2019 were duly approved by the shareholders at the EGM held on the same date.

On 29 October 2019, the Company through its advisor Kenanga IB has announced that the conditions precedent in the agreement for the Proposed Creditors Capitalisation have been fulfilled on 25 October 2019.

On 1 November 2019, the Company through its advisor Kenanga IB announced that the Creditors Capitalisation has been completed following the listing of and quotation for 102,666,900 Settlement Shares on the BMSB's Main Market on 1 November 2019.

10. Segmental Reporting

Analysis of the Group's segmental revenue, results, assets and liabilities for business segments for the financial period ended 30 September 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 9 months period ended 30 September 2019								
Segmental revenue by strategic/functional division units								
External revenue	166	143,090	-	-	3,336	146,592	-	146,592
Inter-segment revenue	18	-	-	-	37	55	(55)	-
	184	143,090	-	-	3,373	146,647	(55)	146,592
Segmental revenue by regions								
Malaysia	184	-	-	-	3,373	3,557	(55)	3,502
The rest of Asia	-	28,579	-	-	-	28,579	-	28,579
North America	-	114,511	-	-	-	114,511	-	114,511
	184	143,090	-	-	3,373	146,647	(55)	146,592
Results								
Operating profit/(loss)	(5,634)	6,817	69	-	(65)	1,187	48	1,235
Profit/(Loss) before interest and tax	(5,634)	6,817	69	-	(65)	1,187	48	1,235
Profit/(Loss) before tax	(6,105)	5,939	(73)	-	(60)	(299)	48	(251)
Profit/(Loss) after tax	(6,105)	4,284	(73)	-	(60)	(1,954)	48	(1,906)
Non-controlling interest	-	-	-	-	*	*	-	*
Profit/(Loss) attributable to owners of the Company	(6,105)	4,284	(73)	-	(60)	(1,954)	48	(1,906)
Assets and liabilities as at 30 September 2019								
Segmental assets								
Consolidated total assets	100,670	75,430	21,990	-	2,097	200,187	(109,485)	90,702
Segmental liabilities								
Consolidated total liabilities	31,355	55,735	10,977	-	930	98,997	(39,569)	59,428
Segmental non-current assets by regions								
Malaysia	82,179	-	20	-	49	82,248	(71,427)	10,821
The rest of Asia	-	23,157	-	-	-	23,157	1,598	24,755
North America	-	-	-	-	-	-	-	-
	82,179	23,157	20	-	49	105,405	(69,829)	35,576

* Represents RM311

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 9 months period ended 30 September 2018								
Segmental revenue by strategic/functional division units								
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>
Segmental revenue by regions								
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>(185)</u>	<u>121,259</u>
Results								
Profit/(Loss) from operations	(6,056)	5,986	(1)	(800)	(142)	(1,013)	780	(233)
Profit/(Loss) before interest and tax	(6,056)	5,986	(1)	(800)	(142)	(1,013)	780	(233)
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>
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	-	-	-	-	-	-	-	-
	<u>80,945</u>	<u>21,989</u>	<u>5</u>	<u>648</u>	<u>54</u>	<u>103,641</u>	<u>(67,309)</u>	<u>36,332</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

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 (Third Quarter)		Cumulative Quarters (Year to-date)					
	Current Year Quarter 30/09/2019 RM'000	Preceding Year Corresponding Quarter 30/09/2018 RM'000	Changes		Current Year to-date 30/09/2019 RM'000	Preceding Year Corresponding Period 30/09/2018 RM'000	Changes	
			RM'000	%			RM'000	%
Revenue	47,222	44,102	3,120	7.1	146,592	121,259	25,333	20.9
Profit/(Loss) from operations	112	515	(403)	-78.3	1,235	(233)	1,468	630.0
Profit/(Loss) before interest and taxation	112	515	(406)	-78.3	1,235	(233)	1,468	630.0
Profit/(Loss) before taxation	(379)	121	(500)	-413.2	(251)	(2,188)	1,937	88.5
Loss after taxation	(722)	(2,178)	1,456	66.9	(1,906)	(4,688)	2,782	59.3
Loss attributable to owners of the Company	(722)	(2,106)	1,384	65.7	(1,906)	(4,327)	2,421	56.0

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

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

A. Overall Review of Group’s Financial Performance

The higher revenue of RM146.59 million (2018: RM121.26 million) recorded for the financial period ended 30 September 2019 was mainly due to higher sales of USD34.57 million as compared to USD29.51 million for the same corresponding period in 2018 from the Moulded Power Supply Cord Sets Division in Indonesia. The higher revenue were mainly due to higher demand from existing and new customers. The weakening 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 September 2019 was RM4.1388/USD (2018: RM3.9839/USD).

The lower loss before taxation of RM0.25 million for the financial period ended 30 September 2019 as compared to loss before taxation of RM2.19 million for the financial period ended 30 September 2018 were mainly due to the following:

- i) Higher profit before taxation of RM5.94 million (2018: RM5.20 million) generated from the Moulded Power Supply Cords Set Division;
- ii) Lower loss before taxation of RM6.11 million (2018: RM7.07 million) in the Investment Division;
- iii) Lower loss before taxation of RM0.07 million (2018: RM0.15 million) in the Wire and Cable Division;
- iv) Lower loss before taxation of RM0.06 million (2018: RM0.14 million) in the Travel Services Division; and
- v) The disposal of Tin Mining Division on 6 December 2018 which incurred a loss before taxation of RM0.80 million for the financial period ended 30 September 2018.

B. Summary of Statement of Financial Positions of the Group

	Unaudited 30/09/2019 RM’000	Audited 31/12/2018 RM’000	Changes RM’000	%
Non-current assets	35,576	36,332	(756)	-2.1
Current assets	55,126	56,547	(1,421)	-2.5
Current liabilities	(47,102)	(47,986)	884	1.8
Non-current liabilities	(12,326)	(14,394)	2,068	14.4
Equity attributable to owner of the Company	(31,268)	(30,033)	(1,235)	-4.1
Non-controlling interest	(6)	(466)	460	98.7
Total equity	(31,274)	(30,499)	(775)	-2.5

Figures in bracket denotes credit balances

The decrease of RM0.76 million or 2.1% in non-current assets were mainly due to depreciation charged on property, plant and equipment of RM2.58 million and purchase of plant and equipment of RM1.48 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 decrease of RM1.42 million or 2.5% in current assets were mainly due to the following:

- i) Decrease in inventories of RM4.65 million issued for productions to cater for the third quarter sales; and
- ii) Decrease in trade receivables of RM0.32 million from the payment received.

The decrease was reduced by the following:

- i) Advances of RM1.94 million to the associate of the Company for working capital requirements; and
- ii) Increase in cash and bank balances of RM1.67 million.

The decrease of RM0.88 million or 1.8% in current liabilities were mainly due to the following:

- i) Decrease in trade and other payables of RM1.70 million after payments; and
- ii) Net repayment of short-term bank borrowings of RM2.85 million.

The decrease was reduced by the following:

- 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.

The decrease in non-current liabilities of RM2.07 million or 14.4% was mainly due to reclassification of promissory note of RM2.07 million from non-current liabilities of 4Q 2018 into current liabilities.

The increase in “equity attributable to owner of the Company” 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 for the period attributable to the owners of the Company of RM1.66 million.

The changes in non-controlling interest (“NCI”) from RM466,000 to RM6,000 was due to the acquisition of the remaining 49% of HWG Duty Free from NCI as stated in Note 13 of Part A above.

The increase in “total equity” of RM0.78 million or 2.5% 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 RM1.66 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 30/09/2019	Unaudited 30/09/2018	Changes	
	RM’000	RM’000	RM’000	%
Net cash from/(used in) operating activities	5,532	(10,112)	15,644	154.7
Net cash used in investing activities	(3,723)	(6,849)	3,126	45.6
Net cash (used in)/from financing activities	(552)	16,597	(17,149)	-103.3
Exchange differences	413	39	374	958.9
Net increase/(decrease) in cash and cash equivalent	1,670	(325)	1,995	613.8

The “net cash from operating activities” for the financial period ended 30 September 2019 was RM5.53 million as compared to a “net cash used in operating activities” of RM10.11 million for the financial period ended 30 September 2018.

The higher “net cash from operating activities” were mainly due to the following:

- i) Lower loss before taxation of RM0.25 million in the current financial period as compared to loss before taxation of RM2.19 million for the preceding year’s corresponding period;
- ii) Decrease in inventories of RM4.65 million issued for productions to cater for the third quarter sales; and
- iii) Payment of income tax of RM1.96 million.

The “net cash used in investing activities” of RM3.72 million were mainly due to cash advanced to an associate of RM1.84 million, acquisition of the remaining 49% of HWG Duty Free from NCI for cash consideration of RM0.49 million and purchased of plant and equipment of RM1.48 million.

The “net cash used in financing activities” of RM0.55 million for the financial period ended 30 September 2019 were mainly derived from the following:

- i) Net drawdown of trade financing facilities of RM1.95 million; and
- ii) Proceeds of RM2.92 million from private placement of shares;

And deducting

- i) Repayment of term loans of RM5.35 million; and
- ii) Repayment of hire purchase obligations of RM0.07 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			
	30/09/2019 USD’000	30/09/2018 USD’000	Changes USD’000	%
Sales to external parties				
North America	27,668	27,601	67	0.2
The rest of Asia	6,905	1,905	5,000	262.5
	34,573	29,506	5,067	17.2
Sales within HWGB Group				
Malaysia – Wires and Cables Division	-	23	(23)	-100.0
	34,573	29,529	5,044	17.1

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

The sales to North America remain constant for both financial periods ended 30 September 2019 and 30 September 2018.

The sales to “the rest of Asia” was USD6.91 million, an increase of USD5.00 million or 262.5% as compared to the preceding year’s corresponding period as certain North American buyers had purchased via Taiwanese trading house instead.

There were no sales to the Wires and Cables Division for the current financial year todate as compared to USD23,000 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; and
- 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			
	30/09/2019 USD’000	30/09/2018 USD’000	Changes USD’000	%
Revenue	34,573	29,529	5,044	17.1
Operating profit	1,647	1,503	144	9.6
Profit before interest and taxation	1,647	1,503	144	9.6
Profit before taxation	1,435	1,304	131	10.0
Profit after taxation	1,035	677	358	52.9
Profit attributable to owner of the Company	1,035	677	358	52.9

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 USD1.44 million (2018: USD1.30 million) for the financial period ended 30 September 2019 were due to higher revenue generated.

II. Wires and Cables Division

There were no sales in the period under review for this division as compared to RM0.10 million recorded in the financial period ended 30 September 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
- (c) Longer credit term given.

The Wires and Cable Division recorded a loss before taxation of RM0.07 million for the financial period ended 30 September 2019 (2018: RM0.15 million). Included in the loss before taxation is a net unrealised foreign currency exchange gain of RM0.10 million (2018: RM0.15 million). The exchange rate as at 30 September 2019 was RM4.1900/USD as compared to RM4.1365/USD on 30 September 2018.

III. Travel Services Division

Summary of revenue by products

	Cumulative Quarter			
	30/09/2019	30/09/2018	Changes	
	RM'000	RM'000	RM'000	%
Sales to external parties				
Tour packages	1,573	1,565	8	0.5
Cruise tour	276	325	(49)	-15.1
Hotel booking	188	205	(17)	-8.3
Air tickets	1,243	1,297	(54)	-4.2
Other tour related services	56	51	5	9.8
	3,336	3,443	(107)	-3.1
Sales within HWGB Group				
Air tickets	37	24	13	54.2
	3,373	3,467	(94)	-2.7

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)

III. Travel Services Division (continued)

The Travel and Services Division recorded a lower revenue of RM3.37 million (2018: RM3.47 million) for the financial period ended 30 September 2019 due to lower sales of cruise tour and air tickets. The lower revenue from the sales of air tickets was mainly due to customers’ preference in self-online air tickets booking rather than through travel agent. The lower revenue recorded for cruise tour was due to one off group cruise tour of RM0.19 million in the preceding year’s corresponding period.

The Travel Services Division recorded a lower loss of RM0.06 million (2018: RM0.14 million). The higher loss before taxation in the preceding year’s corresponding period was mainly due to share option expenses of RM0.07 million (2019: RM nil) for granting of ESOS to the eligible employees of the Travel Services Division.

IV. Investment Division

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

At Company level, the Company recorded a loss before taxation of RM6.21 million (2018: RM6.39 million). For the current financial period, the Company incurred a higher net finance costs of RM0.47 million (2018: RM0.16 million) and higher administrative expenses of RM5.09 million (2018: RM4.68 million). In the preceding year’s corresponding period, the Company made an allowance of expected credit loss of RM1.02 million (2019: RM nil) on a subsidiary company which was disposed on 8 December 2018.

In the opinion of the Directors, other than those disclosed above, the results for the financial period ended 30 September 2019 have not been affected by any transactions or events of a material or unusual nature which have arisen from 30 September 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 3rd Quarter 2019 vs Individual 3rd Quarter 2018)

The higher revenue of RM47.22 million (3Q 2018: RM44.10 million) recorded for the current quarter were mainly due to higher sales of USD11.08 million (3Q 2018: USD10.53 million) from the Moulded Power Supply Cord Sets Division in Indonesia. The higher revenue was mainly due to the higher demand from existing and new customers. The weakening 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 RM4.1388/USD (3Q 2018: RM3.9839/USD).

The Group incurred a loss before taxation of RM0.38 million as compared to a profit before taxation of RM0.12 million in 3Q 2018. The loss before taxation was mainly due to lower profit margin earned from the Moulded Power Supply Cords Set Division and higher finance costs incurred.

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

The Group’s revenue for the current quarter decreased by RM14.81 million or 23.9% as compared to the immediate preceding quarter. The higher revenue in the immediate preceding current quarter were due to re-scheduling of certain shipment delivery from 1Q 2019 to 2Q 2019 and the lower average copper price of USD6,483 per metric tonne (“MT”) (2Q 2019: USD6,650 MT)

The Group incurred a loss before taxation of RM0.38 million in the current quarter as compared to a profit before taxation of RM0.88 million in the immediate preceding quarter. The loss before taxation incurred in current quarter were mainly due to lower profit before taxation in the Moulded Power Supply Cord Sets Division of RM1.53 million (2Q 2019: RM2.86 million) caused by lower revenue recorded and lower profit margin earned.

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 sales in 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 nine months 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	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
After charging:				
Amortisation of intangible assets	-	2	-	6
Bad debts written off	-	-	34	-
Depreciation - Property, plant and equipment	874	967	2,578	2,629
Depreciation – Right of use assets	4	-	10	-
Rental of premises	6	6	18	18
Rental of plant and equipment	-	8	-	111
Retirement benefit obligations	124	124	372	482
Loss on foreign exchange				
- Realised	(1)	(10)	173	151
- Unrealised	73	144	243	200
And crediting:				
Allowance for expected credit loss no longer required – Trade receivables	-	3	3	7
Gain on disposal of plant and equipment	19	1	28	77
Rental income from premises	148	(22)	439	267
Gain on foreign exchange				
- Realised	-	239	-	475
- Unrealised	302	382	314	583

7. Finance income

	Individual Quarter		Cumulative Quarter	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Interest income from fixed deposit	1	-	13	15
Interest income from bank accounts	1	3	8	6
Interest income from loan to an associate	-	-	34	-
	2	3	55	21

8. Finance costs

	Individual Quarter		Cumulative Quarter	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Interest expense – hire purchase	6	8	19	18
Interest expense – lease	2	-	4	-
Interest expense – promissory notes	124	-	371	-
Interest expense – term loans	142	272	503	948
Interest expense – trade finance	219	117	644	146
	493	397	1,541	1,112

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	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
i. Current tax expense				
- Malaysia	-	-	-	-
- Overseas	343	1,580	1,655	1,580
	<u>343</u>	<u>1,580</u>	<u>1,655</u>	<u>1,580</u>
ii. Under/(Over) provision in prior year:				
- Malaysia	-	-	-	-
- Overseas	-	719	-	920
	<u>-</u>	<u>719</u>	<u>-</u>	<u>920</u>
iii. Deferred tax liabilities/(assets):				
- Malaysia	-	-	-	-
- Overseas	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>343</u>	<u>2,299</u>	<u>1,655</u>	<u>2,500</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 September 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 September 2019 is as follows:

	Unaudited 30/09/2019 RM'000	Audited 31/12/2018 RM'000
Unquoted shares at cost	980	980
Share of post acquisition loss	<u>(980)</u>	<u>(980)</u>
	<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 30/09/2019 RM'000	Unaudited 30/09/2018 RM'000
Revenue	17,742	4,226
Loss before tax	(2,227)	(3,230)
Net loss/Total comprehensive loss	<u>(2,227)</u>	<u>(3,230)</u>

(b) Summarised statement of financial position

	Unaudited 30/09/2019 RM'000	Audited 31/12/2018 RM'000
Assets		
Non-current assets	10,115	6,949
Current assets	10,833	10,728
Total assets	<u>20,948</u>	<u>17,677</u>
Liabilities		
Non-current liabilities	8,275	545
Current liabilities	17,008	19,889
Total liabilities	<u>25,283</u>	<u>20,434</u>
Net liabilities	<u>(4,335)</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	(2,227)	(4,757)
- Accumulated loss carried forward	(6,335)	(4,757)
Capital Deficiency	<u>(4,335)</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 third quarter ended 30 September 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	-	3,652	-	189	-	3,841
Term Loan 2	-	1,471	-	129	-	1,600
Term Loan 3 *	-	-	439	1,839	439	1,839
Trade financing*	-	-	3,107	13,020	3,107	13,020
	-	5,123	3,546	15,177	3,546	20,300
Hire purchase liabilities	-	402	-	93	-	495
Lease liabilities	-	36	-	13	-	49
	-	5,561	3,546	15,283	3,546	20,844

* USD1.0000 is equivalent to RM4.1900

	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 19 November 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 19 November 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

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 RM'000	Actual utilisation as at 19/11/2019	Balance RM'000	Estimated timeframe for utilisation from listing of Placement Shares
		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	(2,921)	-	

17. Loss per share

Basic

	Individual Quarter		Cumulative Quarter	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Loss attributable to shareholders of the Company (RM'000)	(722)	(2,106)	(1,906)	(4,327))
Weighted average number of ordinary shares ('000) – basic	348,035	300,730	348,035	300,730
Basic (sen)	(0.21)	(0.70)	(0.55)	(1.44)

Diluted

As at 30 September 2019 and 30 September 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: 26 November 2019