



HO WAH GENTING BERHAD

Company No: 272923-H

(Incorporated In Malaysia)

**NOTES TO FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 7	: Financial Instruments: Disclosures, MFRS 9 Financial Instruments and MFRS 139 Financial Instruments: Recognition and Measurement – <i>Interest Rate Benchmark Reform</i>	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 Moulded Power Supply Cord Sets 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 year, the Company increased its issued and paid up capital by way of:

- (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 and the quotation 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.
- (b) Creditors' capitalisation by issuing 102,666,900 new ordinary shares of the Company at an issue price of RM0.0804 per share to settle the outstanding debts owing to three (3) creditors of the Company totaling RM8,254,415. On 01 November 2019, the Company announced the completion of the creditors' capitalisation with the listing and the quotation of 102,666,900 new ordinary shares on the BMSB's Main Market on the same date.



PART A (continued)

8. Dividends Paid

No dividend was paid in the current quarter under review.

9. The Status of Corporate Proposals

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

10. Segmental Reporting

Analysis of the Group's segmental revenue, results, assets and liabilities for business segments for the financial year ended 31 December 2019 are as follows:



Ho Wah Genting Berhad (Company No: 272923-H)
 [Notes to Quarterly Financial Report – continued]

PART A (continued)

10. Segmental Reporting (continued)

	Investments 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 12 months period ended 31 December 2019								
Segmental revenue by strategic/functional division units								
External revenue	203	175,667	-	-	5,100	180,970	-	180,970
Inter-segment revenue	24	-	-	-	46	70	(70)	-
	<u>227</u>	<u>175,667</u>	<u>-</u>	<u>-</u>	<u>5,146</u>	<u>181,040</u>	<u>(70)</u>	<u>180,970</u>
Segmental revenue by regions								
Malaysia	227	-	-	-	5,146	5,373	(70)	5,303
The rest of Asia	-	34,025	-	-	-	34,025	-	34,025
North America	-	141,642	-	-	-	141,642	-	141,642
	<u>227</u>	<u>175,667</u>	<u>-</u>	<u>-</u>	<u>5,146</u>	<u>181,040</u>	<u>(70)</u>	<u>180,970</u>
Results								
Operating profit/(loss)	(12,745)	7,306	(152)	-	(48)	(5,639)	1,388	(4,251)
Profit/(Loss) before interest and tax	(12,745)	7,306	(152)	-	(48)	(5,639)	1,388	(4,251)
Profit/(Loss) before tax	(13,035)	6,209	(342)	-	(43)	(7,211)	1,388	(5,823)
Profit/(Loss) after tax	(12,925)	4,867	(342)	-	(43)	(8,443)	1,453	(6,990)
Non-controlling interest	-	-	-	-	*	*	-	*
Profit/(Loss) attributable to owners of the Company	<u>(12,925)</u>	<u>4,867</u>	<u>(342)</u>	<u>-</u>	<u>(43)</u>	<u>(8,443)</u>	<u>1,453</u>	<u>(6,990)</u>
Assets and liabilities as at 31 December 2019								
Segmental assets								
Consolidated total assets	97,874	81,485	21,589	-	1,789	202,737	(107,493)	95,244
Segmental liabilities								
Consolidated total liabilities	27,144	62,526	10,844	-	606	101,120	(39,164)	61,956
Segmental non-current assets by regions								
Malaysia	80,507	-	19	-	47	80,573	(69,976)	10,597
The rest of Asia	-	22,062	-	-	-	22,062	1,368	23,430
North America	-	-	-	-	-	-	-	-
	<u>80,507</u>	<u>22,062</u>	<u>19</u>	<u>-</u>	<u>47</u>	<u>102,635</u>	<u>(68,608)</u>	<u>34,027</u>

* Represents debit of RM224



Ho Wah Genting Berhad (Company No: 272923-H)
 [Notes to Quarterly Financial Report – continued]

PART A (continued)

10. Segmental Reporting (continued)

	Investments 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 12 months period ended 31 December 2018								
Segmental revenue by strategic/functional division units								
External revenue	221	154,774	99	-	4,613	159,707	-	159,707
Inter-segment revenue	77	91	-	-	31	199	(199)	-
	298	154,865	99	-	4,644	159,906	(199)	159,707
Segmental revenue by regions								
Malaysia	298	91	99	-	4,644	5,132	(199)	4,933
The rest of Asia	-	12,666	-	-	-	12,666	-	12,666
North America	-	142,108	-	-	-	142,108	-	142,108
	298	154,865	99	-	4,644	159,906	(199)	159,707
Results								
Profit/(Loss) from operations	(8,251)	7,634	(15)	54,319	(163)	53,524	(53,173)	351
Profit/(Loss) before interest and tax	(8,251)	7,634	(15)	54,319	(163)	53,524	(53,173)	351
Profit/(Loss) before tax	(9,049)	7,507	(220)	54,318	(158)	52,398	(53,173)	(775)
Profit/(Loss) after tax	(8,939)	1,791	(220)	54,318	(158)	46,792	(53,173)	(6,381)
Non-controlling interest	4	-	-	(26,616)	1	(26,611)	-	(26,611)
Profit/(Loss) attributable to owners of the Company	(8,935)	1,791	(220)	27,702	(157)	20,181	(53,173)	(32,992)
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	-	54	81,004	(67,911)	13,093
The rest of Asia	-	21,989	-	-	-	21,989	1,250	23,239
North America	-	-	-	-	-	-	-	-
	80,945	21,989	5	-	54	102,993	(66,661)	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

- (a) During the financial year, 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.
- (c) On 17 February 2020, the Company incorporated a subsidiary, 3H Healthcare AI Sdn Bhd with an issued and paid up capital of RM100. The Company holds 60% equity interest and LIU Marketing Sdn Bhd holds the balance 40%.

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 (Fourth Quarter)		Changes		Cumulative Quarters (Year to-date)		Changes	
	Current Year Quarter 31/12/2019 RM’000	Preceding Year Corresponding Quarter 31/12/2018 RM’000	RM’000	%	Current Year to-date 31/12/2019 RM’000	Preceding Year Corresponding Period 31/12/2018 RM’000	RM’000	%
Revenue	34,378	38,448	(4,070)	-10.6	180,970	159,707	21,263	13.3
Profit/(Loss) from operations	(5,486)	584	(6,070)	>-1,000.0	(4,251)	351	(4,602)	>-1,000.0
Profit/(Loss) before interest and taxation	(5,486)	584	(6,070)	>-1,000.0	(4,251)	351	(4,602)	>-1,000.0
Profit/(Loss) before taxation	(5,572)	1,413	(6,985)	-494.3	(5,823)	(775)	(5,048)	-651.4
Loss after taxation	(5,084)	(1,693)	(3,391)	-200.3	(6,990)	(6,381)	(609)	-9.5
Loss attributable to owners of the Company	(5,084)	(28,665)	23,581	82.3	(6,990)	(32,992)	26,002	78.8



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 RM180.97 million (2018: RM159.71 million) recorded for the financial year ended 31 December 2019 was mainly due to higher sales of USD42.38 million as compared to USD38.43 million from the Moulded Power Supply Cord Sets Division in Indonesia 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 year ended 31 December 2019 was RM4.1453/USD (2018: RM4.0299/USD).

The higher loss before taxation of RM5.82 million for the financial year ended 31 December 2019 as compared to loss before taxation of RM0.78 million for the financial year ended 31 December 2018 were mainly due to the following:

- i) Lower profit before taxation of RM6.21 million (2018: RM7.51 million) generated from the Moulded Power Supply Cords Set Division;
- ii) Higher loss before taxation of RM13.04 million (2018: RM9.05 million) in the Investment Division; and
- iii) Higher loss before taxation of RM0.34 million (2018: RM0.22 million) in the Wire and Cable Division.

B. Summary of Statement of Financial Positions of the Group

	Unaudited 31/12/2019 RM’000	Audited 31/12/2018 RM’000	Changes RM’000	%
Non-current assets	34,027	36,332	(2,305)	-6.3
Current assets	61,217	56,547	4,670	8.3
Current liabilities	(49,502)	(47,986)	1,516	3.2
Non-current liabilities	(12,454)	(14,394)	(1,940)	-13.5
Equity attributable to owner of the Company	(33,282)	(30,033)	3,249	10.8
Non-controlling interest	(6)	(466)	(460)	-98.7
Total equity	(33,288)	(30,499)	2,789	9.1

Figures in bracket denotes credit balances

The decrease of RM2.31 million or 6.3% in non-current assets were mainly due to depreciation charged on property, plant and equipment of RM3.46 million and purchase of plant and equipment of RM1.55 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 RM4.67 million or 8.3% in current assets were mainly due to the following:

- i) Increase in inventories of RM3.90 million to cater for the first quarter sales of year 2020; and
- ii) Increase in cash and bank balances of RM3.56 million.

However, the increase of current assets was reduced by the following:

- i) Decrease in trade receivables of RM0.97 million from payment received; and
- ii) Decrease in advances to associate of RM2.01 million after advances of RM1.94 million for working capital requirements and allowance for expected credit loss of RM4.00 million.

The increase of RM1.52 million or 3.2% in current liabilities were mainly due to the following:

- i) Increase in trade and other payables of RM7.06 million for the purchase of inventories to cater for the first quarter sales of year 2020.

However, the increase of current liabilities was reduced by the following:

- i) Decrease in short term borrowings of RM4.90 million after schedule repayment to financial institutions; and
- ii) Decrease in tax payables of RM0.66 million after payments to tax authority.

The decrease in non-current liabilities of RM1.94 million or 13.5% was mainly due to the following:

- i) Repayment of promissory note of RM2.07 million;
- ii) Reclassifications of long-term borrowings of RM0.47 million;
- iii) Reversal of overprovision of deferred tax liabilities of RM0.51 million and
- iv) Increase in retirement benefits provisions of RM1.17 million for an overseas subsidiary company.

The increase in “equity attributable to owner of the Company” of RM3.25 million or 10.8% were mainly due to RM2.92 million proceeds received from the issuance of new ordinary shares pursuant to the private placement of shares and the issuance of new ordinary shares pursuant to the creditors’ capitalisation of RM8.25 million. However, the increase was reduced by the total comprehensive loss for the year attributable to the owners of the Company of RM7.90 million.

The decrease 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.



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

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

The increase in “total equity” of RM2.79 million or 9.2% was mainly due to RM2.92 million proceeds received from the issuance of new ordinary shares pursuant to the private placement of shares and the issuance of new ordinary shares pursuant to the creditors’ capitalisation of RM8.25 million. However, the increase was reduced by the total comprehensive loss for the year attributable to owners of the Company of RM7.90 million and the reduction of NCI of RM0.46 million.

C. Summary of Statement of Cash Flows of the Group

	Unaudited	Audited	Changes	
	31/12/2019	31/12/2018	RM’000	%
	RM’000	RM’000	RM’000	
Net cash from/(used in) operating activities	10,097	(8,253)	18,350	222.3
Net cash used in investing activities	(3,867)	(7,522)	3,655	48.6
Net cash used in financing activities	(2,429)	17,447	(19,876)	-113.9
Exchange differences	(244)	(509)	265	52.1
Net increase in cash and cash equivalent	<u>3,557</u>	<u>1,163</u>	<u>2,394</u>	<u>205.8</u>

The “net cash from operating activities” for the financial year ended 31 December 2019 was RM10.10 million as compared to a “net cash used in operating activities” of RM8.25 million for the financial year ended 31 December 2018.

The “net cash from operating activities” were mainly generated from the following:

- i) Net cash from “operating profit before working capital changes” of RM2.40 million after deducting the net interest paid RM1.76 million;
- ii) Positive net change in trade and other payables of RM5.02 million;
- iii) Net cash savings from the completion of Creditors’ Capitalisation of RM8.25 million; and
- iv) Positive net change in trade and other receivables of RM0.72 million.

However, the “net cash from operating activities” was reduced by the following:

- i) Increase in inventories of RM3.90 million to cater for the first quarter of year 2020 sales; and
- ii) Payment of income tax of RM2.38 million.

The “net cash used in investing activities” of RM3.87 million were mainly due to cash advanced to an associate of RM1.94 million, acquisition of the remaining 49% of HWG Duty Free from NCI for cash consideration of RM0.49 million and purchase of plant and equipment of RM1.55 million.

The “net cash used in financing activities” of RM2.43 million for the financial year ended 31 December 2019 were mainly derived from the following:

- i) Net drawdown of trade financing facilities of RM2.04 million; and
- ii) Proceeds of RM2.92 million from private placement of shares;

And deducting

- i) Repayment of term loans of RM7.29 million; and
- ii) Repayment of hire purchase and lease liabilities of RM0.11 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			
	31/12/2019 USD’000	31/12/2018 USD’000	Changes USD’000	%
Sales to external parties				
North America	34,170	35,263	(1,093)	-3.1
The rest of Asia	8,208	3,143	5,065	161.2
	42,378	38,406	3,972	10.3
Sales within HWGB Group				
Malaysia – Wires and Cables Division	-	23	(23)	-100.0
	42,378	38,429	3,949	10.3

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

The sales to North America decrease by USD1.09 million or 3.1% compared to the financial year ended 31 December 2018. The decrease was mainly due to certain North American buyers shifted their purchase via Taiwanese trading house.

The sales to “the rest of Asia” was USD8.21 million, an increase of USD5.07 million or 161.2% 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 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 encouraged local customers to place orders with local manufacturers to minimize their foreign currency exposure.

The Wires and Cables Division has temporarily ceased its operations.

Summary of results	Cumulative Quarter			
	31/12/2019 USD’000	31/12/2018 USD’000	Changes USD’000	%
Revenue	42,378	38,429	3,949	10.3
Operating profit	1,762	1,919	(157)	-8.2
Profit before interest and taxation	1,762	1,919	(157)	-8.2
Profit before taxation	1,498	1,659	(161)	-9.7
Profit after taxation	1,174	225	949	421.8
Profit attributable to owner of the Company	1,174	225	949	421.8



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 lower profit before taxation of USD1.50 million (2018: USD1.66 million) for the financial year ended 31 December 2019 were due to lower profit margin earned and higher operating costs incurred.

II. Wires and Cables Division

There were no sales for the current year under review for this division as compared to RM0.10 million recorded in the financial year ended 31 December 2018. This was 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.

Due to the tough competition faced, the Wires and Cables Division has temporarily ceased its operations in 2019.

The Wires and Cables Division recorded a loss before taxation of RM0.34 million for the financial year ended 31 December 2019 (2018: RM0.22 million). Included in the loss before taxation is a net foreign currency exchange loss of RM0.12 million compared to a net foreign exchange gain of RM0.15 million for the financial year ended 31 December 2018. The exchange rate as at 31 December 2019 was RM4.0930/USD as compared to RM4.1360/USD on 31 December 2018.

III. Travel Services Division

Summary of revenue by products

	Cumulative Quarter			
	31/12/2019	31/12/2018	Changes	
	RM'000	RM'000	RM'000	%
Sales to external parties				
Tour packages	2,794	2,214	580	26.2
Cruise tour	359	463	(104)	-22.5
Hotel booking	283	260	23	8.8
Air tickets	1,576	1,606	(30)	-1.9
Other tour related services	88	70	18	25.7
	5,100	4,613	487	10.6
Sales within HWGB Group				
Air tickets	46	31	15	48.4
	5,146	4,644	502	10.8



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 higher revenue of RM5.15 million (2018: RM4.64 million) for the financial year ended 31 December 2019 due to higher sales of tour packages. 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 RM0.04 million (2018: RM0.16 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 higher loss before taxation of RM12.93 million (2018: RM8.36 million). Included in the loss before taxation are the following:

- i) Higher net finance costs of RM0.29 million (2018: RM0.07 million);
- ii) Allowance for expected credit loss of RM4.00 million (2018: RM nil) on the advances to an associate. 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.
- iii) Impairment on investment in subsidiaries of RM0.47 million (2018: RM0.42 million); and
- iv) Impairment on investment in an associate of RM0.98 million (2018: RM nil).

In the opinion of the Directors, other than those disclosed above, the results for the financial year ended 31 December 2019 have not been affected by any transactions or events of a material or unusual nature which have arisen from 31 December 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 4th Quarter 2019 vs Individual 4th Quarter 2018)

The lower revenue of RM34.38 million (4Q 2018: RM38.45 million) for the current quarter were mainly due to lower sales of USD7.80 million (4Q 2018: USD8.90 million) and the lower average copper rods price of USD6,120 per metric tonne (“MT”) (2018: USD6,500 MT) from the Moulded Power Supply Cord Sets Division in Indonesia. Though the division recorded a lower revenue, the weakening of RM against the USD increased the revenue of the Group in RM denomination. The average exchange rate used for the current quarter was RM4.1453/USD (4Q 2018: RM4.0299/USD).

The Group incurred a loss before taxation of RM5.57 million compared to a profit before taxation of RM1.41 million in 4Q 2018. Included in the current year’s quarter loss before taxation is an allowance of expected credit loss on amount due from an associate of RM4.00 million. Whereas, in the preceding year’s corresponding quarter, there was an overprovision of finance costs of RM1.10 million.

3. Comparison of Current Quarter Against Preceding Quarter’s Results (Individual 4th Quarter 2019 vs Individual 3rd Quarter 2019)

The Group’s revenue for the current quarter decreased by RM12.84 million or 27.2% compared to its immediate preceding quarter. The higher revenue in the immediate preceding quarter was due to the seasonality and cyclicity of the operations as stated in Note 4 Part A above.

The Group incurred a loss before taxation of RM5.57 million in the current quarter as compared to a loss before taxation of RM0.38 million in the immediate preceding quarter. The higher loss before taxation incurred in current quarter were mainly due to an allowance of expected credit loss on amount due from an associate of RM4.00 million and lower profit generated from the Group’s lower revenue as explained above.



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

4. Commentary on Prospects

Though the trade war between US and China has been de-escalating following a positive Phase one US - China trade agreement signed in January 2020 but may still 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 Division 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 prolong trade war may have caused uncertainties in the global market which may affect the demands and our Group’s revenue as well.

The recent outbreak of COVID-19 contagious disease may also result in disruption in global supplies chain and create uncertainties in the market which may also dampen the global economic outlook.

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 partial retail business in February 2018 and fully opened to shoppers in October 2018. From the improved revenue and lower loss before taxation recorded in the current financial year ended 31 December 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. However, the recent outbreak of COVID-19 contagious disease had put the travel retail business in a challenging year as most of the travelers and tourists are reluctant to travel or barred from travelling during this period.

Barring unforeseen circumstances, the Group is cautiously optimistic to achieve better operating and financial performance for the financial year ending 31 December 2020.

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 ended 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	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
After charging:				
Allowance for expected credit loss:				
- other receivables	44	-	44	-
- amount due from an associate	4,000	-	4,000	-
Amortisation of intangible assets	-	2	-	8
Bad debts written off	-	27	34	27
Depreciation - Property, plant and equipment	880	703	3,458	3,332
Depreciation – Right of use assets	4	-	14	-
Rental of premises	6	6	24	24
Loss on foreign exchange				
- Realised	(19)	30	154	181
- Unrealised	240	(181)	483	19
And crediting:				
Allowance for expected credit loss no longer required – Trade receivables	2	-	5	7
Gain on disposal of plant and equipment	13	16	41	93
Gain on disposal of subsidiary	-	589	119	589
Rental income from premises	37	55	203	221
Gain on foreign exchange				
- Realised	(9)	(475)	9	-
- Unrealised	540	(192)	43	391

7. Finance income

	Individual Quarter		Cumulative Quarter	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Interest income from fixed deposit	3	-	19	15
Interest income from bank accounts	-	-	5	5
Interest income from loan to an associate	265	91	299	91
	268	91	323	111

8. Finance costs

	Individual Quarter		Cumulative Quarter	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Interest expense – hire purchase	6	6	25	24
Interest expense – lease	1	-	5	-
Interest expense – promissory notes	41	-	412	-
Interest expense – term loans	104	251	607	1,199
Interest expense – trade finance	202	113	846	259
	354	370	1,895	1,482
Over accrued in previous financial year	-	(1,109)	-	(1,109)
	354	(739)	1,895	373



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

9. Income tax expense

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

	Individual Quarter		Cumulative Quarter	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
a. Expected income tax payable				
i. Current income tax expense				
- Malaysia	-	-	-	-
- Overseas	(23)	(172)	(1,678)	(1,752)
	<u>(23)</u>	<u>(172)</u>	<u>(1,678)</u>	<u>(1,752)</u>
ii. Over/(Under) provision in prior year				
- Malaysia	-	-	-	-
- Overseas	-	14	-	(906)
	<u>-</u>	<u>14</u>	<u>-</u>	<u>(906)</u>
b. Deferred tax				
Current year				
- Malaysia	110	-	110	-
- Overseas	65	82	65	82
	<u>175</u>	<u>82</u>	<u>175</u>	<u>82</u>
Over/(Under) provision in prior year				
- Malaysia	-	-	-	-
- Overseas	336	(3,030)	336	(3,030)
	<u>336</u>	<u>(3,030)</u>	<u>336</u>	<u>(3,030)</u>
Total	<u>488</u>	<u>(3,106)</u>	<u>(1,167)</u>	<u>(5,606)</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 year ended 31 December 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 December 2019 is as follows:

	Unaudited 31/12/2019 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 31/12/2019 RM'000	Audited 31/12/2018 RM'000
Revenue	23,527	7,734
Loss before tax	(2,456)	(4,756)
Net loss/Total comprehensive loss	<u>(2,456)</u>	<u>(4,756)</u>

(b) Summarised statement of financial position

	Unaudited 31/12/2019 RM'000	Audited 31/12/2018 RM'000
Assets		
Non-current assets	8,788	6,949
Current assets	9,205	10,728
Total assets	<u>17,993</u>	<u>17,677</u>
Liabilities		
Non-current liabilities	8,275	545
Current liabilities	14,285	19,889
Total liabilities	<u>22,560</u>	<u>20,434</u>
Net liabilities	<u>(4,567)</u>	<u>(2,757)</u>
Equity		
Share capital	2,000	2,000
Reserve		
- Accumulated loss brought forward	(4,757)	-
- Prior year adjustment (Note)	646	-
- Current period losses	(2,456)	(4,757)
- Accumulated loss carried forward	(6,567)	(4,757)
Capital Deficiency	<u>(4,567)</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 fourth quarter ended 31 December 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	-	3,600	-	189	-	3,789
Term Loan 2	-	1,436	-	132	-	1,568
Term Loan 3 *	-	-	-	-	-	-
Trade financing*	-	-	3,128	12,804	3,128	12,804
	-	5,036	3,128	13,125	3,128	18,161
Hire purchase liabilities	-	378	-	92	-	470
Lease liabilities	-	33	-	13	-	46
	-	5,447	3,128	13,230	3,128	18,677

* USD1.0000 is equivalent to RM4.0930

	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 20 February 2020, 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 20 February 2020, being the latest practicable date.



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

16. Loss per share

Basic

	Individual Quarter		Cumulative Quarter	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Loss attributable to shareholders of the Company (RM'000)	(5,084)	(28,665)	(6,990)	(32,992)
Weighted average number of ordinary shares ('000) – basic	368,034	305,884	368,034	305,884
Basic (sen)	<u>(1.38)</u>	<u>(9.37)</u>	<u>(1.90)</u>	<u>(10.79)</u>

Diluted

As at 31 December 2019 and 31 December 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: 27 February 2020