



HO WAH GENTING BERHAD

Company No: 272923-H

(Incorporated In Malaysia)

**NOTES TO FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2020**

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 2019.

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 2019 except for the adoption of the following standards which are applicable to its financial statements effective from 1 January 2020:

Amendments to MFRS 2	:	Share-based Payment
Amendments to MFRS 3	:	Business Combinations – <i>Definition of a Business</i>
Amendments to MFRS 6	:	Exploration for and Evaluation of Mineral Resources
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>
Amendments to MFRS 14	:	Regulatory Deferral Accounts
Amendments to MFRS 101	:	Presentation of Financial Statements – <i>Definition of Material</i>
Amendments to MFRS 108	:	Accounting Policies, Changes in Accounting Estimates and Errors – <i>Definition of Material</i>
Amendments to MFRS 134	:	Interim Financial Reporting
Amendments to MFRS 137	:	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	:	Intangible Assets
Amendments to IC Interpretation 12:		Service Concession Arrangements
Amendments to IC Interpretation 19:		Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 20:		Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 22:		Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132:		Intangible Assets - Web Site Costs

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:

		Effective date
MFRS 17	: Insurance Contracts	01 January 2021
Amendments to MFRS 101	: Classification of Liabilities as Current or Non-current	01 January 2022
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 2019.

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.



PART A (continued)

7. Issuance and Repayment of Debt and Equity Securities

(a) Private Placement of Shares

On 6 April 2020, the Company had increased its issued and paid up share capital by way of private placement of 45,973,800 new ordinary shares representing approximately 10% of the issued shares of the Company. On 8 April 2020, the Company announced the completion of the private placement with the listing of and the quotation of 45,973,800 new ordinary shares at an issue price of RM0.0920 per share. A total of RM4,229,590 was raised for working capital purpose.

(b) Exercise of Employee Share Options Scheme (“ESOS”)

- (i) A total of 2,750,000 ESOS was converted into 2,750,000 new ordinary shares at an exercise price of RM0.1220 each and the total proceeds of RM335,500 was raised for working capital purpose. A total of 1,250,000 and 1,500,000 new ordinary shares were listed on BMSB on 13 May 2020 and 18 May 2020 respectively.
- (ii) In consequences to the aforesaid exercise of ESOS, RM278,650 was transferred out from the ESOS reserve account to the share capital.

8. Dividends Paid

No dividend was paid in the current quarter under review.

9. The Status of Corporate Proposals

(a) Private Placement of Shares

On 11 March 2020, the Board of Directors of HWGB through its advisor M&A Securities Sdn Bhd (“M&A”) had announced that the Company proposed to implement a private placement of up to 10% of the issued share capital of the Company, involved in the issuance of up to 47,732,276 new ordinary shares in HWGB (“Proposed Private Placement”).



PART A (continued)

9. The Status of Corporate Proposals (continued)

(a) Private Placement of Shares (continued)

On 27 March 2020, the Board of Directors of HWGB through its advisor M&A had announced that BMSB had via its letter dated 26 March 2020, approved the listing of and quotation of up to 47,707,700 Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of BMSB subject to the following conditions:

- (i) HWGB and M&A to must fully comply with the relevant provisions under the Main Market Listing Requirements pertaining to the implementations;
- (ii) HWGB and M&A to inform BMSB upon the completion of the Proposed Private Placement;
- (iii) M&A to furnish BMSB with a written confirmation of its compliance with the terms and conditions of BMSB's approval once the Proposed Private Placement is completed; and
- (iv) HWGB is required to ensure full compliance of all the requirements as provided under the Listing Requirements at all time.

On 30 March 2020, the Board of Directors of HWGB through its advisor M&A had announced that the Company has fixed the issue price of the Placement Shares at RM0.092 each. The aforementioned issue price of RM0.0920 per Placement Share represents a discount of approximately RM0.0102 or 9.98% from the five (5)-day weighted average market price of HWGB from 23 March 2020 to 27 March 2020 of approximately RM0.1022 per share.

On 8 April 2020, the Board of Directors of HWGB through its advisor M&A had announced that the Private Placement has been completed following the listing of and quotation for 45,973,800 Placement Shares on the Main Market of BMSB on the same date. A total of RM4,229,590 was raised from the Private Placement for working capital purpose.



PART A (continued)

9. The Status of Corporate Proposals (continued)

(b) Diversifications

On 25 March 2020, the Board of Directors of HWGB through its advisor M&A had announced that the Company proposes to undertake a Proposed Diversification of the existing businesses of HWGB and its subsidiaries (“HWGB Group” or “the Group”) to include healthcare related business (“Proposed Diversification”)

The Proposed Diversification is in relation to the announcements made by the Board of Directors of the Company on the following dates:

- (i) On 26 February 2020, the Company announced that it had on 21 February 2020 appointed Guardion Health Sciences, Inc. (“Guardion”), with its principal place of business located at 15150 Avenue of Science, Suite 200, San Diego, California 92128, a company listed on Nasdaq of United States of America to design and manufacture an exclusive custom immune support nutraceutical formula. The formulation will be for exclusive use and will be owned by HWGB and must be produced under the brand name to be determined.
- (ii) On 18 March 2020, the Board of Directors had announced that HWGB has received a certificate of authorisation dated 17 March 2020 from Xiamen AmonMed Biotechnology Co. Ltd, with its principal place of business located at Unit 503, No. 120, Xinyuan Road, Haicang District, Xiamen, China, for the appointment of HWGB as its designated abroad sales agent for COVID-19 diagnostic products in the region of Malaysia, Singapore, Indonesia and Thailand (“Appointment”). The validity of the authorisation is from 17 March 2020 to 16 March 2021. The Company has also on the same day submitted an application to the Ministry of Health (“MOH”), Malaysia for the certification of the COVID-19 diagnostic products. The COVID-19 diagnostic products are currently pending approval from the MOH Malaysia.
- (iii) On 3 April 2020, The Board of Directors had announced that HWGB had on 3 April 2020 received a letter of authorisation dated 20 March 2020 from Wuhan Easydiagnosis Biomedicine Co. Ltd. (“WEBC”), for the authorisation of HWG Consortium Sdn Bhd (“HWGC”), a wholly owned subsidiary of HWGB as the distributor of its COVID-19 Nucleic Acid Test Kit and Nucleic Acid Extraction Reagent in Malaysia (“Products”) (“Authorisation”). The validity of the Authorisation is from 20 March 2020 to 20 March 2021.

The Company had also on 3 April 2020 submitted an application to the MOH Malaysia for the certification of the Products.

PART A (continued)

9. The Status of Corporate Proposals (continued)

(b) Diversifications (continued)

Information on WEBC

WEBC (listed on Shenzhen Stock Exchange, Stock Code: 002932), with its principal place of business at Room 3, Factory (3), 1st Floor, Building 25, Phase 3.1 Wuhan Optics Valley International Biopharmaceutical Enterprise Accelerator, No. 388, Gaoxin 2nd Road, East Lake Hi-Tech Development Zone, 430074, Wuhan, Hubei, China is an In Vitro Diagnostics manufacturer, specialising in development, production and sales of point-of-care testing rapid diagnostic reagents and related equipment. WEBC is authorised to export medical products by Ministry of Commerce of the People's Republic of China.

- (iv) On 15 May 2020, the Board of Directors of HWGB had announced that HWG Consortium Sdn Bhd (“HWGC”), a wholly owned subsidiary of HWGB, had on 15 May 2020 being appointed as the authorised distributor of Shanghai Liangrun Biomedicine Technology Co., Ltd (“Shanghai Liangrun”) for the distribution of its antibody IgM/IgG Of Novel Coronavirus Covid-19 diagnostic kit (“Diagnostic Kit”) in Malaysia for a validity period from 15 May 2020 to 31 December 2020. HWGC had also submitted an application to the MOH, Malaysia for the certification of the Diagnostic Kit and is currently pending approval.

Further, HWGC had also on 15 May 2020 appointed PM Care Sdn Bhd (“PM Care”) as the non-exclusive sub-distributor of the diagnostic kit for the distribution of the Diagnostic Kit.

Information on Shanghai Liangrun

Shanghai Liangrun with its principal place of business at Level 4, Building 1, No.271 Gang'ao Road, Pilot Free Trade Zone, Shanghai, China is a company principally engaged in the biomedicine technology.

Information on PM Care

PM Care with its principal place of business at No.1, Jalan USJ 21/10, UEP Subang Jaya, 47630 Selangor, is the pioneer and leading third party administrator (TPA) in Malaysia in collaboration with a network of more than 3,500 medical providers nationwide.

The Proposed Diversification shall be subject to the approval from the shareholders of HWGB at the forthcoming Extraordinary General Meeting (“EGM”) to be convened. Notwithstanding the Proposed Diversification, the Company intends to continue with the Group’s existing business activities. The Proposed Diversification is not conditional upon any other corporate exercises undertaken or to be undertaken by the Company.



PART A (continued)

9. The Status of Corporate Proposals (continued)

(b) Diversifications (continued)

Barring for unforeseen circumstances, the approval from shareholders of HWGB for the Proposed Diversification is expected to be obtained by the second half of 2020.

10. Segmental Reporting

Analysis of the Group's segmental revenue, results, assets and liabilities for business segments for the financial period ended 31 March 2020 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	Travelling Services RM'000	Total RM'000	Elimination RM'000	Group RM'000
Current year's 3 months period ended 31 March 2020							
Segmental revenue by strategic/functional division units							
External revenue	22	47,707	-	446	48,175	-	48,175
Inter-segment revenue	6	-	-	2	8	(8)	-
	<u>28</u>	<u>47,707</u>	<u>-</u>	<u>448</u>	<u>48,183</u>	<u>(8)</u>	<u>48,175</u>
Segmental revenue by regions							
Malaysia	28	-	-	448	476	(8)	468
The rest of Asia	-	7,265	-	-	7,265	-	7,265
North America	-	40,442	-	-	40,442	-	40,442
	<u>28</u>	<u>47,707</u>	<u>-</u>	<u>448</u>	<u>48,183</u>	<u>(8)</u>	<u>48,175</u>
Results							
Operating profit/(loss)	(1,226)	3,154	425	(54)	2,299	(24)	2,275
Profit/(Loss) before interest and tax	(1,226)	3,154	425	(54)	2,299	(24)	2,275
Profit/(Loss) before tax	(1,262)	2,912	382	(54)	1,978	(24)	1,954
Profit/(Loss) after tax	(1,262)	2,126	382	(54)	1,192	(24)	1,168
Non-controlling interest	1	-	-	-	1	-	1
Profit/(Loss) attributable to owners of the Company	<u>(1,261)</u>	<u>2,126</u>	<u>382</u>	<u>(54)</u>	<u>1,193</u>	<u>(24)</u>	<u>1,169</u>
Assets and liabilities as at 31 March 2020							
Segmental assets							
Consolidated total assets	101,927	85,896	15,170	1,579	204,572	(95,107)	109,465
Segmental liabilities							
Consolidated total liabilities	32,338	63,718	4,043	450	100,549	(26,635)	73,914
Segmental non-current assets by regions as at 31 March 2020							
Malaysia	80,407	-	18	45	80,470	(70,097)	10,373
The rest of Asia	-	23,027	-	-	23,027	1,344	24,371
North America	-	-	-	-	-	-	-
	<u>80,407</u>	<u>23,027</u>	<u>18</u>	<u>45</u>	<u>103,497</u>	<u>(68,753)</u>	<u>34,744</u>



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	Travelling Services RM'000	Total RM'000	Elimination RM'000	Group RM'000
Preceding year's 3 months period ended 31 March 2019							
Segmental revenue by strategic/functional division units							
External revenue	55	36,065	-	1,223	37,343	-	37,343
Inter-segment revenue	6	-	-	11	17	(17)	-
	61	36,065	-	1,234	37,360	(17)	37,343
Segmental revenue by regions							
Malaysia	61	-	-	1,234	1,295	(17)	1,278
The rest of Asia	-	10,761	-	-	10,761	-	10,761
North America	-	25,304	-	-	25,304	-	25,304
	61	36,065	-	1,234	37,360	(17)	37,343
Results							
Profit/(Loss) from operations	(1,978)	1,835	(94)	(27)	(264)	(22)	(286)
Profit/(Loss) before interest and tax	(1,978)	1,835	(94)	(27)	(264)	(22)	(286)
Profit/(Loss) before tax	(2,117)	1,548	(144)	(21)	(734)	(22)	(756)
Profit/(Loss) after tax	(2,117)	1,294	(144)	(21)	(988)	(22)	(1,010)
Non-controlling interest	-	-	-	*	-	-	*
Profit/(Loss) attributable to owners of the Company	(2,117)	1,294	(144)	(21)	(988)	(22)	(1,010)
Assets and liabilities as at 31 December 2019							
Segmental assets							
Consolidated total assets	97,874	81,485	21,590	1,789	202,738	(107,493)	95,245
Segmental liabilities							
Consolidated total liabilities	27,144	62,526	10,844	606	101,120	(39,164)	61,956
Segmental non-current assets by regions as at 31 December 2019							
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	-	-	-	-	-	-	-
	80,507	22,062	19	47	102,635	(68,608)	34,027

* Represents debit RM112

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) On 17 February 2020, the Company incorporated a subsidiary, 3H Healthtech 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%.
- (b) On 13 March 2020, the Company incorporated a wholly owned subsidiary, Astramune Sdn Bhd with an issued and paid up capital of RM100.

14. Contingent Liabilities and Contingent Assets

The Company and the Group have no material contingent liabilities and contingent assets at the end of the current quarter under review.

15. Capital Commitments

There were no material capital commitments for the Company and the Group at the end of the current quarter under review.



PART B
ADDITIONAL INFORMATION REQUIRED BY BMSB’S LISTING REQUIREMENTS

1. Group’s Financial Performance Review And Segmental Analysis

Summary of Statement of Comprehensive Income of the Group

	Individual Quarter (First Quarter)		Changes		Cumulative Quarters (Year to-date)		Changes	
	Current Year Quarter 31/03/2020 RM’000	Preceding Year Corresponding Quarter 31/03/2019 RM’000	RM’000	%	Current Year todate 31/03/2020 RM’000	Preceding Year Corresponding Period 31/03/2019 RM’000	RM’000	%
Revenue	48,175	37,343	10,832	29.0	48,175	37,343	10,832	29.0
Profit/(Loss) from operations	2,275	(286)	2,561	895.5	2,275	(286)	2,561	895.5
Profit/(Loss) before interest and taxation	2,275	(286)	2,561	895.5	2,275	(286)	2,561	895.5
Profit/(Loss) before taxation	1,954	(756)	2,710	358.5	1,954	(756)	2,710	358.5
Profit/(Loss) after taxation	1,168	(1,010)	2,178	215.6	1,168	(1,010)	2,178	215.6
Profit/(Loss) attributable to owners of the Company	1,169	(1,010)	2,179	215.7	1,169	(1,010)	2,179	215.7

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 RM48.18 million (2019: RM37.34 million) recorded for the financial period ended 31 March 2020 was mainly due to higher sales of USD11.41 million as compared to USD8.79 million from the Moulded Power Supply Cord Sets Division in Indonesia due to higher demand from existing 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 31 March 2020 was RM4.1798/USD (2019: RM4.1015/USD).

The turnaround from loss before taxation of RM0.76 million for the financial period ended 31 March 2019 to a profit before taxation of RM1.95 million for current financial period were mainly due to the following:

- (i) Lower loss before taxation of RM1.26 million (2019: RM2.12 million) from the Investment Division;
- (ii) Higher profit before taxation of RM2.91 million (2019: RM1.55 million) generated from the Moulded Power Supply Cords Sets Division; and
- (iii) The Wires and Cables Division recorded a profit before taxation of RM0.38 million as compared to a loss before taxation of RM0.14 million in the immediate preceding year’s corresponding period. Included in the profit before taxation for the current financial period is an amount of RM0.43 million being gain from foreign currency exchange.

B. Summary of Statement of Financial Positions of the Group

	Unaudited	Audited	Changes	
	31/03/2020	31/12/2019	RM’000	%
	RM’000	RM’000		
Non-current assets	34,744	34,027	717	2.1
Current assets	74,721	61,218	13,503	22.1
Current liabilities	(61,233)	(49,510)	11,723	23.7
Non-current liabilities	(12,681)	(12,446)	235	1.9
Equity attributable to owner of the Company	(35,546)	(33,283)	2,263	6.8
Non-controlling interest	(5)	(6)	(1)	-16.7
Total equity	(35,551)	(33,289)	2,262	6.8

Figures in bracket denotes credit balances

The increase of RM0.72 million or 2.1% in non-current assets were due to the followings:

- (i) Purchase of plant and equipment of RM0.42 million;
- (ii) RM1.18 million increase in carrying amount on consolidation of a foreign subsidiary due to weakening of RM against USD; and

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

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

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

- (iii) Depreciation charged on property, plant and equipment and right of use assets of RM0.88 million

The increase of RM13.5 million or 22.1% in current assets were mainly due to the followings:

- (i) Increase in inventories of RM2.88 million to cater for the second quarter sales of year 2020;
- (ii) Increase in trade receivables of RM5.18 million from the higher sales in the current quarter;
- (iii) Increase in other receivables of RM3.96 million due to advanced payments made for the purchase of raw materials and merchandise; and
- (iv) Increase in cash and bank balances of RM1.49 million.

The increase of RM11.72 million or 23.7% in current liabilities were mainly due to the followings:

- (i) Increase in other payables of RM5.77 million from advances received; and
- (ii) Net increase in short term borrowings of RM7.11 million to purchase raw materials; However, the increase was reduced by the decrease in trade payables of RM1.51 million after payments.

The increase in non-current liabilities of RM0.24 million or 1.9% was mainly due to the increase in retirement benefits obligation of RM0.36 million for a foreign subsidiary. However, the increase was reduced by the decrease in long term borrowings of RM0.12 million.

The increase in “equity attributable to owner of the Company” of RM2.26 million or 6.8% was due to the total comprehensive income for the period attributable to the owners of the Company.

The decrease in non-controlling interest (“NCI”) from RM6,000 to RM5,000 was due to the NCI share of losses in subsidiaries not wholly owned by the Company.

The increase in “total equity” of RM2.26 million or 6.8% was due to total comprehensive income for the period attributable to owners of the Company.

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 31/03/2020	Unaudited 31/03/2019	Changes	
	RM’000	RM’000	RM’000	%
Net cash (used in)/from operating activities	(4,737)	7,492	(12,229)	-163.2
Net cash used in investing activities	(416)	(2,668)	2,252	84.4
Net cash from/(used in) financing activities	6,102	(1,520)	7,622	501.4
Exchange differences	541	(361)	902	249.9
Net increase in cash and cash equivalent	<u>1,490</u>	<u>2,943</u>	<u>(1,453)</u>	<u>-49.4</u>

The “net cash used in operating activities” for the financial period ended 31 March 2020 was RM4.74 million as compared to a “net cash from operating activities” of RM7.49 million for the financial period ended 31 March 2019.

The “net cash used in operating activities” were due to the followings:

- (i) Net cash from “operating profit before working capital changes” of RM1.18 million after deducting the net interest paid RM0.32 million;
- (ii) Increase in inventories of RM1.20 million to cater for the second quarter of year 2020 sales;
- (iii) Increase in trade and other receivables of RM7.33 million from the higher sales in the current quarter and advance payment to purchase merchandise; and
- (iv) Payment of income tax of RM0.30 million.

However, the “net cash used in operating activities” was reduced by the increase in trade and other payables of RM2.96 million.

The “net cash used in investing activities” of RM0.42 million was for the purchase of plant and equipment.

The “net cash from financing activities” of RM6.10 million for the financial period ended 31 March 2020 were mainly derived from the net drawdown of trade financing facilities of RM6.22 million and deducting the repayment of term loans of RM0.09 million and repayment of lease liabilities of RM0.03 million.

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

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

D. Segmental Analysis

I. Moulded Power Supply Cord Sets Division

Summary of revenue by regions	Cumulative Quarters			
	31/03/2020 USD’000	31/03/2019 USD’000	Changes USD’000	%
Sales to external parties				
North America	9,676	6,170	3,506	56.8
The rest of Asia	1,738	2,623	(885)	-33.7
	<u>11,414</u>	<u>8,793</u>	<u>2,621</u>	
Sales within HWGB Group				
Malaysia – Wires and Cables Division	-	-	-	N/A
	<u>11,414</u>	<u>8,793</u>	<u>2,621</u>	<u>29.8</u>

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

The sales to North America increased by USD3.51 million or 56.8% compared to the financial period ended 31 March 2019. The increase was mainly due to higher demand from the existing buyers.

The sales to “the rest of Asia” was USD1.74 million, a decrease of USD0.89 million or 33.7% compared to the preceding year’s corresponding period. This was due to lower demand from existing customers.

There were no sales to the Wires and Cables Division for both financial periods.

Summary of results	Cumulative Quarter			
	31/03/2020 USD’000	31/03/2019 USD’000	Changes USD’000	%
Revenue	11,414	8,793	2,621	29.8
Operating profit	754	448	306	68.3
Profit before interest and taxation	754	448	306	68.3
Profit before taxation	696	378	318	84.1
Profit after taxation	508	316	192	60.8
Profit attributable to owner of the Company	<u>508</u>	<u>316</u>	<u>192</u>	<u>60.8</u>

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

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

D. Segmental Analysis (continued)

I. Moulded Power Supply Cord Sets Division (continued)

The higher profit before taxation of USD0.70 million (2019: USD0.38 million) for the financial period ended 31 March 2020 were due to higher sales generated.

II. Wires and Cables Division

There were no sales for both financial periods ended 31 March 2020 and 31 March 2019. 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 profit before taxation of RM0.38 million for the financial period ended 31 March 2020 (2019: A loss before taxation of RM0.14 million). Included in the profit before taxation is a net foreign currency exchange gain of RM0.43 million compared to a net foreign currency exchange loss of RM0.10 million for the financial period ended 31 March 2019. The exchange rate as at 31 March 2020 was RM4.3130/USD as compared to RM4.0805/USD on 31 March 2019.

III. Travel Services Division

Summary of revenue by products

	Cumulative Quarter			
	31/03/2020	31/03/2019	Changes	
	RM'000	RM'000	RM'000	%
Sales to external parties				
Tour packages	312	552	(240)	-43.5
Cruise tour	6	92	(86)	-93.5
Hotel booking	33	33	-	-
Air tickets	89	530	(441)	-83.2
Other tour related services	6	16	(10)	-62.5
	446	1,223	(777)	-63.5
Sales within HWGB Group				
Air tickets	2	11	(9)	-81.2
	448	1,234	(786)	-63.7

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 RM0.45 million (2019: RM1.23 million) for the financial period ended 31 March 2020 due to cancellation of bookings caused by the outbreak of the COVID-19 contagious disease.

The Travel Services Division recorded a loss of RM0.05 million (2019: RM0.02 million). The higher loss before taxation in the current financial period was due to lower revenue recorded.

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 RM1.78 million (2019: RM1.99 million). Included in the loss before taxation for the current financial period are the following:

- (i) Higher net foreign exchange gain of RM0.13 million (2019: RM0.05 million); and
- (ii) Lower finance cost of RM0.04 million as compared to RM0.18 million in 2019.

In the opinion of the Directors, other than those disclosed above, the results for the financial period ended 31 March 2020 have not been affected by any transactions or events of a material or unusual nature which have arisen from 31 March 2020 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 1st Quarter 2020 vs Individual 1st Quarter 2019)

The higher revenue of RM48.18 million (1Q 2019: RM37.34 million) for the current quarter was mainly due to higher sales of USD11.41 million (1Q 2019: USD8.79 million) recorded from the Moulded Power Supply Cord Sets Division in Indonesia. The higher revenue was due to the higher demand from existing 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 current quarter was RM4.1798/USD (1Q 2018: RM4.1015/USD).

The Group recorded a profit before taxation of RM1.95 million compared to a loss before taxation of RM0.76 million in 1Q 2019. Included in the current quarter’s profit before taxation is a net foreign currency exchange gain of RM2.19 million (1Q 2019: RM0.29 million foreign currency exchange loss).

3. Comparison of Current Quarter Against Preceding Quarter’s Results (Individual 1st Quarter 2020 vs Individual 4th Quarter 2019)

The Group’s revenue for the current quarter increased by RM13.79 million or 40.1% compared to its immediate preceding quarter. The higher revenue in the current quarter was due to higher demand from existing customers.

The Group recorded a profit before taxation of RM1.95 million in the current quarter as compared to a loss before taxation of RM5.60 million in the immediate preceding quarter. Included in the current quarter’s profit before taxation was a net foreign currency exchange gain of RM2.19 million (4Q 2019: Net foreign currency exchange loss RM0.48 million). The higher loss before taxation incurred in the immediate preceding quarter was 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 recorded.

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.

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 outbreak of COVID-19 contagious disease has caused global concern in increasing economic hardship for consumers and businesses, create uncertainties in the market and dampen the global economic outlook.

In complying with the Movement Control Order (“MCO”) imposed by the Malaysian Government from 18 March 2020, the Group’s 49% owned travel retail business, Dufry HWG Shopping Sdn Bhd, which operate a sole travel retail outlet in Sky Avenue Mall, Genting Highlands resort still remain closed until further notice. The outbreak of COVID-19 contagious disease had put the travel retail business and also the Travel Services Division in a challenging year as most of the travelers and tourists are reluctant to travel or being barred from travelling during this period.

The Group is expecting a challenging 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 period ended 31 March 2020.

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	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
After charging:				
Retirement benefit obligations	138	123	138	123
Bad debts written off	-	34	-	34
Depreciation - Property, plant and equipment	859	839	859	839
Depreciation – Right of use assets	24	*	24	*
Expenses related to short term leases	6	6	6	6
Loss on foreign exchange				
- Realised	-	235	-	235
- Unrealised	60	292	60	292
And crediting:				
Allowance for expected credit loss no longer required – Trade receivables	2	2	2	2
Rental income from premises	116	90	116	90
Gain on foreign exchange				
- Realised	387	-	387	-
- Unrealised	1,859	237	1,859	237

* Represents RM274

7. Finance income

	Individual Quarter		Cumulative Quarter	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
Interest income from fixed deposit	-	5	-	5
Interest income from bank accounts	8	5	8	5
Interest income from loan to an associate	-	34	-	34
	8	44	8	44

8. Finance costs

	Individual Quarter		Cumulative Quarter	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
Interest expense				
– hire purchase liabilities	5	7	5	7
– lease liabilities	1	*	1	*
– promissory notes	-	123	-	123
– term loans	80	204	80	204
– trade finance	243	180	243	180
	329	514	329	514

* Represents RM132

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	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
a. Expected income tax payable				
i. Current income tax expense				
- Malaysia	-	-	-	-
- Overseas	(786)	(254)	(786)	(254)
	<u>(786)</u>	<u>(254)</u>	<u>(786)</u>	<u>(254)</u>
ii. Over/(Under) provision in prior year				
- Malaysia	-	-	-	-
- Overseas	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
b. Deferred tax				
Current year				
- Malaysia	-	-	-	-
- Overseas	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Over/(Under) provision in prior year				
- Malaysia	-	-	-	-
- Overseas	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>(786)</u>	<u>(254)</u>	<u>(786)</u>	<u>(254)</u>

10. Purchase or Disposal of Quoted Securities/Other Financial Assets

There was no purchase or disposal of quoted securities and/or other financial assets during the financial period ended 31 March 2020.

11. Investment in an associate

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

The investment in associate as at 31 March 2020 is as follows:

	Unaudited 31/03/2020 RM'000	Unaudited 31/03/2019 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 31/03/2020 RM'000	Unaudited 31/03/2019 RM'000
Revenue	2,614	5,985
Loss before tax	(1,567)	(282)
Net loss/Total comprehensive loss	<u>(1,567)</u>	<u>(282)</u>

(b) Summarised statement of financial position

	Unaudited 31/03/2020 RM'000	Audited 31/12/2019 RM'000
Assets		
Non-current assets	7,797	14,885
Current assets	7,776	9,937
Total assets	<u>15,573</u>	<u>24,822</u>
Liabilities		
Non-current liabilities	8,275	6,722
Current liabilities	13,734	22,969
Total liabilities	<u>22,009</u>	<u>29,691</u>
Net liabilities	<u>(6,436)</u>	<u>(4,869)</u>

12. Group Borrowings and Debt Securities

	As at first quarter ended 31 March 2020					
	Long term Denomination		Short term Denomination		Total borrowing Denomination	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
Secured borrowings						
Term Loan 1	-	3,543	-	189	-	3,732
Term Loan 2	-	1,401	-	136	-	1,537
Trade financing*	-	-	4,616	19,908	4,616	19,908
		4,944	4,616	20,233	4,616	25,177
Lease liabilities						
Hire purchase liabilities	-	344	-	102	-	446
Other lease liabilities	-	30	-	13	-	43
	-	374	-	115	-	489
	-	5,318	4,616	20,348	4,616	25,666

* USD1.0000 is equivalent to RM4.3130

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		Short term		Total borrowing	
	Denomination		Denomination		Denomination	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
Secured borrowings						
Term Loan 1	-	3,600	-	189	-	3,789
Term Loan 2	-	1,436	-	132	-	1,568
Trade financing*	-	-	3,128	12,804	3,128	12,804
	-	5,036	3,128	13,125	3,128	18,161
Lease liabilities						
Hire purchase liabilities	-	378	-	92	-	470
Other lease liabilities	-	25	-	21	-	46
		403		113		516
	-	5,439	3,128	13,238	3,128	18,677

* USD1.0000 is equivalent to RM4.0930

13. Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off balance sheet risk as at 21 May 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 2019.

15. Material Litigation

There is no material litigation for the Group as at 21 May 2020, being the latest practicable date.

16. Memorandum of Understanding

The Board of Directors of HWGB had on 16 April 2020 announced that its wholly owned subsidiary, HWG Consortium Sdn Bhd ("HWGC") had on 15 April 2020 entered into a Memorandum of Understanding ("MOU") with Shijiazhuang Yiling Pharmaceutical Co., Ltd. (Shenzhen Stock Exchange: 002603) ("SYP") (herein after known as the "Parties").

SYP, with its principal place of business at No.238 Tianshan Street, Shijiazhuang City, Hebei, China is a company principally engaged in the research and development, manufacture and distribution of pharmaceutical products.

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

16. Memorandum of Understanding (continued)

HWGC was incorporated on 18 June 2012 under the Companies Act, 1965 with Company No. 1006524-T. The paid-up capital is RM100,000 with 100,000 ordinary shares in issue with HWGB as the registered shareholder.

Salient Terms of the MOU

- (i) SYP agrees to authorise HWGC to conduct the registration/filing for its products in Malaysia on behalf of SYP, provided that the ownership of the registration/filing shall belong to SYP. Cost incurred for such registration shall be reimbursed by SYP.
- (ii) SYP undertakes that, within thirty (30) days following the execution of this MOU, SYP will issue a power of attorney and enter into a product agency contract with HWGC.
- (iii) This MOU is valid for six (6) months. If HWGC fails to start the product registration/filing in the name of SYP in HWGC's locality during the validity term, the MOU shall be automatically invalid.

The MOU is entered into to allow the Parties to negotiate the terms of the collaboration and to evaluate the feasibility of the collaboration for the best interest of the Parties.

17. General offer received

The Board of Directors ("the Board") of HWGB or the Company had announced that the Company has on 27 April 2020 received a notice of conditional voluntary take-over offer ("Notice") from Ho Wah Genting Holding Sdn Bhd ("HWGH" or "the Offeror") as well as Dato' Lim Ooi Hong, Lim Wee Kiat and Datuk Teo Tiew, being the Ultimate Offerors for the Offer, through M&A, notifying the Board, the intention of the Offeror to make an offer to acquire the following:-

- (i) all the remaining ordinary shares in HWGB ("HWGB Share") not already owned by the Offeror and Ultimate Offerors and such number of new HWGB Shares that may be issued and allotted prior to the closing date of the Offer arising from the exercise of the outstanding Warrant-D 2016/2021 issued by HWGB ("Warrants") and/or exercise of existing outstanding employees share option in HWGB ("ESOS Option") and new ESOS Options which may be further granted pursuant to the employees share option scheme of HWGB, collectively ("Offer Shares"); and
- (ii) all the remaining Warrants in HWGB not already owned by the Offeror and Ultimate Offerors ("Offer Warrants")

for a cash offer price of RM0.125 per Offer Share and RM0.01 per Offer Warrant respectively ("Offer"). The Offer Shares and the Offer Warrants are collectively referred to as "Offer Securities".

On 29 April 2020, in accordance with Paragraph 3.06 of Take-Overs, Mergers and Compulsory Acquisitions Rules ("Rules"), the Board announced the appointment of MainStreet Advisers Sdn Bhd as Independent Adviser to advise the non-interested directors and shareholders of the Company, on the fairness and reasonableness of the Offer.

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

17. General offer received (continued)

Datuk Teo Tiew (Group Executive Chairman), Dato' Lim Ooi Hong (Managing Director/Chief Executive Officer) and Lee Wee Kiat (Executive Director) who are deemed interested in the Offer have abstained and will continue to abstain from all deliberations and decisions of the Board in relation to the Offer.

The Board (save for Datuk Teo Tiew, Dato' Lim Ooi Hong and Lim Wee Kiat) also wishes to announce that it does not intend to seek another person to make an alternative take-over offer.

On 4 May 2020, in accordance with Paragraph 9.10(5)(b) of the Rules as well as the flexibilities with take-over requirements under Capital Markets and Services Act 2007 ("CMSA") as issued by the Securities Commission Malaysia on 23 April 2020, the Board had announced that a summary notification informing the holders of the Offer Securities on the receipt of Notice has been despatched to the holders of the Offer Securities on the same day.

On 5 May 2020, the Board had announced that the Company has on the same date received a notice (First Notice of Revised Offer) from the Offeror as well as the Ultimate Offerors, through M&A, informing that the Offeror has revised the cash offer price for the Offer Shares from RM0.125 to RM0.140 per Offer Share whilst the cash offer price for Offer Warrants remained at RM0.01 per Offer Warrant.

On 8 May 2020, the Board of HWGB received a notice (Second Notice of Revised Offer) from M&A notifying on behalf of the Offeror, that the shareholding of the Offeror, Ultimate Offerors and persons acting in concert with them, namely Dato' Lim Hui Boon and Ho Wah Genting Group Sdn Bhd in HWGB has exceeded 33% of the total share capital of HWGB as at 8 May 2020 as a result of the recent acquisition of 97,195,400 HWGB Shares by the Offeror ("First Acquisition").

Pursuant thereto, the present conditional voluntary take-over offer has become a conditional mandatory take-over offer in accordance with Note 14 of Paragraph 4.01 of the Rules on Take-overs, Mergers and Compulsory Acquisitions.

On 12 May 2020, in accordance with Paragraph 9.10(5)(b) of the Rules as well as the flexibilities with take-over requirements under Capital Markets and Services Act 2007 ("CMSA") as issued by the Securities Commission Malaysia on 23 April 2020, the Board had announced that a summary notification informing the holders of the Offer Securities on the receipt of First Notice of Revised Offer and publication of the First Notice of Revised Offer on Bursa's Securities' website were despatched to the holders of the Offer Securities on the same day.

On 13 May 2020, the Board had announced that the Company has on the same day received a notice (Third Notice of Revised Offer) from the Offeror as well as the Ultimate Offerors, through M&A, informing that the Offeror has further revised the cash offer price for the Offer Shares from RM0.140 to RM0.205 per Offer Share whilst the cash offer price for Offer Warrants remained at RM0.01 per Offer Warrant.



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

17. General offer received (continued)

On 14 May 2020, the Board announced that the Offeror had acquired a total of 4,891,300 HWGB Shares equivalent to approximately 0.96% of the total voting shares in the HWGB as at 14 May 2020 (“Second Acquisition”).

The Second Acquisition resulted in the Offeror, Ultimate Offerors and Persons Acting In Concert collectively holding more than 50% of the total voting shares in HWGB.

Accordingly, the conditional mandatory take-over offer has become an unconditional mandatory take-over offer on the same date.

On 18 May 2020, the Company announced that the Offer Document dated 18 May 2020 together with the Form of Acceptance and Transfer were despatched to the holders of the Offer Securities on the same day.

18. Earnings/(Loss) per share

Basic

	Individual Quarter		Cumulative Quarter	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
Profit/(Loss) attributable to shareholders of the Company (RM'000)	1,169	(1,010)	1,169	(1,010)
Weighted average number of ordinary shares ('000) – basic	459,739	329,661	459,739	329,661
Basic (sen)	<u>0.25</u>	<u>(0.31)</u>	<u>0.25</u>	<u>(0.31)</u>

Diluted

The diluted loss per share for the financial period 31 March 2019 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 financial period ended 31 March 2020 was also 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 31 March 2020.

By Order of the Board
Coral Hong Kim Heong
(MAICSA 7019696)
Company Secretary

Date: 28 May 2020