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Corporate Information

BOARD OF DIRECTORS

DATUK SERI DR. SULEIMAN BIN MOHAMED

Independent Non-Executive Chairman

NG AIK CHUAN

Managing Director

NG YAM PIN

Executive Director

JORY LEONG KAM WENG

Independent Non-Executive Director

DATIN RAHMAH BINTI MAHMOOD

Independent Non-Executive Director

LIEW CHEK LEONG

Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Jory Leong Kam Weng (Chairman)

Liew Chek Leong (Member)

Datuk Seri Dr. Suleiman Bin Mohamed (Member)

NOMINATING COMMITTEE

Datuk Seri Dr. Suleiman Bin Mohamed (Chairman)

Jory Leong Kam Weng (Member)

Datin Rahmah Binti Mahmood (Member)

REMUNERATION COMMITTEE

Datuk Seri Dr. Suleiman Bin Mohamed (Chairman)

Liew Chek Leong (Member)

Ng Aik Chuan (Member)

COMPANY SECRETARIES

Seow Fei San (MAICSA 7009732)

Mok Mee Kee (MAICSA 7029343)

REGISTERED OFFICE

802, 8th Floor, Block C
Kelana Square, 17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan
Tel No.: (603) 7803 1126
Fax No.: (603) 7806 1387

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel No.: (603) 2783 9299
Fax No.: (603) 2783 9222

AUDITORS

Crowe Horwath (AF 1018)
E-2-3 Pusat Komersial
Bayu Tasek
Persiaran Southkey 1
Kota Southkey
80150 Johor Bahru
Johor Darul Takzim
Tel No.: (607) 288 6627
Fax No.: 1700 81 3460

PRINCIPAL BANKERS

Public Bank Berhad
CIMB Islamic Bank Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name: XINHWA
Stock Code: 5267
Sector: Trading / Services

WEBSITE

www.xinhwa.com.my



Group Structure

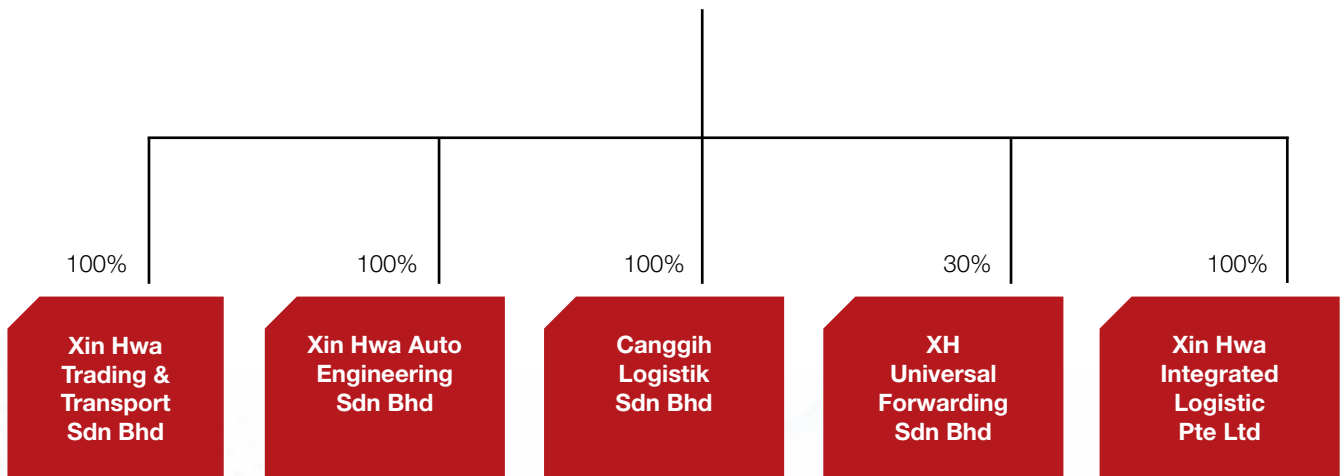
as at 31 March 2016

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ANNUAL REPORT 2015



Xin Hwa Holdings Berhad

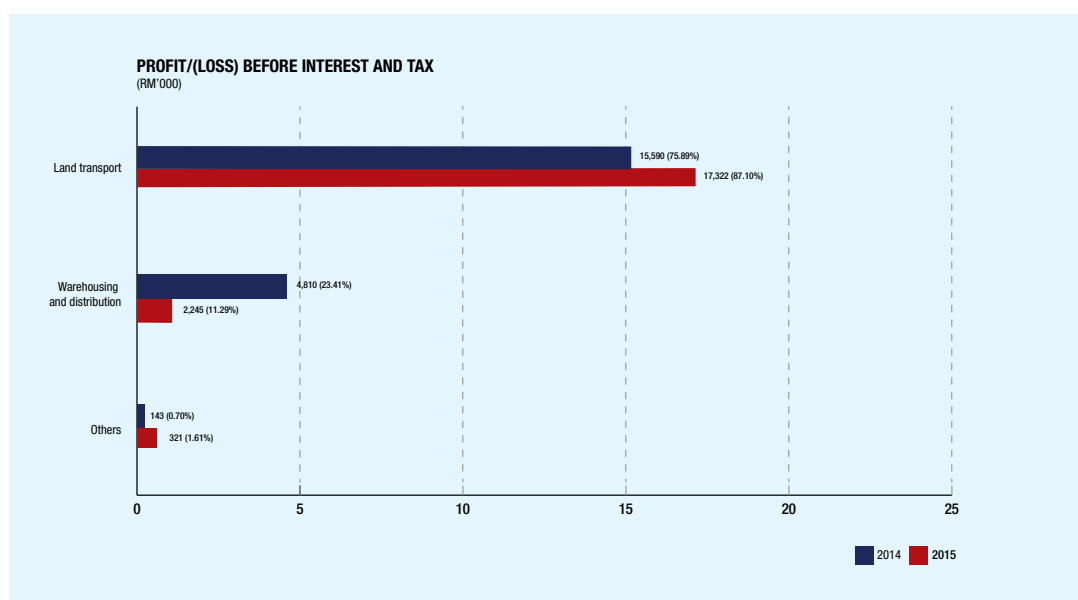
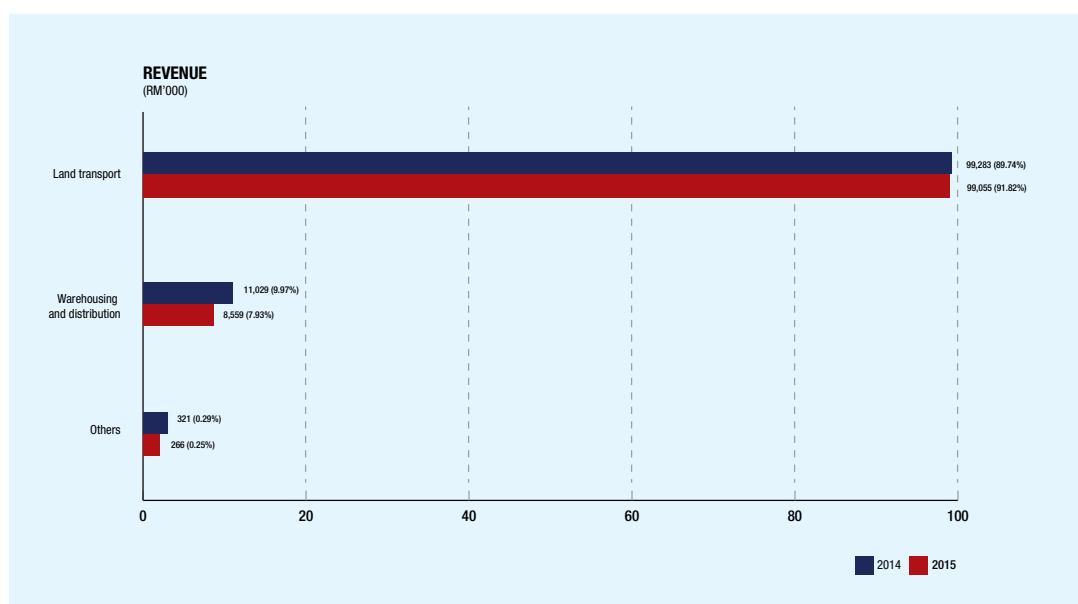


Financial Highlights

Financial Year Ended 31 December	2015 (RM'000)	2014 (RM'000)
Income Statements		
Revenue	107,880	110,633
Gross profit	40,551	37,490
Profit before tax	16,812	18,422
Profit after tax attributable to owners of the Company	15,958	15,755
Balance Sheets		
Total assets	183,596	152,073
Total liabilities	55,555	65,460
Share capital	90,000	71,109
Equity attributable to owners of the Company	127,537	86,237
Share Information		
Earnings per share* (sen)	9.71	11.08
Net assets per share* (RM)	0.71	0.61
Financial Ratios		
Return of equity (%)	12.51	18.27
Current ratio (times)	3.26	1.50
Gearing ratio (times)	0.31	0.52

* Based on weighted average number of ordinary shares in issued.

	2015		2014	
	RM'000	%	RM'000	%
Revenue				
Land transport	99,055	91.82	99,283	89.74
Warehousing and distribution	8,559	7.93	11,029	9.97
Others	266	0.25	321	0.29
Total revenue	107,880	100.00	110,633	100.00
Profit/(Loss) before interest and tax				
Land transport	17,322	87.10	15,590	75.89
Warehousing and distribution	2,245	11.29	4,810	23.41
Others	321	1.61	143	0.70
Total profit before interest and tax	19,888	100.00	20,543	100.00



Profile of the Board of Directors

Datuk Seri Dr. Suleiman Bin Mohamed

Independent Non-Executive Chairman
Malaysian, aged 68



Datuk Seri Dr. Suleiman Bin Mohamed (“Datuk Seri Dr. Suleiman”) is our Independent Non-Executive Chairman. He was appointed to the Board on 1 January 2015. He is the Chairman of both Nominating and Remuneration Committees and a member of the Audit and Risk Management Committee.

He graduated with a Bachelor’s Degree in Communication Science from Universitas Negeri Padjadjaran Bandung, Indonesia in 1972 and he obtained a Doctorandus Degree in Journalism from the same university in 1974. Subsequently in 1999, he obtained a Doctor of Philosophy in Malay Literature Studies from University Kebangsaan Malaysia.

He started his career in 1974 when he joined Utusan Melayu as a journalist. In 1977, he joined Dewan Bahasa dan Pustaka as a publicity officer. He then joined Ministry of Culture, Youth and Sports, Malaysia as a press secretary where he was involved in handling requests from newspapers reporters, drafting press releases and speeches for ministers and organising events from 1978 to 1980. In 1980, he joined

the Ministry of Information, Malaysia as a senior press liaison officer where he acted as an adviser and spokesperson for the Minister of Ministry of Information, Malaysia.

Datuk Seri Dr. Suleiman was an elected Member of the Parliament of Malaysia for four (4) consecutive terms between 1986 and 2004. He also held the posts of Deputy Minister of Prime Minister’s Department, Malaysia from 1987 to 1995, Deputy Minister of Ministry of Information, Malaysia from 1995 to 1999 and Deputy Minister of Ministry of Health, Malaysia from 1999 to 2004.

Datuk Seri Dr. Suleiman is the former Chairman of UNITAR International University, a position he has held since 2012. He also sits on the board of Alliance Foundation Malaysia.



Ng Aik Chuan
Managing Director
Malaysian, aged 48

Mr. Ng Aik Chuan ("Mr. AC Ng") is our co-founder and Managing Director. He was appointed to the Board on 18 January 2013. He is also a member of the Remuneration Committee.

He obtained the Malaysian Higher School Certificate in 1988 and began his career in Tiong Nam Trading & Transport (M) Sdn. Bhd., where he joined as a warehouse supervisor and left the company as a forwarding executive in 1995. In 1996, he joined Sinwah Trading & Transport Agency, a family-owned partnership which was then led by his father, Eng Peng Lam @ Ng Peng Lam, where Mr. AC Ng was involved in the management and business functions of the company.

In 2002, the entire business operations of Sinwah Trading & Transport Agency were transferred to Xin Hwa Trading & Transport Sdn. Bhd. which was incorporated in 1997 by

his father, Eng Peng Lam @ Ng Peng Lam together with Mr. AC Ng and his brother, Ng Yam Pin. Since then, Mr. AC Ng has been actively involved in the management and day-to-day business operations of the Group. He has extensive experience and in-depth knowledge of the logistics industry in Malaysia and this has enabled our Group to broaden our range of logistics services towards becoming an integrated logistics service provider.

He is the son of Eng Peng Lam @ Ng Peng Lam, a substantial shareholder of the Company and the brother of Ng Yam Pin, a substantial shareholder as well as the Executive Director of the Company.

Profile of the Board of Directors (Cont'd)

Ng Yam Pin
Executive Director
Malaysian, aged 47



Mr. Ng Yam Pin ("Mr YP Ng") is our co-founder and Executive Director. He was appointed to the Board on 18 January 2013.

He obtained his Malaysian Skills Certificate as Automotive Panel Supervisor (Level 3), Commercial Vehicle Technician (Level 3), Motor Vehicle Technician (Level 3), Automotive Spray Painting Technician (Level 3) and Tyre Service Supervisor (Level 3) in 2002. In the same year, he also received certification for achieving supervisory level 3 based on the National Occupational Skills Standards from the National Vocational Training Council.

He worked as a contract driver for several transportation companies from 1988 to 1991. In 1992, he joined Sinwah Trading & Transport Agency, a family-owned partnership which was then led by his father, Eng Peng Lam @ Ng Peng Lam,

where Mr. YP Ng was involved in the day-to-day operations of the company and was primarily responsible for overseeing the delivery process and the charting of routes for drivers. In 2002, the entire business operations of Sinwah Trading & Transport Agency were transferred to Xin Hwa Trading & Transport Sdn. Bhd. which was incorporated in 1997 by his father, Eng Peng Lam @ Ng Peng Lam together with Mr. YP Ng and his brother, Ng Aik Chuan.

He is the son of Eng Peng Lam @ Ng Peng Lam, a substantial shareholder of the Company and the brother of Ng Aik Chuan, a substantial shareholder as well as the Managing Director of the Company.



Jory Leong Kam Weng

Independent Non-Executive Director
Malaysian, aged 51

Mr. Jory Leong Kam Weng ("Mr. Leong") is our Independent Non-Executive Director. He was appointed to our Board on 1 December 2013. He is the Chairman of Audit and Risk Management Committee and a member of the Nominating Committee.

He graduated with a Bachelor of Economics Degree and a Bachelor of Laws Degree from Monash University, Australia. He is a Fellow of CPA Australia and a Chartered Accountant of the Malaysian Institute of Accountants. He is also a certified mediator on the panel of the Malaysian Mediation Centre.

He was called to the Malaysian Bar in 1989. In February 1992, he joined TA Enterprise Berhad as the Group Legal Manager until July 1995. He was the Vice President of International Division of TA Enterprise Berhad from November 1993 to October 1995.

In between November 1995 to February 1997, he held the position of General Manager / Director of Credit Leasing Corporation Sdn. Bhd. He also held the post of Executive Director of TA Bank of Philippines, Inc from March 1997 to June 1998. From June 1998 to July 1999, he was the Chief Executive Officer of TA Securities Berhad. Since July 1999, he has been a Partner of Messrs Iza Ng, Yeoh & Kit as a practising Advocate and Solicitor.

He is an Independent Non-Executive Director of TA Enterprise Berhad, TA Global Berhad and Pecca Group Berhad, all of which are listed on Bursa Malaysia Securities Berhad and an Independent Non-Executive Director of Tokio Marine Life Insurance Berhad. He also sits on the board of several public limited companies namely, Asian Outreach (M) Berhad and Pusat Penyayang KSKA and several private limited companies.

Profile of the Board of Directors (Cont'd)

Datin Rahmah Binti Mahmood

Independent Non-Executive Director
Malaysian, aged 58



Datin Rahmah Binti Mahmood (“Datin Rahmah”) is our Independent Non-Executive Director. She was appointed to our Board on 1 January 2015. She is also a member of the Nominating Committee.

She graduated with a double degree, obtaining her Bachelor of Science Degree in Marketing and Mass Communications from Syracuse University, New York in 1979. Subsequently in 1981, she obtained a Masters in Journalism specialising in Public Relations from the University of Southern California, Los Angeles.

She started her career in 1983 when she joined S.M.A.S. (Holdings) Sdn. Bhd. as an executive director. She was involved in the administration and public relations functions of the company. She is currently a non-executive director of S.M.A.S. (Holdings) Sdn. Bhd. In 1988, she joined Syarikat Mahmood Ambak & Sons Sdn. Bhd. as a director. She is currently the Chairman and Managing Director of the company, positions she has held since 1995 and 1990, respectively. Subsequently in 1989, she co-founded Malaysian Automotive Lighting Sdn. Bhd. (“MAL”). She is currently a director and shareholder of MAL, assisting in marketing and public relations of the company.

From 2005 to 2010, she joined ZF Sales and Service (Malaysia) Sdn. Bhd. as a director where she was involved in the marketing functions of the company.

In 2006, Datin Rahmah co-founded Solarah Sdn. Bhd. She has been the director of the company since 2006 and is responsible for the marketing and sales of the products of the company.

Datin Rahmah is currently a director and shareholder of Solarah Sdn. Bhd. She is also the Independent Non-Executive Director of TA Enterprise Berhad and TA Global Berhad, which are both listed on Bursa Malaysia Securities Berhad.



Liew Chek Leong

Independent Non-Executive Director
Malaysian, aged 45

Mr. Liew Chek Leong ("Mr. Liew") is our Independent Non-Executive Director. He was appointed to our Board on 1 December 2013. He is a member of both Audit and Risk Management and Remuneration Committees.

He has been a member of the Association of Chartered Certified Accountants ("ACCA") since 2001 and was admitted as a fellow member of ACCA in 2006. He was admitted as a member of the Malaysian Institute of Accountants ("MIA") in 2002.

He started his career in 1996 when he joined Tan Huai Leong & Co as an Audit Assistant. In 1997, he was attached to the southern branch of the MIA as a Trainee Accountant. Subsequently in 1999, he joined Beltontech Sdn. Bhd. as an Accounts and Administrative Manager where he was in charge of the accounts, finance, taxation, human resource and administrative matters. From 2004 to 2005, he was attached to Sestec Berhad as a Financial Controller and was actively involved in the company's corporate exercises,

handling matters relating to corporate finance, accounts and taxation. He left Sestec Berhad to join Solid Corporation Sdn. Bhd. in 2005 as its Group Accountant. Subsequently, he joined Equator Biotech Berhad as an Accountant in 2006 before joining Tomypak Berhad, a wholly-owned subsidiary of Tomypak Holdings Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad as the Finance Manager in 2007. His experiences include overseeing the overall financial functions of the companies and advising on corporate matters.

Currently, Mr. Liew is the Finance Director of Tomypak Flexible Packaging Sdn. Bhd. and is responsible for the accounting and finance functions as well as assisting on matters relating to information technology, human resource and administration of the company. He is also a member of the Risk Management Committee of Tomypak Holdings Berhad.

Notes:

- Save as disclosed above, none of the Directors have any family relationship with any Director and/or substantial shareholder of the Company.
- Save as disclosed above, none of the Directors sit on the board of any other public companies.
- None of the Directors have any conflict of interest with the Company.
- None of the Directors have been convicted for any offences within the past 10 years.

Chairman's Statement

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XIN HWA HOLDINGS BERHAD



DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors of Xin Hwa Holdings Berhad, it gives me great pleasure to present the Annual Report and the Audited Financial Statements of Xin Hwa Holdings Berhad ("XHH" or the "Group") for the financial year ended 31 December 2015. It has been a momentous year for the Group following our listing on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 30 June 2015. Embarking on this new chapter, the Group remains committed to its vision of being a renowned integrated logistics service provider.

OVERVIEW

The Initial Public Offering ("IPO") paved the way for the Group to access the capital markets, thus increasing the Group's financial flexibility in raising funds for future business expansions and continuous growth. As an integrated logistics service provider, our Group is primarily focused on land transport operations and warehousing and distribution operations. With the completion of the IPO, we hope to capitalise on many more opportunities such as expansion of our business in other regional markets, moving forward.

INDUSTRY OVERVIEW

The slowdown in the Malaysian economic growth, weakened Ringgit and the implementation of the Goods and Services Tax had added cost and competition pressures on the transport and logistics industry. On the other hand, the plunge in the crude oil prices represents lower costs for majority of the industry players. The Group remains optimistic that our key business fundamentals and geographical presence in the Peninsular Malaysia will be the corner stone towards achieving sustainable growth in the years to come.

CORPORATE DEVELOPMENT

On 30 June 2015, the Company completed its listing exercise on the Main Market of Bursa Securities. The IPO had raised proceeds of approximately RM26.45 million which enhanced the financial standing of the Group for its future expansion plans. Subsequently, on 3 August 2015, the Company's wholly-owned subsidiary, Xin Hwa Trading & Transport Sdn Bhd ("XHTT") was awarded transportation services contracts from Malaysia Marine and Heavy Engineering Sdn Bhd and Techno Indah Sdn Bhd with a total estimated value of RM1.8 million.

The Group has been granted a bonded warehouse license on 28 October 2015 for its newly built warehouse at Pasir Gudang, Johor. The Group expects to secure a wide-ranging base of customer for the bonded warehouse as the customers are only required to make payment of import duty and excise tax for their products when the products are removed from the bonded warehouse, thus improving the customers' cash flows.

In January 2016, the Group incorporated a wholly-owned subsidiary in Singapore under the name of "Xin Hwa Integrated Logistics Pte Ltd" ("XHIL"). The intended principal activities of XHIL are provision of transportation services, distribution and warehousing services and freight forwarding and custom brokerage services. The Group expects XHIL to commence business operations in the fourth quarter of 2016.

In addition, XHTT had entered into a sale and purchase agreement in March 2016 to acquire a piece of freehold vacant land situated in Mukim Tebrau, District of Johor Bahru, State of Johor measuring approximately 1.252 hectares for a total cash consideration of RM5.86 million.

GROUP PERFORMANCE

The Group recorded revenue of RM107.88 million for the financial year ended 31 December 2015, representing a marginal decrease of 2.49% as compared to revenue of RM110.63 million recorded in the preceding financial year. The decrease in revenue was due mainly to lower revenue generated by land transport operations and warehousing and distribution operations. The drop in the revenue of land transport operations was attributable to completion of the logistic infrastructure project by one of the client whereas the drop in the revenue of warehousing and distribution operations was attributable to the decrease in the warehouse space rented by one of the client.

Profit after tax for the financial year ended 31 December 2015 was reported at RM16.09 million, representing an increase of 1.45% as compared to profit after tax of RM15.86 million in the preceding financial year. The increase in profit after tax was mainly attributed to the lower effective tax rate due principally to an investment tax allowance granted by the Malaysian Investment Development Authority ("MIDA") for providing integrated logistics services.

OPERATIONAL REVIEW

The revenue from land transport operations for the financial year ended 31 December 2015 decreased slightly by approximately 0.22% from RM99.28 million to RM99.06 million as compared to the preceding financial year. Revenue from warehousing and distribution operations decreased by approximately 22.39% to RM8.56 million as compared to the revenue recorded in the preceding financial year of RM11.03 million. Revenue from other services segment decreased by approximately 15.63% from RM0.32 million to RM0.27 million for the current financial year.

DIVIDEND

On 24 February 2016, the Group announced an interim dividend of 1.50 sen per share in respect of the financial year ended 31 December 2015. The interim dividend was paid on 28 March 2016 to the shareholders whose names appear in the Record of Depositors on 11 March 2016. We will continue to review our dividend policy to ensure that our shareholders are rewarded fairly.



Chairman's Statement (Cont'd)



PROSPECTS

2015 was a challenging but exciting year for the Group. As we head into 2016, the Group will focus on completing the expansion plans set out in our IPO blueprint.

Warehouse space has increased to 404,000 square feet upon completion of the Pasir Gudang warehouse, allowing for more service space. Furthermore, the Group will continue to acquire and expand our fleet of vehicles, enabling us to undertake additional small-scale to large-scale projects that cater to our customers' requirements and demands.

Operations of the new branch office in Kemaman, Terengganu and container haulage transportation division in the northern region of Peninsular Malaysia are expected to commence in year 2016. The commencement of the operations in other regions of Peninsular Malaysia will contribute positively to the Group's revenue.

The transport and logistics industry is expected to be boosted by the encouraging support from the Malaysian Government, the position of Malaysia as a strategic logistics hub with business-friendly logistics ecosystem, positive developments in the Information and Communications Technology ("ICT") industry and weaker oil prices that ease pressure on the cost of operations. However, the Group will potentially face various challenges ahead in view of the challenging economic indicators in the new financial year.

APPRECIATION

To conclude, I wish to extend my deepest gratitude towards all our valued shareholders, customers, vendors and business partners for their unwavering support and confidence in the Group. I would also like to express my sincerest appreciation to the Board of Directors, management and staff for their utmost dedication and hard work.

With a solid foundation, I believe that the Group is well positioned to deliver our commitments and achieve sustainable long-term growth.

Datuk Seri Dr. Suleiman Bin Mohamed
Chairman

CORPORATE SOCIAL RESPONSIBILITY

The Company recognises the importance of upholding our corporate social responsibility while meeting our strategic goals. As a responsible corporate citizen, we have played our role and contributed towards maintaining a good social welfare of the community.

EMPLOYEES HEALTH AND SAFETY

The strong held value of promoting a safe and sustainable environment is deeply instilled in our staff. We strive to reduce, reuse and recycle equipment and any other unwanted items, where possible. At the same time, we endeavour to reduce our carbon footprint by undertaking regular maintenance on our vehicles.

HUMAN RESOURCE DEVELOPMENT

In the Company's quest to support the development of human capital, we are always open to young, fresh graduates with the drive to succeed. Through our internship programmes, they can gain hands-on skills and insider knowledge of the logistics industry from the experts and the experience in Xin Hwa Holdings Berhad.

COMMUNITY

There are many charity organisations that tirelessly create awareness and encouraging people to help the less fortunate. We applaud their benevolence and seek to support their noble causes. On top of providing free transportation and movers for their event set ups and dismantling, we also sponsor and donate for causes and events such as our visit to Rumah Sinar Kebahagiaan, a nursing home in Kempas.

In 2015, we organised the Organ Donor Drive for Hospital Sultanah Aminah in Johor Bahru. The campaign aims to encourage our employees to become donors and at the same time educate them on healthy eating habits and lifestyle to prevent illnesses that could affect their organs.



STAKEHOLDERS

The Company is committed to holding regular dialogue sessions with stakeholders, including shareholders, customers, employees, suppliers, regulators and others.



Events and Highlights

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XIN HWA HOLDINGS BERHAD



SIGNING OF THE
UNDERWRITING AGREEMENT
6 MAY 2015



OFFICIAL LAUNCH
OF PROSPECTUS
11 JUNE 2015



A momentous occasion was unfold as Xin Hwa Holdings Berhad embarks on its listing on the Main Market of Bursa Malaysia Securities Berhad

The accomplishment of our listing would be our first step of many to come



IPO LISTING CEREMONY
30 JUNE 2015



APPRECIATION & BUKA PUASA
DINNER
5 JULY 2015



"We believe in order to succeed in business, the Company must first fulfil the needs of employees. A satisfied employee would strive to grow together with the Company"



COMPANY TRIP AT SIBU ISLAND
17 JULY 2015



PHUKET RETREAT
29 AUGUST 2015



SERVICE AWARD
29 AUGUST 2015



Service award is part of our employment programme with the objective to continuously motivate and retain our best employees.

"In Xin Hwa, we believe people are the best asset for a Company to have"

Corporate Governance Statement

The Board of Directors of Xin Hwa Holdings Berhad ("Board") is committed to ensure that the highest standard of corporate governance is practised throughout the Group as a fundamental objective of discharging its responsibilities to protect and enhance the interest of all stakeholders and financial performance of the Group.

The Board will continuously evaluate the status of the Group's corporate governance practices and procedures with a view to adopt and implement the best practices recommended in the Malaysian Code on Corporate Governance 2012 ("Code"), wherever applicable, in the best interests of the shareholders of the Company.

The Board is pleased to report herein the manner in which the Company has applied the principles of the Code and the extent to which it has complied with the recommendations of the Code.

(A) BOARD OF DIRECTORS

Size and Composition of the Board

The Group is led by an experienced Board comprising high calibre members from diverse professional backgrounds with the required skills, expertise and experience. The Board presently comprises four (4) Independent Non-Executive Directors and two (2) Executive Directors with a mix of skill sets in the areas of corporate strategy, finance, business management and corporate law. The profile of each Board member is set out on pages 6 to 11 of this Annual Report.

The composition of the Board complies with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") which requires at least two (2) directors or one-third (1/3) of the Board, whichever is higher, to be Independent Directors.

The Board is of the opinion that the current size and composition of the Board is well-balanced after taking into consideration the Board members' experience and exposure in various areas as well as their diverse background and skills, reflecting the Group's commitment to ensure effective leadership of the Group.

Roles and Responsibilities of the Board

The Board is responsible for providing oversight of the Group's strategic direction, overseeing the Group's business operations, as well as identifying key risk factors that may have significant impact on the Group's operations and performance. In achieving these goals, the Board performs regular reviews over the risk management and internal control systems to ensure its integrity and adequacy in providing reasonable assurance of risk mitigation.

The principal responsibilities of the Board include the following:

- Review and approve strategic direction, implementation and monitoring of the strategic business plans for the Group.
- Oversee the conduct and performance of the Group's business.
- Establish key performance indicators and succession plan.
- Identify key risks factors that have significant impact on the Group's operations and performance and formulate appropriate risk management and internal control systems to mitigate negative impact of the risks.
- Develop and implement investor relations programme or shareholder communications policy.
- Review the adequacy and the integrity of the Group's internal control and management information systems.

Currently, the Managing Director ("MD"), together with the Executive Director, both of whom have extensive years of experience and in-depth knowledge of the logistics industry in Malaysia spearhead the overall strategic direction of the Group. They report and communicate key strategic plans and proposals to the Board and implement decisions made by the Board.

Presence of the Independent Directors complements the Board by ensuring there is an effective check and balance in the functioning of the Board. These Independent Directors fulfill the criteria of independence as set out in the Listing Requirements.

The Independent Non-Executive Chairman and Directors are responsive to the Company's affairs and are committed in ensuring that highest corporate governance standards are adhered to. In the course of discharging their responsibilities with regard to corporate governance, the Independent Directors engage with the Management, internal auditors as well as external auditors.

Board Meetings

The Board meets regularly, at least once in every quarter, to review the Group's operations and to approve the quarterly reports and annual financial statements. Additional meeting would be convened as and when urgent issues warrant matters to be attended to. Three (3) Board meetings were held during the financial year ended 31 December 2015 since the listing of the Company on 30 June 2015 and all Directors have complied with the requirement in respect of Board meetings attendance as provided in the Company's Articles of Association.

The details of Directors' attendance at the Board meetings are set out below:

Name of Directors	Number of meetings attended
Datuk Seri Dr. Suleiman Bin Mohamed	2/3
Ng Aik Chuan	3/3
Ng Yam Pin	3/3
Jory Leong Kam Weng	3/3
Datin Rahmah Binti Mahmood	3/3
Liew Chek Leong	3/3

Board Charter

The Board has adopted a Board Charter which serves as a source of reference for the Board and Management. The Board Charter provides guidance for Directors on the roles and responsibilities of the Board, its Committees as well as the processes and procedures for convening Board meetings. The Board Charter will be reviewed periodically to ensure it remains consistent with the Board's objectives and any new regulations that may have an impact on the discharge of the Board's duties and responsibilities.

The Board Charter is made available for reference in the Company's website at www.xinhwa.com.my.

Code of Conduct

The Group is committed to conduct business in accordance with the highest standards of business ethics and in compliance with applicable laws, rules and regulations. The Code of Conduct provides guidance for Directors, Management and employees regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during their appointment.

The Code of Conduct is made available for reference in the Company's website at www.xinhwa.com.my.

Board Independence and Effectiveness

The Board comprises only two (2) Executive Directors and four (4) Independent Non-Executive Directors. The presence of a majority of Independent Non-Executive Directors provides effective check and balance in ensuring decision and judgement exercised by the Board remains objective and independent.

Executive Directors are responsible for the day-to-day business operations of the Group while the Independent Non-Executive Directors provide scrutiny and unbiased and independent views, advice and judgement to decisions and proposals of the Executive Directors. The Board collectively is responsible for the effective implementation and monitoring of the Group's strategic plans.

The roles of Independent Non-Executive Chairman and MD are held by separate individuals, with clear division of responsibilities and authorities, which is in line with the recommendation of the Code. The segregation of roles as Chairman and MD ensures balance of power and authority. The Chairman is responsible for the orderly conduct of the Board while the MD is responsible in ensuring the smooth and effective running of the Group's business and daily operations as well as implementation of the Board's decisions.

Corporate Governance Statement (Cont'd)

The Independent Non-Executive Directors are not involved in the day-to-day management of the Group's business operations. Therefore, the Independent Non-Executive Directors remain free from conflict of interest and thus enable them to carry out their duties as independent directors effectively. They provide impartial views and insight to the Executive Directors in matters relating to financial management, corporate governance, risk management and internal control. Strategies proposed by the Executive Directors are deliberated from both quantitative and qualitative aspects, taking into account the interest of various stakeholders as well as the impact of risk factors that exist in the operating environment.

The Board has also set up three (3) Board Committees, namely Audit and Risk Management Committee, Nominating Committee and Remuneration Committee (collectively referred to as "Committees"), to delegate specific duties to these Committees. The Committees shall discharge their duties within their respective terms of reference and recommend to the Board for approval.

The Committees have been granted with full authority to investigate any matter within their scope of responsibility and to obtain satisfactory information as it may requires from directors and/or employees of the Group. In the event where independent professional advice are needed to discharge their duties, the Committees are entitled to engage external professionals and/or consultants at the cost of the Group after due consultation with the Board. Details of the Committees are spelt out in subsequent section of this Annual Report.

Whistleblowing Policy

With the objective to provide and facilitate a mechanism for any whistle-blower to report concern about any suspected and/or known misconduct, wrongdoings, corruption, fraud, waste and/or abuse within the Group, the Board has adopted a Whistleblowing Policy and Procedure which clearly spelt out the procedures for reporting of any wrongful activities and wrongdoings within the Group.

For greater transparency and independency, whistle-blowers are directed to report the wrongful activities/wrongdoings directly to the Chairman of the Audit Committee. The Whistleblowing Policy and Procedure is properly communicated to the relevant parties, especially employees of the Group.

Supply of Information

The Board has a formal schedule of matters reserved specifically for its decision. The Directors have full and timely access to all information pertaining to the Group's business and affairs, whether as a full Board or in their individual capacity, to enable them to discharge their duties effectively.

Each of the Directors is supplied with the agenda and a set of Board Papers containing information relevant to the subject for discussion prior to a Board meeting. The Board Papers are issued in sufficient time for their perusal and consideration.

The Board invites senior management staff and auditors, if required, to attend Board meetings to furnish clarifications on issues that may be raised by the Directors. The Board has direct access to senior management staff to obtain complete and unimpeded information to assist them in discharging their duties. The proceedings of all Board meetings are recorded by the Company Secretary and filed properly in the minute's book of the Company upon confirmation by the Board.

Procedures are in place for Directors to seek both independent professional advice at the Company's expense and the advice and services of the Company Secretary in order to fulfill their duties and responsibilities.

Directors' Appointment and Re-election

In accordance with the Company's Articles of Association, at every Annual General Meeting ("AGM"), one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) shall retire from office provided always that all Directors shall retire from office once at least in each three (3) years. All Directors who retire from office shall be eligible for re-election. Further, pursuant to Section 129 of the Companies Act, 1965, directors over the age of 70 are required to offer themselves for re-appointment at every AGM.

The Director who is subject to re-election and/or re-appointment at the next AGM shall be assessed by the Nominating Committee before recommendation is made to the Board and shareholders for the re-election and/or re-appointment. Appropriate assessment and recommendation by the Nominating Committee would be based on the yearly assessment conducted.

All appointments of new director to the Board are properly made with an established and transparent procedure and in compliance with the relevant rules of the relevant authorities. Any appointment of additional director will be made as and when it is deemed necessary by the existing Board with due consideration given to the individual's educational and professional background, employment record, whether the individual has any special experience in a relevant area, possession of the required skill and qualification, personal accomplishments, the mix and range of expertise and experience required for an effective Board.

The Board, based on the recommendation of the Nominating Committee, would evaluate and decide on the appointment of the proposed candidate(s).

Criteria have been set to assess the independence of candidate for directors and existing Directors based on the guidelines set out in the Listing Requirements. On an annual basis, the Directors will be requested to confirm their independence by completing the independence checklist.

Directors' Training

The Board recognises the needs to attend training to enable them to discharge their duties effectively. The training needs of each Director would be assessed and proposed by the individual directors. The Directors will continue to undergo relevant training programmes to further enhance their knowledge on a continuous basis in compliance with paragraph 15.08 of the Listing Requirements on Directors' training.

The Board is also regularly updated by the Company Secretary on the latest updates and major amendments made to the Listing Requirements, Companies Act, 1965 and other regulatory requirements relating to the discharge of the Directors' duties and responsibilities.

Corporate Governance Statement (Cont'd)

The Directors have attended the following conferences, seminars and training programmes during the financial year under review:

Name of Directors	Name of Seminars/Training programmes attended
Datuk Seri Dr. Suleiman Bin Mohamed	<ul style="list-style-type: none"> • Mandatory Accreditation Programme
Ng Aik Chuan	<ul style="list-style-type: none"> • Mandatory Accreditation Programme
Ng Yam Pin	<ul style="list-style-type: none"> • Mandatory Accreditation Programme
Jory Leong Kam Weng	<ul style="list-style-type: none"> • Audit Committee Conference 2015 - Rising to New Challenges • Lead the Change - Getting Women on Boards • Financial Institutions Directors' Education Programme Module A (Insurance) • Financial Institutions Directors' Education Programme Module B (Insurance) • MIA International Accountants Conference 2015 • Budget 2016 Highlights & Latest Tax Developments
Datin Rahmah Binti Mahmood	<ul style="list-style-type: none"> • Sustainability Symposium
Liew Chek Leong	<ul style="list-style-type: none"> • Mandatory Accreditation Programme • MFRS/FRS Update 2015/2016 Seminar • Malaysia's Changing Business Landscape - Be Prepared • Malaysia Tax Summit 2015

Company Secretary

The Directors have ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Company Secretaries of the Company who are experienced, competent and knowledgeable play an important role in advising the Board on issues relating to corporate compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as best practices of governance. The Board is regularly kept up to date on and apprised by the Company Secretaries on any new regulations and guidelines.

The Company Secretaries are responsible for advising the Directors of their obligations and duties to disclose their interest in securities, disclose any conflict of interest in a transaction involving the Group, prohibit dealing in securities and restrict disclosure of price-sensitive information.

The Company Secretaries also safeguard all statutory books and records of the Company and maintain the statutory registers of the Company, ensure all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are recorded. In addition, the Company Secretaries also ensure that any changes in the Company's statutory information is duly completed in the relevant prescribed forms and lodged with the Registrar of Companies within the required period of time.

(B) BOARD COMMITTEES

The Board has established the following committees and delegated specific responsibilities to the Board Committees. The Committees shall deal with matters within their respective terms of reference and authority delegated by the Board.

Audit and Risk Management Committee

The Audit and Risk Management Committee ("ARMC") is responsible in assisting the Board to review the adequacy and integrity of the Group's financial reporting and internal control systems. The ARMC reviews all financial statements before submission to the Board for approval. The detailed roles, functions and responsibilities of the ARMC are as set out in the ARMC Report on pages 31 to 34 of this Annual Report.

Nominating Committee

The Nominating Committee ("NC") was established on 1 December 2013 and currently consists of three (3) Independent Non-Executive Directors. The NC is responsible for reviewing the Board composition and balance as well as considering the Board's succession planning and making recommendation for new appointment of Directors. The NC meets as and when required. The decision on new appointment shall be the responsibility of the Board after considering the recommendation of the NC.

The members of the NC are as follows:

Name	Directorship
Chairman Datuk Seri Dr. Suleiman Bin Mohamed	Independent Non-Executive Chairman
Members Jory Leong Kam Weng	Independent Non-Executive Director
Datin Rahmah Binti Mahmood	Independent Non-Executive Director

The functions of the NC are as follows:

- To assess and recommend to the Board candidates for all directorships of the Company.
- To identify and recommend to the Board appointments to the Board Committees.
- To annually review the required mix of skills and experience and other qualities, including core competencies that the Non-Executive Directors should bring to the Board.
- To implement a process, to be carried out annually for assessing the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each individual Director.

The NC considers that the current mix of skills and experience of the Board are sufficient to discharge its duties and responsibilities effectively.

Board Nomination Process

The Board has adopted a nomination process for new appointments to the Board as follows:

- The Board nomination process is to facilitate and provide a guide for the NC to identify, evaluate, select and recommend to the Board the candidate to be appointed as a Director of the Company.
- No specific criteria is being set for the assessment and selection of director candidate. However, the considerations would be taken on the need to meet the regulatory requirements such as Companies Act, 1965 and Listing Requirements, as well as the candidate's personal career achievements, integrity, experience, independence, ability to make independent and analytical inquiries, ability to work as team to support the Board, possession of the required skills, qualifications and expertise that would add value to the Board, understanding of the business environment and the willingness to devote adequate time and commitment to attend to the duties/functions of the Board.
- The NC is responsible to recommend identified candidate to the Board to fill vacancy arises from resignation, retirement or any other reasons or if there is a need to appoint additional director with the required skill or profession to the Board in order to close the competency gap in the Board identified by the NC. The potential candidate may be proposed by existing Director, senior management staff, shareholders or third party referrals.
- Upon receipt of the proposal, the NC is responsible to conduct an assessment and evaluation on the proposed candidate.

Corporate Governance Statement (Cont'd)

- The assessment/evaluation process may include, at the NC's discretion, reviewing the candidate's resume, curriculum vitae and other biographical information, confirming the candidate's qualifications and conducting legal and other background searches as well as formal or informal interview. The NC would also assess the candidate's integrity, independence, ability to make independent and analytical inquiries, ability to work as a team to support the Board, understanding of the business environment and the willingness to devote adequate time and commitment to attend to the duties/functions of the Board.
- Upon completion of the assessment and evaluation of the proposed candidate, the NC would make its recommendation to the Board. Based on the recommendation of the NC, the Board would evaluate and decide on the appointment of the proposed candidate.
- The Company would then make an invitation or offer to the proposed/potential candidate to join the Board as a Director. With the acceptance of the offer/invitation, the candidate would be appointed as Director of the Company.

Annual Assessment of Existing Directors

The director who is subject to re-election and/or re-appointment at next AGM shall be assessed by the NC before recommendation is made to the Board and shareholders for the re-election and/or re-appointment.

The Board recognises the need to have annual assessment for Board and Committee members. However, the Board was of the opinion that an evaluation and assessment of the performance of the Board and the Committee members for a relatively short duration since the listing of the Company on 30 June 2015 would not be necessary. Hence, it was agreed and decided that the first annual assessment would be conducted in the following financial year.

Assessment on Independence of Directors

The Code recommends that the Board shall undertake annual assessment of the independence of its independent directors. In line with this recommendation, the Board has outlined a policy to facilitate the annual independence assessment of the Company's Independent Directors.

Criteria have been set to assess the independence of candidate for directors and existing Directors based on the criteria for an independent director as prescribed in the Listing Requirements.

On an annual basis, the Independent Directors are required to conduct self-assessment and confirm their independence by completing the independence checklist.

Prior to the listing of the Company, each of the Independent Director has provided the Company with their confirmation of independence based on the criteria set out in the Listing Requirements. The Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company.

None of the Independent Directors have served the Company exceeding a cumulative terms of nine (9) years. At present, the Company does not have a formal policy to limit the tenure of independent directors to nine (9) years. However, the Board is mindful of the recommendations in the Code to ensure effectiveness of independent directors.

Gender Diversity Policy

The Board has established a gender diversity policy whereby the Company would endeavour to have woman participation on the Board. The NC is responsible in ensuring that gender diversity objectives are adopted in board recruitment, board performance evaluation and succession planning processes. Presently, the Board has a female Director.

The Company does not have a formal ethnic and age diversity policy. In its selection of board members, the Board provides equal opportunity to candidates who have the relevant skills, experience, competencies and other qualities vis-à-vis the Group present business portfolios and prospective investments, without bias on race, age or gender.

The Board together with the NC will monitor the Company's performance in meeting the diversity policy and shall review the policy and to improve its diversity in the boardroom as and when needed.

Activities of the NC

The summary of activities of the NC during the financial year is as follows:

- Reviewed the profile of new candidates prior to their appointment to the Board.
- Reviewed and adopted the terms of reference of the NC.

In view of the Group's lean organisational structure, the NC is satisfied with the current Board composition and size. The NC is of the view that the Board is able to carry out its duties and responsibilities effectively.

Remuneration Committee

The Remuneration Committee ("RC") was established on 1 December 2013 to determine and recommend to the Board, the framework or board policy for the remuneration packages of the Executive Directors and senior management in all forms. The Board as a whole determines the allowances of the Non-Executive Chairman and the Non-Executive Directors. The RC meets as and when required to determine and recommend to the Board, any performance related pay schemes for the Executive Directors and/or other persons and to determine the policy and scope of service agreements for the Executive and Non-Executive Directors, termination payment and compensation commitments.

The members of the RC are as follows:

Name	Directorship
Chairman Datuk Seri Dr. Suleiman Bin Mohamed	Independent Non-Executive Chairman
Members Liew Chek Leong Ng Aik Chuan	Independent Non-Executive Director Managing Director

Remuneration Policy

The Board has established a remuneration policy to facilitate the RC to review, consider and recommend to the Board on the remuneration packages of the Executive Directors.

The remuneration of the Executive Directors, including the MD, is to be proposed by the RC and to be agreed/approved by the Board. The remuneration package offered to Executive Directors comprised the following:

Salary	Executive Directors receive salary, together with Employee Provident Fund contribution, SOCSO and any other applicable allowances or claims. The salary is to be proposed by the RC and to be agreed/approved by the Board.
Reimbursement	The Company shall reimburse the Executive Directors for all out-of-pocket expenses properly incurred and duly vouched by him in performing his duties, including expenses of entertainment, subsistence and travelling.
Benefits	Executive Directors shall be entitled to benefits provided to employee of the Company and additional benefits based on the Company's staff benefit policy.
Annual Bonus	Executive Directors shall be entitled to participate in the Company's annual cash bonus.

The remuneration of Non-Executive Directors, which made up of directors' fee, meeting allowance and other benefits, if any, is to be determined by the Board.

The directors' fee shall be approved by shareholders.

Corporate Governance Statement (Cont'd)

Directors' Remuneration

The levels of remuneration of the Executive Directors are structured to attract and retain their services taking into consideration the prevailing market pay and employment conditions within the industry. The Non-Executive Directors are paid reasonable allowances and fees to commensurate with their experience and skills.

The aggregate remuneration of the Directors for the financial year ended 31 December 2015 is as follows:

Description	Non-Executive Director (RM)	Executive Director (RM)
Fees	360,000	972,000
Meeting Allowance	11,000	–

The number of Directors whose total remuneration falls within the following range is as follows:

Remuneration (RM)	Non-Executive Director	Executive Director
50,001 to 100,000	3	–
100,001 to 150,000	1	–
450,001 to 500,000	–	2

(C) SHAREHOLDERS

Communication with Shareholders

The Board values dialogue with investors and encourage investors to raise queries by contacting the Company at any time. The Company recognises the importance of effective communication between investors and the Board regarding matters ranging from strategic directions, financial performance to various policies that assist investors in making informed decisions.

The Board keeps shareholders informed via various announcements and the release of quarterly financial results, press releases, annual reports, circulars to shareholders, policies and Board Charter on the Company's website.

The Company has outlined a policy on shareholders communication with regard to matters relating to the communication between the Company and its valued shareholders. In addition, the Company has also established a Statement on Shareholders' Rights which clearly spelt out the de-facto rights of shareholders. Both the Shareholders Communication Policy and Statement on Shareholders' Rights relating to General Meeting are made available for review at the Company's website at www.xinhwa.com.my.

Corporate Disclosure Policy

The Group recognises the value of transparent, timely and coherent disclosures of the information. Communication with the investing public and various stakeholders are always on the agenda of the Board for enhancement. The Group adheres to and has formulated a corporate disclosure policy based on disclosure requirements imposed by relevant regulatory bodies, guidelines under the Listing Requirements and the principles and recommendations stipulated in the Code. The disclosures made by the Group to the general public through Bursa Securities and the Company's website are with due consultation with our Company Secretaries and/or other external professionals.

Annual General Meeting

The AGM is also the principal forum for dialogue and interaction with the shareholders of the Company. The Company encourages shareholders to attend the AGM, which is a good avenue for them to meet the Board and the Management team. The Board values feedback from its shareholders and encourages shareholders to actively participate in question and answer session open to all shareholders present at the AGM. The Board will ensure that each item of special business included in the notice of the general meetings is accompanied by a full explanation of the effects of any proposed resolution.

The Board shall present at the AGM and are prepared to respond to questions of concern from our valued shareholders who seek to understand the developments within the group. The Board will provide clarifications on issues and concerns raised by the shareholders. The external auditors will also present to provide clarifications particularly relating to the financial statements.

(D) ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board has a general responsibility for taking the necessary steps to safeguard and enhance the value of shareholders in the Company. The Company maintains an appropriate and transparent relationship with the external auditors.

The Board is responsible to present a balanced, clear and comprehensive assessment of the Group's financial performance through the quarterly reports and annual financial statements to shareholders. The Board and the AMRC have to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

In presenting the financial statements, the Board has reviewed and ensured that appropriate accounting policies have been used, consistently applied and supported by reasonable judgements and estimates.

In discharging its responsibilities, the Board is assisted by the ARMC to ensure accuracy and adequacy of information to be disclosed.

Risk Management and Internal Control

The Board acknowledges that it is crucial for the Group to maintain a sound system of risk management and internal control ("RMIC"), to provide reasonable assurance that the Group's assets and shareholders' investments in the Group are safeguarded. Nonetheless, due to its inherent nature, the Group's RMIC system can only provide reasonable but not absolute assurance against material misstatements, fraud or wilful circumvention of rules and procedures.

In recognition of the importance of having in place a structured and organised approach to identify and manage risk factors affecting the Group, a risk management and internal control framework has been established to set out principles of the Company's risk identification and management culture, which provides input of its internal control system.

Another check-and-balance measure in the Group's internal control system is through the conduct of internal audit. The internal audit function is outsourced to an internal audit services firm which reports directly to the ARMC. The cost incurred for the internal audit function for the financial year ended 31 December 2015 was RM34,000.

A Statement on Risk Management and Internal Control of the Company is set out on pages 35 and 36 of this Annual Report.

Relationship with External Auditors and Assessment of their Suitability and Independence

The Board on its own and through the ARMC established a formal and transparent arrangement to maintain an appropriate relationship with its external auditors. The ARMC seeks regular assurance on the effectiveness of the internal control systems through independent appraisal by the auditors. The ARMC shall meet with the external auditors at least twice a year without the presence of the Executive Directors and Management for feedback of matters regarding the Management.

The Company has put in place the policies and procedures to assess the suitability and independence of external auditors.

The ARMC at its meeting held on 23 February 2016 undertook an annual assessment of the suitability and independence of the external auditors in accordance with the Company's Policy and Procedure on Appointment and Evaluation of External Auditors. In its assessment, the ARMC considered several factors, which included adequacy of experience, resources of the firm, the professional staff assigned to the audit, independence of Messrs Crowe Horwath ("CH") and the level of non-audit services to be rendered by CH to the Company for the financial year ended 31 December 2015.

Being satisfied with CH's performance, technical competency and audit independence as well as fulfilment of criteria as set out in the Company's Policy and Procedure, the ARMC recommended the appointment of CH as external auditors of the Company. The Board at its meeting held on 23 February 2016 approved the ARMC's recommendation for the shareholders' approval to be sought at the AGM on the appointment of CH as external auditors of the Company for the ensuing financial year.

(E) RESPONSIBILITY STATEMENT BY DIRECTORS

The Directors of the Company are responsible for ensuring the financial statements of the Group and the Company are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results and cash flows of the Group and the Company for that year.

The Board is responsible for keeping proper accounting records of the Group and Company, which disclose with reasonable accuracy the financial position of the Group and the Company, and which will enable them to ensure the financial statements have complied with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board, with the recommendations by the ARMC, will ensure that all quarterly announcements and annual reports present a balanced and understandable assessment of the Group's financial position and prospects.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 43 of this Annual Report.

(F) COMPLIANCE WITH THE CODE

The Board strives to ensure that the Group complies with the principles and recommendations of the Code. The Board will endeavor to improve and enhance procedures in the Group to ensure compliance from time to time.

(1) UTILISATION OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

As at 31 December 2015, the status of utilisation of proceeds raised from the Initial Public Offering of approximately RM26.45 million is as follows:

Details of the utilisation for utilisation of proceeds	Proposed utilisation RM'000	Revised utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Balance unutilised %	Estimate timeframe from the date of Listing
Business expansion						
- Construction of new warehouse	4,750	4,750	4,750	–	–	Within six (6) months
- Expansion of fleet of vehicles	11,355	11,355	5,498	5,857	51.58	Within twenty four (24) months
Repayment of bank borrowings	3,750	3,750	3,750	–	–	Within six (6) months
Working capital	3,081	5,364 ^(a)	2,283	3,081	57.44	Within twenty four (24) months
Estimated listing expenses	3,511	1,228 ^(a)	1,228	–	–	Within three (3) months
Total	26,447	26,447	17,509	8,938	33.80	

Notes:

* The utilisation of proceeds from the Initial Public Offering should be read in conjunction with the Interim Financial Report for the period ended 30 September 2015 and Section 3.9 of the Prospectus of the Company dated 11 June 2015.

(a) The excess allocation of IPO proceeds for estimated listing expenses have been re-allocated to working capital of the Group.

(2) SHARE BUY-BACK

The Company did not enter into any share buy-back transactions during the financial year ended 31 December 2015.

(3) OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company has not issued any options, warrants or convertible securities during the financial year ended 31 December 2015.

Additional Compliance Information (Cont'd)

(4) DEPOSITORY RECEIPT PROGRAMME

The Company has not sponsored any Depository Receipt programme during the financial year ended 31 December 2015.

(5) IMPOSITION OF SANCTIONS / PENALTIES

There were no sanctions and / or penalties imposed on the Company and its subsidiaries, Directors and Management by the relevant regulatory bodies during the financial year ended 31 December 2015.

(6) NON-AUDIT FEES

There is no non-audit fee incurred during the financial year ended 31 December 2015.

(7) VARIATION IN RESULTS

There was no material variation noted between the audited results for the financial year ended 31 December 2015 and the unaudited results previously announced.

(8) MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts entered into by the Company and its subsidiaries involving Directors' or major shareholders' interests that were still subsisting at the end of the financial year ended 31 December 2015.

(9) PROFIT ESTIMATE, FORECAST OR PROJECTION

The Company did not issue any profit estimate, forecast or projection for the financial year ended 31 December 2015.

(10) PROFIT GUARANTEE

There was no profit guarantee given by the Company during the financial year ended 31 December 2015.

Audit and Risk Management Committee Report

The Board of Directors of Xin Hwa Holdings Berhad is pleased to present the Audit and Risk Management Committee Report for the financial year ended 31 December 2015.

MEMBERS AND MEETINGS

Three (3) meetings were held during the financial year ended 31 December 2015 since the listing of the Company on 30 June 2015. The members of the Audit and Risk Management Committee ("ARMC") and the details of attendance of each member at the ARMC meetings are as follows:

Name	Directorship	No. of meetings attended
Chairman		
Jory Leong Kam Weng*	Independent Non-Executive Director	3/3
Members		
Datuk Seri Dr. Suleiman Bin Mohamed	Independent Non-Executive Chairman	2/3
Liew Chek Leong*	Independent Non-Executive Director	3/3

* A member of the Malaysian Institute of Accountants.

The Managing Director, Chief Financial Officer and external auditors of the Company had attended the meetings during the financial year by invitation of the ARMC.

The ARMC is governed by its Terms of Reference as stipulated below:

TERMS OF REFERENCE

A. Membership

The ARMC shall be appointed by the Board from amongst its members, comprising no fewer than three (3) members, all of whom shall be non-executive directors, where the majority shall be independent directors.

At least one (1) member of the ARMC:

- must be a member of the Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
 - (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

No alternate director shall be appointed as member of the ARMC.

The members of the ARMC shall elect a chairman from among their number who shall be an independent director.

In the event of any vacancy in the ARMC resulting in non-compliance with its composition as above, the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The terms of office and performance of the ARMC and each of its members shall be reviewed by the Board at least once a year.

Audit and Risk Management Committee Report (Cont'd)

B. Duties and Responsibilities

The duties and responsibilities of the ARMC shall include the following:

- (i) To consider and recommend the appointment or re-appointment of the external auditors, the audit fee and consider any questions of resignation or dismissal including whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;
- (ii) To review with the external auditors, the audit plan, the nature and scope of audit including any changes to the planned scope of the audit plan before the audit commences and the audit report;
- (iii) To review the evaluation of the system of internal control with the external auditors, including any suggestions for improvement and management's responses;
- (iv) To assess the objectivity and independence of the external auditors where the external auditors also provide non-audit services to the Group;
- (v) To discuss problems and reservations arising from the audits and any matters the external auditors may wish to discuss (in the absence of management where necessary), including assistance given by the employees of the Group to the external auditors;
- (vi) To ensure that the internal audit function is independent of the activities it audits, review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (vii) To review the overall performance of the internal audit function, including the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken, whether or not appropriate action is taken on the recommendations of the internal audit function and to ensure that the internal audit function reports directly to the ARMC;
- (viii) To review the quarterly results and annual financial statements before the approval by the Board, focusing particularly on, inter-alia, changes in or implementation of major accounting policy and practices, significant and unusual events, significant adjustments arising from the audit, compliance with accounting standards and other legal requirements;
- (ix) To assess the financial risk and matters relating to related party transactions and conflict of interests situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- (x) In relation to risk management:
 - a. to provide an objective view on the effectiveness of the risk management framework, review and monitor risk reporting;
 - b. to provide an independent view on specific risk and control issues, trends and events;
 - c. to evaluate how the management review the principal business risks and assess the appropriateness of the mechanisms in place to identify, prevent and minimise these business risks;
 - d. to ensure an appropriate system is established to identify and report on areas of potential business risk timely for remedial actions to be taken;
 - e. to recommend to the Board its findings and proposed course of actions to be taken to ensure controls are put in place to address these risks. Senior management of the Group is responsible for the actions to be taken;
 - f. to seek regular assurance from management to ensure alignment of risk management strategies and culture with the Group's business objectives;
 - g. to seek regular assurance from management to ensure that appropriate risk reporting structure is established to facilitate reporting of risks to Management and the Board; and
 - h. to seek regular assurance from Management to ensure that a comprehensive risk management approach is in place to identify risks, communicate risk inter-relationships and manage risk profiles across the organisation.
- (xi) To perform any other functions as maybe requested by the Board.

C. Authority

The ARMC shall, wherever necessary and reasonable for the performance of its duties and in accordance with the procedures determined by the Board and at the cost of the Company:

- (i) Have authority to investigate any matter within its terms of reference;
- (ii) Have the resources which are required to perform its duties;
- (iii) Have full and unrestricted access to any information pertaining to the Company and the Group;
- (iv) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (v) Be able to obtain independent professional or other advice and secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
- (vi) Be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

D. Meetings

The ARMC shall meet not less than four (4) times a year and additional meetings may be held, as and when necessary, at the discretion of the Chairman. The external auditors may request for a meeting if they consider necessary.

Other Board members, Chief Financial Officer, representatives of the external auditors and internal auditors may attend the meetings upon invitation of the ARMC. However, the ARMC should meet with the external auditors without the presence of management at least twice a year.

The quorum shall consist of two (2) members and majority of the members present must be independent directors.

The Company Secretary shall be the Secretary of the ARMC and shall be responsible to draw up and circulate the agenda and the notice of meetings together with the supporting explanatory documentation for each meeting prior to the meeting with the approval of the Chairman.

The Secretary of the ARMC shall be entrusted to record all proceedings and minutes of each meeting. Minutes of each meeting shall be kept at the registered office and distributed to each member of the ARMC and other members of the Board. The Chairman of the ARMC shall report on the proceedings of each meeting to the Board.

Audit and Risk Management Committee Report (Cont'd)

SUMMARY OF ACTIVITIES

The following activities were carried out by the ARMC during the financial year ended 31 December 2015 and up till the issuance of this Annual Report:

- Conducted a site visit to the Company's headquarter and warehouse at Johor;
- Reviewed the quarterly financial results, cash flows and financial positions for each financial quarter prior to submission to the Board for consideration and approval for announcement to the public;
- Reviewed and approved the Audit Planning Memorandum presented by the external auditors for the statutory audit of the Group's financial statements for the financial year ended 31 December 2015;
- Conducted independent meeting session with the external auditors without the presence of executive board members and management personnel;
- Reviewed the Internal Audit Plan with the internal auditors and recommended the adequate audit cycles to the Board for approval;
- Reviewed the Internal Audit Report with the internal auditors;
- Reviewed and discussed with the external and internal auditors any issues and findings noted in the course of their audit of the Group;
- Reviewed changes in major accounting policies;
- Reviewed significant or unusual events;
- Reviewed the related party transactions, if any, undertaken by the Group on a quarterly basis;
- Reviewed the high level risk and control assessment conducted by the internal auditors to ascertain the internal controls available in the key activities of the Group's business and to identify potential risk areas for audit focus and inclusion in the internal audit plan;
- Reviewed the assessment findings of potential risk areas for audit focus together with the internal audit plan; and
- Reviewed and deliberated the audit findings and corrective actions to be taken by the management.

INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to a professional services firm which reports directly to the ARMC, assisting the ARMC in discharging its duties and responsibilities. The cost incurred in relation to the internal audit function for the financial year ended 31 December 2015 was RM34,000.

The scope of internal audit encompasses the examination and evaluation of the adequacy and effectiveness of the Group's governance, system of internal control structure and the quality of performance in carrying out assigned responsibilities to achieve its stated goals and objectives.

Internal audit reviews are carried out in accordance with the internal audit plan approved by the ARMC. Prior to the presentation of report to the ARMC, comments from the management are obtained and incorporated into the internal audit findings and reports. The internal audit reviews also cover the follow-up actions taken by the management on the implementation of recommendations.

The Statement on Risk Management and Internal Control which provides an overview of the state of internal controls within the Group is furnished on pages 35 and 36 of this Annual Report.

Statement on Risk Management and Internal Control

INTRODUCTION

This Statement on Risk Management and Internal Control is made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad in accordance with the Malaysian Code on Corporate Governance 2012 and Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

ROLES AND RESPONSIBILITIES

Board of Directors

The Board of Directors of Xin Hwa Holdings Berhad ("Board") affirms its overall responsibility for the adequacy and effectiveness of the Group's system of internal controls and risk management. This includes reviewing the adequacy and integrity of the risk management, financial, operational and compliance controls of the Group. The Board has established a process for identifying, evaluating, monitoring and managing the significant risks faced by the Group in its achievement of objectives and strategies. However, it should be noted that such systems are designed to manage rather than eliminate associated risks. Therefore, the system provides reasonable but not absolute assurance against material misstatement, loss or fraud.

Audit and Risk Management Committee

The Audit and Risk Management Committee ("ARMC") is established by the Board, and governed by clearly defined terms of reference and authority for areas within their scope. The Board is in the process of documenting the risk management framework which will proactively identify, evaluate and manage key risks to an optimal level. In line with the Group's commitment to deliver sustainable value, this framework aims to provide an integrated and organised approach entity-wide and maintains risk and audit oversight within the Group.

Internal Audit Function

The internal audit function of the Group is outsourced to an external consultant who assists the ARMC in ensuring that the Group's systems of internal controls are adequate and effective and to discharge their responsibilities and duties. The internal audit review is conducted in accordance with a risk-based internal audit plan approved by the ARMC. The internal audit provides an assessment of the adequacy, efficiency and integrity of the Group's system of internal controls, as well as recommendations, where necessary, for the improvement of the control policies and procedures. The results of the internal audit assessments are reported periodically to the ARMC and significant audit findings and recommendations for improvement are highlighted to the ARMC. The Senior Management is responsible for ensuring that the necessary corrective actions on reported weaknesses are made within the required time frame. The internal auditors also carried out follow-up reviews to ensure that their recommendations for improvements to the internal controls are implemented.

A total cost of RM34,000 was incurred for the internal audit function for the financial year ended 31 December 2015.

Statement on Risk Management and Internal Control (Cont'd)

KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board is committed to maintaining a strong internal control structure for the proper conduct of the Group's business operations and reviews regular reports from the management on key financial data, performance indicators and regulatory matters.

Further independent assurance is provided by the Group's internal audit function and the ARMC. The ARMC reviews internal control matters and update the Board on significant control gaps for the Board's attention and action.

The other key elements of the Groups' system of internal controls and risk management include:

- Quarterly review of the financial performance of the Group by the Board and the ARMC;
- An ISO 9001 Quality Management System Committee reviews processes and documentation. Surveillance audits are conducted by assessors of the ISO certification bodies on a yearly basis to ensure that the system is adequately implemented. Areas for improvement are highlighted and the implementation of its recommendations is monitored;
- The Group has an organisational structure that is aligned with the business and operational requirements, with clearly defined lines of responsibility and authority levels. Authority limits for acquisition and disposal of assets, award of contracts and approval of operating expenditures are established;
- The Group has in place a Management Information System that captures, compiles, analyses and reports relevant data, which enables management to make business decisions in an accurate and timely manner. Management and financial reports are generated regularly to facilitate the Board and the management in performing financial and operating reviews of the various operating units;
- Policies, Procedures and Standard Operating Procedures which are systematically documented, revised and made available to guide staff in performing their daily operations;
- Operations review meetings are held by the respective business units to monitor the progress of business operations, deliberate significant issues and formulate corrective measures; and
- A structured recruitment process, a performance appraisal system and a wide variety of training and development programs are in place to maintain staff competency.

CONCLUSION

The Board is of the view that the system of internal controls in place throughout the Group for the financial year under review and up to the date of approval of this Statement is sound and effective, providing reasonable assurance that the structure and operation of controls are appropriate for the Group's operations. Implementation measures are continuously taken to strengthen the system of internal controls so as to safeguard shareholders' investments and the Group's asset. The Company has been listed on the Main Market of Bursa Securities in June 2015 and the Board has put in plan the setting up of the risk management framework as its priority. This exercise is expected to be completed by 30 September 2016.

REVIEW BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control in accordance with Recommended Practice Guide 5 (Revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the Annual Report for the financial year ended 31 December 2015.

Based on their review, the external auditors have informed the Board that nothing has come to their attention that causes them to believe that this Statement on Risk Management and Internal Control has not been prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers or that it is factually inaccurate.

This Statement is made in accordance with a resolution of the Board dated 5 April 2016.

Financial Statements

Financial Year Ended 31 December 2015

Directors' Report

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The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM	The Company RM
Profit/(loss) after tax for the financial year	16,086,077	(264,955)
Attributable to:-		
Owners of the Company	15,957,507	(264,955)
Non-controlling interests	128,570	–
	16,086,077	(264,955)

DIVIDENDS

No dividend was paid since the end of the previous financial year.

Subsequent to the end of financial year, on 24 February 2016, the Company declared an interim dividend of 1.5 sen per ordinary share amounting to RM2,700,000 in respect of the current financial year, paid on 28 March 2016. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

The directors do not recommend any final dividend to be paid in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the statements of changes in equity.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) the Company increased its authorised share capital from RM100,000 to RM500,000,000 by creation of 499,900,000 new ordinary shares of RM0.50 each;
- (b) the Company increased its issued and paid-up share capital from RM3 to RM90,000,000 as part of its listing scheme on the Main Market of Bursa Malaysia Securities Berhad. The issued and paid-up share capital was increased by way of:-
 - (i) Acquisition of Xin Hwa Trading & Transport Sdn. Bhd. ("XHTT")

The Company acquired the entire issued and paid-up share capital of XHTT amounting to RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each in XHTT for a purchase consideration of RM65,216,997 which was wholly satisfied by the issuance of 130,433,994 new ordinary shares of the Company at an issue price of RM0.50 per share.

ISSUES OF SHARES AND DEBENTURES (CONT'D)

- (b) the Company increased its issued and paid-up share capital from RM3 to RM90,000,000 as part of its listing scheme on the Main Market of Bursa Malaysia Securities Berhad. The issued and paid-up share capital was increased by way of (Cont'd):-

- (ii) Acquisition of Xin Hwa Auto Engineering Sdn. Bhd. ("XHAE")

The Company acquired the entire issued and paid-up share capital of XHAE amounting to RM100,000 comprising 100,000 ordinary shares of RM1.00 each in XHAE for a purchase consideration of RM2,364,000 which was wholly satisfied by the issuance of 4,728,000 new ordinary shares of the Company at an issue price of RM0.50 per share.

- (iii) Acquisition of Canggi Logistik Sdn. Bhd. ("Canggi")

The Company acquired the entire issued and paid-up share capital of Canggi amounting to RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each in Canggi for a purchase consideration of RM3,409,000 which was wholly satisfied by the issuance of 6,818,000 new ordinary shares of the Company at an issue price of RM0.50 per share.

- (iv) Acquisition of XH Universal Forwarding Sdn. Bhd. ("XHUF")

The Company acquired 30% issued and paid-up share capital of XHUF amounting to RM30,000 comprising 30,000 ordinary shares of RM1.00 each in XHUF for a purchase consideration of RM119,000 which was wholly satisfied by the issuance of 238,000 new ordinary shares of the Company at an issue price of RM0.50 per share.

The above acquisitions were completed on 1 April 2015.

- (v) Public Issue

On 25 June 2015, the Company issued 37,782,000 new ordinary shares of RM0.50 each at an issue price of RM0.70 each per ordinary share for public issue and listing. The issuance of these new ordinary shares has created a share premium account of RM7,556,400 of which RM1,104,829 being expenses directly attributed to the issuance were written off against the share premium account.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

- (c) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

Directors' Report (Cont'd)

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their values as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 34 to the financial statements. At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

HOLDING COMPANY

The holding company is NF Capital Management Sdn. Bhd., a private company incorporated in Malaysia.

DIRECTORS

The directors who served since the date of the last report are as follows:-

NG AIK CHUAN
NG YAM PIN
DATIN RAHMAH BINTI MAHMOOD
DATUK SERI DR. SULEIMAN BIN MOHAMED
LEONG KAM WENG
LIEW CHEK LEONG

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:-

	Number of Ordinary Shares of RM0.50 Each			
	At 1.1.2015	Bought/ Allotted	Sold	At 31.12.2015
<i>Direct Interests in the Company</i>				
DATIN RAHMAH BINTI MAHMOOD	–	100,000	–	100,000
DATUK SERI DR. SULEIMAN BIN MOHAMED	–	100,000	–	100,000
LEONG KAM WENG	–	100,000	–	100,000
LIEW CHEK LEONG	–	100,000	–	100,000
<i>Indirect Interests in the Company</i>				
NG AIK CHUAN [#]	–	125,999,998	–	125,999,998
NG YAM PIN [#]	–	125,999,998	–	125,999,998

[#] Deemed interested by virtue of their direct substantial shareholding in NF Capital Management Sdn. Bhd.

	Number of Ordinary Shares of RM0.50 Each			
	At 1.1.2015	Bought/ Allotted	Sold	At 31.12.2015
Direct interests in a Subsidiary, XHUF				
NG AIK CHUAN	30,000	–	(30,000)	–
Indirect interests in a Subsidiary, XHUF				
NG AIK CHUAN	–	240,000	–	240,000

By virtue of the director's shareholdings in the shares of the Company, Ng Aik Chuan and Ng Yam Pin are deemed to have an interest in the Company and its related corporations to the extent of the Company's interests, in accordance with Section 6A of the Companies Act 1965.

Directors' Report (Cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 36 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 37 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 5 April 2016.

Ng Aik Chuan

Ng Yam Pin

Statement by Directors

pursuant to section 169(15) of the Companies Act, 1965

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ANNUAL REPORT 2015

We, **Ng Aik Chuan** and **Ng Yam Pin**, being two of the directors of **Xin Hwa Holdings Berhad**, state that, in the opinion of the directors, the financial statements set out on pages 46 to 97 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 39, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 5 April 2016

Ng Aik Chuan

Ng Yam Pin

Statutory Declaration

pursuant to section 169(16) of the Companies Act, 1965

I, **Kok Poh Fui**, being the officer primarily responsible for the financial management of **Xin Hwa Holdings Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 46 to 97 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act 1960.

Subscribed and solemnly declared
by the abovenamed Kok Poh Fui at
Johor Bahru in the state of Johor
on this 5 April 2016

Before me

Kok Poh Fui

Mohdzar Bin Khalid P.L.P., P.I.S (No. J204)
Commissioner for Oaths

Independent Auditors' Report

to the members of Xin Hwa Holdings Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Xin Hwa Holdings Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 46 to 97.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 39 on page 98 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No.: AF 1018
Chartered Accountants

Tan Lin Chun
Approval No: 2839/10/17(J)
Chartered Accountant

5 April 2016
Johor Bahru

Statements of Financial Position

at 31 December 2015

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XIN HWA HOLDINGS BERHAD

		The Group		The Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	–	–	71,108,997	–
Property, plant and equipment	7	127,648,147	112,238,992	–	–
		127,648,147	112,238,992	71,108,997	–
CURRENT ASSETS					
Inventories	8	864,485	774,758	–	–
Trade receivables	9	24,843,791	25,657,824	–	–
Other receivables, deposits and prepayments	10	2,257,331	3,769,988	2,500	1,391,280
Amount owing by related company	11	–	–	3,513,113	–
Current tax assets		3,347,652	1,405,754	–	–
Fixed deposits with licensed banks	12	10,021,993	21,993	10,000,000	–
Cash and bank balances		14,612,933	8,204,021	11,395,934	66
		55,948,185	39,834,338	24,911,547	1,391,346
TOTAL ASSETS		183,596,332	152,073,330	96,020,544	1,391,346
EQUITY AND LIABILITIES					
EQUITY					
Share capital	13	90,000,000	71,109,000	90,000,000	3
Reserves	14	37,536,711	15,127,633	5,939,285	(247,331)
Equity attributable to owners of the Company		127,536,711	86,236,633	95,939,285	(247,328)
Non-controlling interests		505,086	376,516	–	–
TOTAL EQUITY		128,041,797	86,613,149	95,939,285	(247,328)
NON-CURRENT LIABILITIES					
Long-term borrowings	15	33,871,747	34,455,901	–	–
Deferred tax liabilities	16	4,515,600	4,471,400	–	–
		38,387,347	38,927,301	–	–
CURRENT LIABILITIES					
Trade payables	17	5,333,043	8,572,805	–	–
Other payables and accruals	18	6,505,389	7,505,766	81,259	1,638,674
Short-term borrowings	19	5,304,366	10,424,919	–	–
Current tax liabilities		24,390	29,390	–	–
		17,167,188	26,532,880	81,259	1,638,674
TOTAL LIABILITIES		55,554,535	65,460,181	81,259	1,638,674
TOTAL EQUITY AND LIABILITIES		183,596,332	152,073,330	96,020,544	1,391,346

The annexed notes form an integral part of these financial statements.

Statements of

Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2015

		The Group		The Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
REVENUE	22	107,880,211	110,633,015	180,000	–
COST OF SALES		(67,329,213)	(73,142,883)	–	–
GROSS PROFIT		40,550,998	37,490,132	180,000	–
OTHER INCOME		512,547	293,936	304,987	–
		41,063,545	37,784,068	484,987	–
ADMINISTRATIVE EXPENSES		(20,565,028)	(16,734,707)	(749,942)	(221,973)
SELLING AND DISTRIBUTION EXPENSES		(1,244,266)	(649,276)	–	–
FINANCE COSTS		(2,442,591)	(1,978,485)	–	–
PROFIT/(LOSS) BEFORE TAX	23	16,811,660	18,421,600	(264,955)	(221,973)
INCOME TAX EXPENSE	24	(725,583)	(2,565,849)	–	–
PROFIT/(LOSS) AFTER TAX		16,086,077	15,855,751	(264,955)	(221,973)
OTHER COMPREHENSIVE INCOME	25				
<u>Item that May be Reclassified</u>					
<u>Subsequently to Profit or Loss</u>					
Fair value of available-for-sale financial assets transfer to profit or loss on disposal		–	5,050	–	–
TOTAL OTHER COMPREHENSIVE INCOME		–	5,050	–	–
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL YEAR		16,086,077	15,860,801	(264,955)	(221,973)

The annexed notes form an integral part of these financial statements.

Statement of
Profit or Loss and Other Comprehensive Income (Cont'd)

	Note	The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
PROFIT/(LOSS) AFTER TAX					
ATTRIBUTABLE TO:-					
Owners of the Company		15,957,507	15,754,579	(264,955)	(221,973)
Non-controlling interests		128,570	101,172	–	–
		16,086,077	15,855,751	(264,955)	(221,973)
TOTAL COMPREHENSIVE					
INCOME/(EXPENSES)					
ATTRIBUTABLE TO:-					
Owners of the Company		15,957,507	15,759,629	(264,955)	(221,973)
Non-controlling interests		128,570	101,172	–	–
		16,086,077	15,860,801	(264,955)	(221,973)
EARNINGS PER SHARE (SEN)	26				
Basic		9.71	11.08		
Diluted		Not applicable	Not applicable		

The annexed notes form an integral part of these financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2015

The Group	Note	Non-Distributable				Distributable		Attributable to Owners of the Company	Non-controlling Interests	Total
		Share Capital	Merger Deficit	Revaluation Reserve	(Accumulated Loss)/ Retained Profits					
		RM	RM	RM	RM			RM	RM	RM
Balance at 1.1.2014		2	-	-	(25,358)		(25,356)	-		(25,356)
Loss after tax/Total comprehensive expense for the financial year		-	-	-	(221,973)		(221,973)	-		(221,973)
Contributions by and distributions to owners of the Company:-										
- Issuance of share		1	-	-	-		1	-		1
- Issuance of share pursuant to acquisition of subsidiaries	13 & 14	71,108,997	(68,978,997)	18,138,876	66,215,085		86,483,961	376,516		86,860,477
Total transactions with owners		71,108,998	(68,978,997)	18,138,876	66,215,085		86,483,962	376,516		86,860,478
Balance at 31.12.2014		71,109,000	(68,978,997)	18,138,876	65,967,754		86,236,633	376,516		86,613,149

The annexed notes form an integral part of these financial statements.

Statement of
Changes in Equity (Cont'd)

The Group	Note	← Non-Distributable →				← Distributable →			Total RM
		Share Capital RM	Share Premium RM	Merger Deficit RM	Revaluation Reserve RM	Retained Profits RM	Attributable to Owners of the Company RM	Non- controlling Interests RM	
Balance at 31.12.2014/ 1.1.2015		71,109,000	-	(68,978,997)	18,138,876	65,967,754	86,236,633	376,516	86,613,149
Profit after tax/ Total comprehensive income for the financial year		-	-	-	-	15,957,507	15,957,507	128,570	16,086,077
Contributions by and distributions to owners of the Company:-									
- Issuance of new share pursuant to public issue	13 & 14	18,891,000	7,556,400	-	-	-	26,447,400	-	26,447,400
Total transactions with owner		18,891,000	7,556,400	-	-	-	26,447,400	-	26,447,400
Listing expenses	14.1	-	(1,104,829)	-	-	-	(1,104,829)	-	(1,104,829)
Balance at 31.12.2015		90,000,000	6,451,571	(68,978,997)	18,138,876	81,925,261	127,536,711	505,086	128,041,797

The annexed notes form an integral part of these financial statements.

Statement of
Changes in Equity (Cont'd)

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The Company	Note	←Non-Distributable→ Share Capital RM	Share Premium RM	Accumulated Losses RM	Total RM
Balance at 1.1.2014		2	–	(25,358)	(25,356)
Loss after tax/Total comprehensive expenses for the financial year		–	–	(221,973)	(221,973)
Contributions by and distribution to owners of the Company:-					
- Issuance of share		1	–	–	1
Total transaction with owners		1	–	–	1
Balance at 31.12.2014/1.1.2015		3	–	(247,331)	(247,328)
Loss after tax/Total comprehensive income for the financial year		–	–	(264,955)	(264,955)
Contributions by and distribution to owners of the Company:					
- Issuance of new shares pursuant to:	13 & 14				
- acquisition of subsidiaries		71,108,997	–	–	71,108,997
- public issue		18,891,000	7,556,400	–	26,447,400
Total transactions with owners		89,999,997	7,556,400	–	97,556,397
Listing expenses	14.1	–	(1,104,829)	–	(1,104,829)
Balance at 31.12.2015		90,000,000	6,451,571	(512,286)	95,939,285

The annexed notes form an integral part of these financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2015

Note	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit/(Loss) before tax	16,811,660	18,421,600	(264,955)	(221,973)
Adjustments for:-				
Allowance for impairment losses on trade receivables	–	16,777	–	–
Depreciation of property, plant and equipment	5,336,915	4,115,007	–	–
Gain on disposal of property, plant and equipment	(5,937)	(19,479)	–	–
Interest expense	2,364,468	1,957,761	–	–
Interest income	(329,837)	(33,198)	(304,987)	–
Listing expenses	122,498	–	122,498	–
Property, plant and equipment written off	–	1,354	–	–
Reversal of impairment losses on trade receivables	(34,446)	–	–	–
Operating profit/(loss) before working capital changes	24,265,321	24,459,822	(447,444)	(221,973)
(Increase)/Decrease in inventories	(89,727)	480,757	–	–
Decrease/(Increase) in trade and other receivables	2,361,136	(3,322,823)	1,388,780	(708,097)
(Decrease)/Increase in trade and other payables	(4,228,139)	(1,854,222)	(1,557,415)	930,133
Increase in amount owing by subsidiary	–	–	(180,000)	–
CASH FROM/(FOR) OPERATIONS	22,308,591	19,763,534	(796,079)	63
Income tax paid	(2,780,527)	(2,648,086)	–	–
Income tax refund	152,246	1,274,504	–	–
Interest paid	(55,459)	(340,694)	–	–
NET CASH FROM/(FOR) OPERATING ACTIVITIES	19,624,851	18,049,258	(796,079)	63

The annexed notes form an integral part of these financial statements.

Statements of Cash Flows (Cont'd)

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ANNUAL REPORT 2015

		The Group		The Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
CASH FLOWS FOR INVESTING ACTIVITIES					
Advances to related company		–	–	(3,333,113)	–
Interest income		329,837	33,198	304,987	–
Purchase of property, plant and equipment	28	(20,787,030)	(33,602,840)	–	–
Proceeds from disposal of property, plant and equipment		34,897	20,060	–	–
Proceeds from disposal of other investments		–	500,000	–	–
NET CASH FOR INVESTING ACTIVITIES		(20,422,296)	(33,049,582)	(3,028,126)	–
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of listing expenses		(1,227,327)	–	(1,227,327)	–
Proceeds from issuance of shares	13 & 14	26,447,400	1	26,447,400	1
Interest expense		(2,309,009)	(1,617,067)	–	–
Drawdown of term loans		8,563,086	22,077,909	–	–
Net (repayment)/drawdown of bankers' acceptance		(5,439,275)	237,069	–	–
Repayment of hire purchase obligations		(359,761)	(416,022)	–	–
Repayment of term loans		(7,772,006)	(3,322,940)	–	–
NET CASH FROM FINANCING ACTIVITIES		17,903,108	16,958,950	25,220,073	1
NET INCREASE IN CASH AND CASH EQUIVALENTS					
		17,105,663	1,958,626	21,395,868	64
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR					
		7,514,756	5,556,130	66	2
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR					
	29	24,620,419	7,514,756	21,395,934	66

The annexed notes form an integral part of these financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2015

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office : 802, 8th Floor, Block C
Kelana Square
17, Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan

Principal place of business : 2, Jalan Permatang 2
Kempas Baru
81200 Johor Bahru
Johor Darul Takzim

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 5 April 2016.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. HOLDING COMPANY

The holding company is NF Capital Management Sdn. Bhd., a company incorporated in Malaysia, which the directors also regard as the holding company.

4. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

- 4.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and IC Interpretations (including the Consequential Amendments)

Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions

Annual Improvements to FRSs 2010 – 2012 Cycle

Annual Improvements to FRSs 2011 – 2013 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Company's financial statements.

4. BASIS OF PREPARATION (CONT'D)

- 4.2 The Group has not applied in advance the following applicable accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers & Amendments to MFRS 15: Effective Date of MFRS 15)) 1 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture) Deferred until) further notice
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

The above mentioned accounting standards and interpretations (including the consequential amendments) do not have any financial impact on the Group's financial statements upon their initial application.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) Depreciation for Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Notes to the Financial Statements (Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

(c) Impairment of Non-Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(e) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(f) Revaluation of Properties

Certain properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

(g) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transaction, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

An acquisition that resulted in a business combination involving common control entities is outside the scope of MFRS 3 Business Combinations. For such common control combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the audited financial statements.

In applying merger accounting, financial statements items of the combining entities or businesses for the reporting period in which common control combination occurs are included in the audited financial statements of the Group as if the combination had occurred from the date when the combining entities or businesses come under the control of the controlling party or parties.

However, in the future, acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of fair value of the acquiree's identifiable net assets at the date of the acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

Under merger accounting, the Group recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amount as if such audited financial statements had been prepared by the controlling party including adjustments required for conforming to the Groups' accounting policies and applying those policies to all period presented. There is no recognition of any goodwill or a gain from a bargain purchase at the time of the common control combination. The effect of all transactions and balances between combining entities, whether occurring before or after the combination, are eliminated in preparing the audited financial statements of the Group.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 BASIS OF CONSOLIDATION (CONT'D)

(b) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amount previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

5.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value through Profit or Loss

As at the end of the reporting period, there were no financial assets classified under this category.

(ii) Held-to-maturity Investments

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

As at the end of the reporting period, there were no financial assets classified under this category.

Notes to the Financial Statements (Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

(c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Company designates corporate guarantees given to financial institutions for credit facilities granted to subsidiary as insurance contracts as defined in MFRS 4 Insurance Contracts. The Company recognises these corporate guarantees as liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

5.5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than freehold land, leasehold land, buildings and warehouses are stated at cost less accumulated depreciation and impairment losses, if any.

Freehold land is stated at valuation less impairment losses recognised after the date of the revaluation. Freehold land is not depreciated. Leasehold land, buildings and warehouses are stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation.

Freehold land, leasehold land, buildings and warehouses are revalued periodically, at least once in every 5 years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Depreciation is charged to profit or loss on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset become idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Buildings and warehouses	2%
Furniture and fittings and office equipment	10%-20%
Leasehold land	Over the remaining lease period
Trucks, low loaders, prime movers, trailers and forklifts	10%
Motor vehicles	20%
Plant and machinery	10%
Renovation	10%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Assets under construction represent assets which are not ready for commercial use at the end of the reporting period. Assets under construction are stated at cost, and are depreciated accordingly when the assets are completed and ready for commercial use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

5.8 ASSETS UNDER HIRE PURCHASE

Assets acquired under hire purchase are capitalised in the financial statements as property, plant and equipment and the correspondence obligations are treated as hire purchase payables. The assets capitalised are measured at the lower of the fair value of the leased assets and the present value of the minimum lease payments and are depreciated on the same basis as owned assets. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of charge on the hire purchase outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials is determined on the first-in-first-out basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes cost of materials and labour.

Net realisable value represents the estimated selling price less the estimated costs of completion and costs necessary to make the sale.

5.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

5.11 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

5.12 INCOME TAXES

Income tax for the reporting period comprises current tax and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Notes to the Financial Statements (Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.12 INCOME TAXES (CONT'D)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

5.13 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:-
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.14 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

5.15 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segments and assess its performance, and for which discrete financial information is available.

5.16 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

5.17 BORROWING COSTS

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

Notes to the Financial Statements (Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.18 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

5.19 REVENUE AND OTHER INCOME

(a) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of goods and services tax, returns, cash and trade discounts.

(b) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably by reference to the stage of completion at the end of the reporting period. The stage of completion is determined by reference to the proportion of costs incurred for work performed to date bear to the estimated total costs. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(c) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(d) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

6. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2015 RM	2014 RM
Unquoted shares, at cost - in Malaysia	71,108,997	—

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business	Effective Equity Interest		Principal Activities
		2015 %	2014 %	
XHTT	Malaysia	100.00	–	Provision of cargo transportation services, container haulage services as well as warehousing and distribution services
XHAE	Malaysia	100.00	–	Manufacturing and fabrication of trailers
Canggih	Malaysia	100.00	–	Rental of prime movers, trailers and trucks
XHUF*	Malaysia	30.00	–	Provision of freight forwarding and customs brokerage services

* - Although the Company owns less than half of the voting power in XHUF, the Company controls this subsidiary pursuant to Section 5 of the Company Act 1965 as the Company controls the composition of the board of directors of XHUF through the Shareholders' Agreement. Consequently, the Company consolidates its investment in this subsidiary.

(a) The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest		The Group	
	2015 %	2014 %	2015 RM	2014 RM
XHUF	70.00	70.00	505,086	376,516

(b) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	XHUF	
	2015 RM	2014 RM
<u>At 31 December</u>		
Non-current assets	10,208	12,696
Current assets	895,011	725,620
Non-current liabilities	(2,800)	(3,000)
Current liabilities	(180,869)	(197,437)
Net assets	721,550	537,879
<u>Financial Year Ended 31 December</u>		
Revenue	685,430	594,197
Profit after tax/Total comprehensive income for the financial year	183,671	144,532
Net cash flows from/(for) operating activities	40,864	(142,849)
Net cash flows for investing activities	(1,800)	(6,415)

Notes to the
Financial Statements (Cont'd)

7. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2015 RM	Additions (Note 28) RM	Reclassification RM	Disposals RM	Written Off RM	Depreciation Charges RM	At 31.12.2015 RM
2015							
<i>Net Book Value</i>							
Freehold land	30,840,271	–	–	–	–	–	30,840,271
Leasehold land	14,278,950	–	–	–	–	(245,681)	14,033,269
Buildings and warehouses	27,833,450	101,123	20,438,940	–	–	(635,408)	47,738,105
Furniture, fittings and equipment	2,763,995	1,227,614	426,109	(23,791)	–	(543,469)	3,850,458
Trucks, low loaders, prime movers, trailers and forklifts	22,279,267	2,365,891	1,236,300	(5,169)	–	(3,330,188)	22,546,101
Motor vehicles	1,455,347	–	–	–	–	(503,927)	951,420
Plant and machinery	116,682	–	–	–	–	(17,621)	99,061
Renovation	413,548	249,594	–	–	–	(60,621)	602,521
Assets under construction	12,257,482	16,842,808	(22,101,349)	–	(12,000)	–	6,986,941
	112,238,992	20,787,030	–	(28,960)	(12,000)	(5,336,915)	127,648,147
2014							
<i>Net Book Value</i>							
Freehold land	30,575,000	265,271	–	–	–	–	30,840,271
Leasehold land	3,400,000	10,957,161	–	–	–	(78,211)	14,278,950
Buildings and warehouses	21,000,000	4,609,892	2,689,264	–	–	(465,706)	27,833,450
Furniture, fittings and equipment	1,586,911	1,400,109	123,500	(581)	(1,354)	(344,590)	2,763,995
Trucks, low loaders, prime movers, trailers and forklifts	18,467,789	4,619,106	1,872,795	–	–	(2,680,423)	22,279,267
Motor vehicles	1,511,724	429,510	–	–	–	(485,887)	1,455,347
Plant and machinery	134,369	–	–	–	–	(17,687)	116,682
Renovation	159,519	232,772	63,760	–	–	(42,503)	413,548
Assets under construction	5,828,982	11,177,819	(4,749,319)	–	–	–	12,257,482
	82,664,294	33,691,640	–	(581)	(1,354)	(4,115,007)	112,238,992

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	At Cost RM	At Valuation RM	Accumulated Depreciation RM	Net Book Value RM
2015				
Freehold land	265,271	30,575,000	–	30,840,271
Leasehold land	10,957,161	3,400,000	(323,892)	14,033,269
Buildings and warehouses	27,839,219	21,000,000	(1,101,114)	47,738,105
Furniture, fittings and equipment	6,302,620	–	(2,452,162)	3,850,458
Trucks, low loaders, prime movers, trailers and forklifts	53,570,361	–	(31,024,260)	22,546,101
Motor vehicles	3,917,483	–	(2,966,063)	951,420
Plant and machinery	212,049	–	(112,988)	99,061
Renovation	750,414	–	(147,893)	602,521
Assets under construction	6,986,941	–	–	6,986,941
	110,801,519	54,975,000	(38,128,372)	127,648,147
2014				
Freehold land	265,271	30,575,000	–	30,840,271
Leasehold land	10,957,161	3,400,000	(78,211)	14,278,950
Buildings and warehouses	7,299,156	21,000,000	(465,706)	27,833,450
Furniture, fittings and equipment	4,782,660	–	(2,018,665)	2,763,995
Trucks, low loaders, prime movers, trailers and forklifts	49,997,870	–	(27,718,603)	22,279,267
Motor vehicles	3,917,483	–	(2,462,136)	1,455,347
Plant and machinery	212,049	–	(95,367)	116,682
Renovation	500,820	–	(87,272)	413,548
Assets under construction	12,257,482	–	–	12,257,482
	90,189,952	54,975,000	(32,925,960)	112,238,992

- (a) Included in the net book value of the property, plant and equipment of the Group are the following assets acquired under hire purchase terms:-

	The Group	
	2015 RM	2014 RM
Motor vehicles	476,134	1,007,205

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (b) The following assets of the Group have been pledged to the financial institutions as security for banking facilities granted to the Group:-

	The Group	
	2015 RM	2014 RM
Freehold land		
- at cost method	265,271	265,271
- at valuation method	30,575,000	30,575,000
Leasehold land		
- at cost method	10,759,389	10,942,010
- at valuation method	3,273,880	3,336,940
Buildings and warehouses		
- at cost method	27,644,775	7,286,784
- at valuation method	20,093,330	20,546,666
Trailers		
- at cost method	3,677,635	4,118,158
	96,289,280	77,070,829

- (c) The following net book value of assets was held in trust for the Group by related company and third parties. The ownership of the assets will be transferred to the Group at a time directed by the Group:-

	The Group	
	2015 RM	2014 RM
Trucks, low loaders, prime movers, trailers and forklifts	–	16,845

- (d) During the financial year, the Group capitalised borrowing cost for the construction of buildings and warehouses amounted to RM296,849 (2014: RM 56,790).
- (e) Certain Group's freehold land, leasehold land, buildings and warehouses were revalued by an independent professional valuer in December 2013. The surpluses arising from the revaluations, net of deferred taxation, have been credited to other comprehensive income and accumulated in equity under the revaluation reserve.

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (e) The details of the Group's property, plant and equipment carried at fair value are analysed as follows (Cont'd):-

The Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2015				
Freehold land	–	30,575,000	–	30,575,000
Leasehold land	–	3,400,000	–	3,400,000
Buildings and warehouses	–	21,000,000	–	21,000,000
	–	54,975,000	–	54,975,000
2014				
Freehold land	–	30,575,000	–	30,575,000
Leasehold land	–	3,400,000	–	3,400,000
Buildings and warehouses	–	21,000,000	–	21,000,000
	–	54,975,000	–	54,975,000

The level 2 fair values of the freehold land, leasehold land, buildings and warehouses have been derived using the market comparison approach performed by independent valuers. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties. There has been no change to the valuation technique during the financial year.

There were no transfers between level 1 and level 2 during the financial year.

- (f) If the freehold land, leasehold land, buildings and warehouses were measured using the cost model, the carrying amounts would be as follows:-

	Freehold Land RM	Leasehold Land RM	Buildings and Warehouses RM	Total RM
2015				
Cost	14,964,228	2,004,115	20,849,883	37,818,226
Accumulated depreciation	–	(235,835)	(2,494,571)	(2,730,406)
At 31 December 2015	14,964,228	1,768,280	18,355,312	35,087,820
2014				
Cost	14,964,228	2,004,115	20,849,883	37,818,226
Accumulated depreciation	–	(164,559)	(1,660,243)	(1,824,802)
At 31 December 2014	14,964,228	1,839,556	19,189,640	35,993,424

Notes to the
Financial Statements (Cont'd)

8. INVENTORIES

	The Group	
	2015 RM	2014 RM
Raw materials	243,458	133,621
Work-in-progress	196,334	–
Finished goods	424,693	641,137
	864,485	774,758

9. TRADE RECEIVABLES

	The Group	
	2015 RM	2014 RM
Trade receivables	26,082,231	27,188,118
Less: Allowance for impairment losses	(1,238,440)	(1,530,294)
	24,843,791	25,657,824
Allowance for impairment losses:-		
At 1 January	1,530,294	1,930,528
Addition during the financial year (Note 23)	–	16,777
Reversal during the financial year (Note 23)	(34,446)	–
Written off during the financial year	(257,408)	(417,011)
At 31 December	1,238,440	1,530,294

The Group's normal trade credit terms range from 30 to 120 (2014: 30 to 120) days.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Other receivables	1,225,139	547,559	–	–
Deposits	632,738	764,118	2,500	500
Prepayments	399,454	2,458,311	–	1,390,780
	2,257,331	3,769,988	2,500	1,391,280

11. AMOUNT OWING BY RELATED COMPANY

	The Company	
	2015 RM	2014 RM
Trade balance		
- Subsidiary	180,000	–
Non-trade balance		
- Subsidiary	3,333,113	–
	3,513,113	–

11. AMOUNT OWING BY RELATED COMPANY (CONT'D)

- (a) The trade balance is trade in nature, unsecured, interest-free and payable on demand. The amount owing is to be settled in cash.
- (b) The non-trade balances represent unsecured interest-free advances and payments made on behalf. The amounts owing are repayable on demand and are to be settled in cash.

12. FIXED DEPOSITS WITH LICENSED BANKS

- (a) The fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates of 3.05% to 3.80% (2014: 2.90% to 3.15%) per annum and 3.80% (2014: Nil) per annum respectively. The fixed deposits have maturity periods of ranging from 31 to 365 (2014: 31 to 365) days and 90 (2014: Nil) days for the Group and the Company respectively.
- (b) Included in fixed deposits with licensed banks, registered under the name of directors, at the end of the reporting period was an amount of RM14,507 (2014: RM14,507) which has been pledged to licensed banks as securities for bank guarantee granted to the Group.

13. SHARE CAPITAL

	2015	The Group/The Company		2014
	Number of shares	2014	2015	2014
			RM	RM
Authorised				
Ordinary shares of RM0.50 each	200,000	200,000	100,000	100,000
Creation during the financial year	999,800,000	–	499,900,000	–
	1,000,000,000	200,000	500,000,000	100,000
Issued and Fully Paid-Up				
<i>Ordinary Shares of RM0.50 Each</i>				
At 1 January	6	4	3	2
Issuance of new shares for cash	–	2	–	1
New shares issued under the listing scheme (Note 14):-				
- acquisition of subsidiaries*	142,217,994	–	71,108,997	–
- public issue	37,782,000	–	18,891,000	–
At 31 December	180,000,000	6	90,000,000	3

Note:-

- * - The share capital of RM71,108,997 was presented based on the share capital in issue pursuant to the acquisitions of subsidiaries as disclosed in Note 36.1(a) to the financial statements.

The new ordinary shares issued rank pari passu in all respects with the existing shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.

Notes to the Financial Statements (Cont'd)

14. RESERVES

14.1 SHARE PREMIUM

The share premium reserve represents the premium paid on subscription of ordinary shares in the Company over and above the par value of the shares issued, net of transaction costs (if any). The share premium reserve is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

14.2 MERGER DEFICIT

The merger deficit represents the difference between the carrying value of the investment in subsidiaries and the nominal value of shares of the Company's subsidiaries upon consolidation under the merger accounting principle.

14.3 REVALUATION RESERVE

The revaluation reserve represents the increase in the fair value of freehold land and buildings of the Group (net of deferred tax, where applicable).

15. LONG-TERM BORROWINGS

	The Group	
	2015 RM	2014 RM
Hire purchase payables (Note 20)	60,608	221,887
Term loans (Note 21)	33,811,139	34,234,014
	33,871,747	34,455,901

16. DEFERRED TAX LIABILITIES

The Group	At 1.1.2015 RM	Recognised in Profit or Loss (Note 24) RM	At 31.12.2015 RM
2015			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	(4,034,800)	(1,543,300)	(5,578,100)
Revaluation surplus	(802,700)	6,300	(796,400)
	(4,837,500)	(1,537,000)	(6,374,500)
<i>Deferred Tax Assets</i>			
Impairment losses on trade receivables	366,100	(125,300)	240,800
Unabsorbed investment tax allowances	–	1,618,100	1,618,100
	366,100	1,492,800	1,858,900
	(4,471,400)	(44,200)	(4,515,600)

16. DEFERRED TAX LIABILITIES (CONT'D)

The Group	At 1.1.2015 RM	Recognised in Profit or Loss (Note 24) RM	At 31.12.2015 RM
2014			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	(3,050,600)	(984,200)	(4,034,800)
Revaluation surplus	(842,700)	40,000	(802,700)
	(3,893,300)	(944,200)	(4,837,500)
<i>Deferred Tax Assets</i>			
Impairment losses on trade receivables	368,900	(2,800)	366,100
Unabsorbed capital allowances	2,600	(2,600)	–
	371,500	(5,400)	366,100
	(3,521,800)	(949,600)	(4,471,400)

At the end of the reporting period, the Group has unabsorbed investment tax allowances (stated at gross) of approximately RM1,618,100 (2014: RM Nil) that are available for offset against future taxable profits of the subsidiaries in which the losses arose. The unabsorbed investment tax allowances do not expire under current tax legislation.

17. TRADE PAYABLES

The normal trade credit term granted to the Group is 30 to 120 (2014: 30 to 120) days.

18. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Other payables	3,625,802	4,153,570	26,259	1,634,907
GST payable	133,773	–	–	–
Accruals	854,255	722,824	55,000	3,767
Payroll liabilities	1,891,559	2,629,372	–	–
	6,505,389	7,505,766	81,259	1,638,674

Notes to the
Financial Statements (Cont'd)

19. SHORT-TERM BORROWINGS

	The Group	
	2015 RM	2014 RM
Bankers' acceptance	–	5,439,275
Bank overdraft	–	696,751
Hire purchase payables (Note 20)	171,741	370,223
Term loans (Note 21)	5,132,625	3,918,670
	5,304,366	10,424,919

- (a) In the previous financial year, the bankers' acceptance was drawn for a period ranging from 60 to 100 days.
- (b) Bankers' acceptance, bank overdraft and term loans are secured by way of:-
- (i) legal charges over the landed properties of the Group as disclosed in Note 7 to the financial statements;
 - (ii) specific debentures over certain trailers of the Group as disclosed in Note 7 to the financial statements;
 - (iii) pledge of the fixed deposits of the Group as disclosed in Note 12 to the financial statements;
 - (iv) corporate guarantee executed by a related company and a third party;
 - (v) joint and several guarantee by certain directors of the Group.

20. HIRE PURCHASE PAYABLES (SECURED)

	The Group	
	2015 RM	2014 RM
Minimum hire purchase payments:		
- not later than 1 year	189,012	394,146
- later than 1 year and not later than 5 years	63,033	252,045
	252,045	646,191
Less: Future finance charges	(19,696)	(54,081)
Present value of hire purchase payables	232,349	592,110
<u>Current (Note 19)</u>		
Not later than 1 year	171,741	370,223
<u>Non-Current (Note 15)</u>		
Later than 1 year and not later than 5 years	60,608	221,887
	232,349	592,110

20. HIRE PURCHASE PAYABLES (SECURED) (CONT'D)

- (a) The hire purchase payables of the Group are secured by the Group's motor vehicles under hire purchase.
- (b) The hire purchase payables of the Group at the end of the reporting period bore effective interest rates ranging from 4.56% to 6.61% (2014: 4.51% to 6.61%). The interest rates are fixed at the inception of the hire purchase arrangements.

21. TERM LOANS (SECURED)

	The Group	
	2015 RM	2014 RM
Current (Note 19)		
Not later than 1 year	5,132,625	3,918,670
Non-Current (Note 15)		
Later than 1 year and not later than 2 years	5,318,509	4,137,638
Later than 2 years and not later than 5 years	13,064,410	11,228,096
Later than 5 years	15,428,220	18,868,280
	33,811,139	34,234,014
	38,943,764	38,152,684

- (a) The term loans are secured in the same manner as the short term borrowings as disclosed in Note 19 to the financial statements and are repayable as follows:-
- (b) The interest rate profile of the term loans is summarised below:-

	Effective Interest Rate %	The Group	
		2015 RM	2014 RM
Floating rate term loans	4.45 to 5.95	38,943,764	38,152,684

22. REVENUE

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Sales of goods	120,275	481,000	—	—
Sales of service	107,759,936	110,152,015	—	—
Management fee	—	—	180,000	—
	107,880,211	110,633,015	180,000	—

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Financial Statements (Cont'd)

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23. PROFIT/(LOSS) BEFORE TAX

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit/(Loss) before tax is arrived after charging:-				
Audit fee:				
- current financial year	83,000	32,000	25,000	1,000
- underprovision in the previous financial year	15,000	–	2,000	–
Depreciation of property, plant and equipment (Note 7)	5,336,915	4,115,007	–	–
Directors' remuneration (Note 30)	1,621,821	1,337,345	371,000	216,000
Hire of equipment and trucks	63,172	656,496	–	–
Impairment losses on trade receivables (Note 9)	–	16,777	–	–
Interest expense on financial liabilities not at fair value through profit or loss	2,364,468	1,957,761	–	–
Listing expenses	122,498	–	122,498	–
Loss on foreign exchange - realised	–	7,353	–	–
Permit rental	31,110	19,680	–	–
Property, plant and equipment written off (Note 7)	–	1,354	–	–
Rental expense on:				
- equipment	556,731	188,935	–	–
- hostel	181,805	131,339	–	–
- premises	136,018	137,050	–	–
- software	–	8,360	–	–
- warehouse	590,782	860,321	–	–
Staff costs (including other key management personnel as disclosed in Note 30):				
- salaries and other benefits	27,447,899	24,734,732	–	–
and after crediting:-				
Bad debts recovered	461	–	–	–
Gain on disposal of property, plant and equipment	5,937	19,479	–	–
Gain on foreign exchange - realised	46,518	–	–	–
Total interest income on financial assets not at fair value through profit or loss and not impaired	329,837	33,198	304,987	–
Rental income	27,500	19,000	–	–
Reversal of impairment losses on trade receivables (Note 9)	34,446	–	–	–

24. INCOME TAX EXPENSE

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Income tax:				
- current year	1,042,200	1,628,400	-	-
- overprovision in the previous financial year	(360,817)	(12,151)	-	-
	681,383	1,616,249	-	-
Deferred tax expense (Note 16):				
- origination or reversal of temporary differences	(256,560)	1,055,700	-	-
- effect of change in corporate income tax rate from 25% to 24%	10,260	(186,600)	-	-
- underprovision in the previous financial year	290,500	80,500	-	-
	44,200	949,600	-	-
	725,583	2,565,849	-	-

The Company has been granted investment tax allowance of 60% in respect of qualifying capital expenditure incurred for a period of 5 years from 18 March 2011 until 17 March 2016.

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit/(Loss) before tax	16,811,660	18,421,600	(264,955)	(221,973)
Tax at the statutory tax rate of 25% (2014: 25%)	4,202,914	4,605,400	(66,239)	(55,493)
Tax effects of:-				
Differential of tax rate for the first RM500,000	(70,853)	(62,544)	-	-
Non-taxable income	(1,192)	(598)	-	-
Non-deductible expenses	382,722	371,218	66,239	55,493
Tax incentive	(3,732,845)	(2,229,376)	-	-
Deferred tax assets not recognised during the financial year	4,894	-	-	-
Effect of change in corporate income tax rate from 25% to 24% on deferred tax	10,260	(186,600)	-	-
Overprovision of income tax in the previous financial year	(360,817)	(12,151)	-	-
Underprovision of deferred tax liabilities in the previous financial year	290,500	80,500	-	-
Income tax expense for the financial year	725,583	2,565,849	-	-

The statutory tax rate will be reduced from the current financial year's rate of 25% to 24% effective from year of assessment 2016.

Notes to the Financial Statements (Cont'd)

25. OTHER COMPREHENSIVE INCOME

	The Group 2015 RM	2014 RM
<u>Item that May be Reclassified Subsequently to Profit or Loss</u>		
Fair value of available-for-sale financial assets:		
- transfer to profit or loss on disposal of other investments	–	5,050

26. EARNINGS PER SHARE

	The Group 2015	2014
Profit attributable to owners of the Company (RM)	15,957,507	15,754,579
Weighted average number of ordinary shares in issued:-		
Ordinary shares at 1 January	142,218,000	4
Effect of new ordinary shares issued during the financial year	–	2
Effect of acquisitions of subsidiaries*	–	142,217,994
Effect of public issue	22,039,500	–
Weighted average number of ordinary shares at 31 December	164,257,500	142,218,000
Basic earnings per share (Sen)	9.71	11.08

Note:-

- * - Ordinary shares arising from the acquisitions are assumed to be issued throughout the beginning of the financial year on 1 January 2014 as the acquisitions of subsidiaries were accounted for under common control using the pooling interest method of consolidation.

No disclosure on diluted earnings per share as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

27. DIVIDEND

Subsequent to the end of financial year, on 24 February 2016, the Company declared an interim dividend of 1.5 sen per ordinary share amounting to RM2,700,000 in respect of the current financial year, paid on 28 March 2016. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

28. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group	
	2015 RM	2014 RM
Cost of property, plant and equipment purchased (Note 7)	20,787,030	33,691,640
Amount financed through hire purchase	–	(88,800)
Cash disbursed for purchase of property, plant and equipment	20,787,030	33,602,840

29. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Fixed deposits with licensed banks	10,021,993	21,993	10,000,000	–
Cash and bank balances	14,612,933	8,204,021	11,395,934	66
Bank overdraft	–	(696,751)	–	–
	24,634,926	7,529,263	21,395,934	66
Less: Fixed deposits pledged to licensed banks (Note 12(b))	(14,507)	(14,507)	–	–
	24,620,419	7,514,756	21,395,934	66

30. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

(a) The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Directors				
<u>Directors of the Company</u>				
<i>Executive Directors</i>				
Short-term employee benefits:				
- fee	972,000	830,000	–	–
<i>Non-executive Directors</i>				
Short-term employee benefits:				
- fee	360,000	216,000	360,000	216,000
- allowance	11,000	–	11,000	–
	1,343,000	1,046,000	371,000	216,000

Notes to the
Financial Statements (Cont'd)

30. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

- (a) The key management personnel compensation during the financial year are as follows (Cont'd):-

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Directors (Cont'd)				
<u>Directors of the Subsidiaries</u>				
<i>Executive Directors</i>				
Short-term employee benefits:				
- fee	192,000	210,000	-	-
- salaries and bonuses	76,754	72,378	-	-
	268,754	282,378	-	-
Defined contribution benefits	10,067	8,967	-	-
	278,821	291,345	-	-
<hr/>				
Total directors remuneration (Note 23)	1,621,821	1,337,345	371,000	216,000
<hr/>				
Other Key Management Personnel				
Short-term employee benefits:	707,559	770,804	-	-
Defined contribution benefits	106,332	107,043	-	-
Total compensation for other key management personnel (Note 23)	813,891	877,847	-	-

- (b) The number of the Company's directors with total remuneration falling in bands of RM50,000 are as follows:-

	The Company	
	2015	2014
	Number of Directors	
Executive Directors		
RM350,001 – RM400,000	–	1
RM400,001 – RM450,000	–	1
RM450,001 – RM500,000	2	–
Non-executive Directors		
RM50,001 – RM100,000	3	2
RM100,001 – RM150,000	1	–
	6	4

31. SIGNIFICANT RELATED PARTIES DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, ultimate holding company, key management personnel and entities within the same group of companies

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company carried out the following significant transactions with the related parties during the financial year:-

	The Company	
	2015 RM	2014 RM
Management fees from subsidiary	180,000	—

32. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Managing Director and Chief Financial Officer as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main reportable segments as follows:-

Land transport Segment	involved in the cargo transportation services and container haulage services;
Warehousing and Distribution Segment	involved in the provision of warehousing services and distribution services;
Others	involved in the manufacturing and fabrication of trailers, freight forwarding and customs brokerage, trading of goods and provision of management services.

- The Managing Director and Chief Financial Officer assesses the performance of the reportable segments based on their profit before interest expense and tax. The accounting policies of the reportable segments are the same as the Group's accounting policies.
- Each reportable segment assets is measured based on all assets of the segment other than tax-related assets. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments.
- Each reportable segment liabilities is measured based on all liabilities of the segment other than borrowings and tax-related liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.
- Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the reportable segments are presented under unallocated items. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties. The effects of such inter-segment transactions are eliminated on consolidation.

32. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS

2015	Land Transport Segment RM	Warehousing and Distribution Segment RM	Others RM	Group RM
Revenue				
External revenue	99,055,088	8,559,418	265,705	107,880,211
Inter-segment revenue	531,120	–	4,245,853	4,776,973
	99,586,208	8,559,418	4,511,558	112,657,184
Consolidation adjustments				(4,776,973)
Consolidated revenue				107,880,211
Results				
Segment profit before interest and tax	17,322,207	2,244,586	321,216	19,888,009
Finance costs				(2,442,591)
Unallocated expenses				(627,444)
Consolidation adjustments				(6,314)
Consolidated profit before tax				16,811,660
Segment profit before interest and tax includes the followings:-				
Bad debts recovered	461	–	–	461
Depreciation of property, plant and equipment	(4,899,592)	(408,996)	(28,327)	(5,336,915)
Gain on disposal of property, plant and equipment	5,937	–	–	5,937
Hire of equipment and trucks	(63,629)	–	457	(63,172)
Interest income	24,577	–	305,260	329,837
Listing expenses	–	–	(122,498)	(122,498)
Rental expense:				
- equipment	(556,731)	–	–	(556,731)
- hostel	(181,805)	–	–	(181,805)
- premises	(136,018)	–	–	(136,018)
- warehouse	–	(590,782)	–	(590,782)
Reversal of impairment losses on trade receivables	34,446	–	–	34,446

32. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

2015	Land Transport Segment RM	Warehousing and Distribution Segment RM	Others RM	Group RM
Assets				
Segment assets	123,784,201	37,062,866	102,029,067	262,876,134
Unallocated asset: - current tax assets				3,347,652
Consolidation adjustments				(82,627,454)
Consolidated total assets				<u>183,596,332</u>
Addition to non-current asset other than financial instruments is:-				
Property, plant and equipment	10,338,300	10,428,006	20,724	20,787,030
Liabilities				
Segment liabilities	18,948,021	2,587,090	1,290,629	22,825,740
Unallocated liabilities: - current tax liabilities				24,390
- deferred tax liabilities				4,515,600
- hire purchase payables				232,349
- term loans				38,943,764
Consolidation adjustments				(10,987,308)
Consolidated total liabilities				<u>55,554,535</u>

32. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

2014	Land Transport Segment RM	Warehousing and Distribution Segment RM	Others RM	Group RM
Revenue				
External revenue	99,283,437	11,028,381	321,197	110,633,015
Inter-segment revenue	531,120	–	1,833,131	2,364,251
	99,814,557	11,028,381	2,154,328	112,997,266
Consolidation adjustments				(2,364,251)
Consolidated revenue				110,633,015
Results				
Segment profit before interest and tax	15,590,053	4,810,413	142,659	20,543,125
Finance costs				(1,978,485)
Unallocated expenses				(221,973)
Consolidation adjustments				78,933
Consolidated profit before tax				18,421,600
Segment profit before interest and tax includes the followings:-				
Depreciation of property, plant and equipment	(3,733,655)	(352,600)	(28,752)	(4,115,007)
Gain on disposal of property, plant and equipment	19,479	–	–	19,479
Hire of equipment and trucks	(656,039)	–	(457)	(656,496)
Impairment losses on trade receivables	(16,777)	–	–	(16,777)
Interest income	32,876	–	322	33,198
Property, plant and equipment written off	(1,354)	–	–	(1,354)
Rental expense:				
- equipment	(188,935)	–	–	(188,935)
- hostel	(131,339)	–	–	(131,339)
- premises	(137,050)	–	–	(137,050)
- software	(8,360)	–	–	(8,360)
- warehouse	–	(860,321)	–	(860,321)

32. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

2014	Land Transport Segment RM	Warehousing and Distribution Segment RM	Others RM	Group RM
Assets				
Segment assets	133,453,811	19,008,209	5,446,469	157,908,489
Unallocated asset: - current tax assets				1,405,754
Consolidation adjustments				(7,240,913)
Consolidated total assets				152,073,330
Addition to non-current asset other than financial instruments is:-				
Property, plant and equipment	23,632,735	10,045,967	12,938	33,691,640
Liabilities				
Segment liabilities	17,685,419	2,516,563	2,592,667	22,794,649
Unallocated liabilities: - current tax liabilities				29,390
- deferred tax liabilities				4,471,400
- bankers' acceptance				5,439,275
- bank overdraft				696,751
- hire purchase payables				592,110
- term loans				38,152,684
Consolidation adjustments				(6,716,078)
Consolidated total liabilities				65,460,181

GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments.

	Revenue		Non-Current Assets	
	2015 RM	2014 RM	2015 RM	2014 RM
Malaysia	98,770,598	99,578,820	127,648,147	112,238,992
Singapore	9,109,613	11,054,195	—	—
	107,880,211	110,633,015	127,648,147	112,238,992

MAJOR CUSTOMERS

There is no single customer that contributed 10% or more to the Group's revenue.

Notes to the Financial Statements (Cont'd)

33. CAPITAL COMMITMENTS

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Contracted But Not Provided For				
Construction of building	–	5,109,748	–	–

34. CONTINGENT LIABILITIES

No provisions are recognised on the following matters as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:-

	The Company	
	2015 RM	2014 RM
Unsecured		
Corporate guarantee given to licensed bank for credit facilities granted to subsidiary	8,488,615	–

35. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

35.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily Singapore Dollar ("SGD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

35. FINANCIAL INSTRUMENTS (CONT'D)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) that based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

	Singapore Dollar RM
The Group	
2015	
<u>Financial Assets</u>	
Trade receivables	182,170
Cash and bank balances	61,799
	243,969
<u>Financial Liabilities</u>	
Trade payables	(144,769)
Other payables and accruals	(16,169)
	(160,938)
Currency exposure	83,031
2014	
<u>Financial Assets</u>	
Trade receivables	200,771
Cash and bank balances	91,368
	292,139
<u>Financial Liabilities</u>	
Trade payables	(80,798)
Other payables and accruals	(6,779)
	(87,577)
Currency exposure	204,562

Foreign Currency Risk Sensitivity Analysis

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the respective functional currencies of the entities within the Group does not have material impact on the profit/loss after tax and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

Notes to the Financial Statements (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio of mix of fixed and floating rate borrowings.

The Group's fixed deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined MFRS7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk that are based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 21 to the financial statements.

Interest Rate Risk Sensitivity Analysis

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have material impact on the profit after tax and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to price risk.

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures. Impairment is estimated by management based on prior experience and the current economic environment.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amount owing by a customers which constituted approximately 12% (2014: 13%) of its trade receivables at the end of the reporting period.

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows:-

	The Group	
	2015 RM	2014 RM
Malaysia	24,664,410	25,455,590
Singapore	179,381	202,234
	<hr/> 24,843,791	<hr/> 25,657,824

35. FINANCIAL INSTRUMENTS (CONT'D)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

(iii) Ageing Analysis

The ageing analysis of trade receivables is as follows:-

The Group	Gross Amount RM	Individual Impairment RM	Carrying Value RM
2015			
Not past due	10,924,355	–	10,924,355
Past due:			
- less than 3 months	11,181,677	(2,055)	11,179,622
- 3 to 6 months	2,025,926	(86,803)	1,939,123
- more than 6 months	388,720	(182,047)	206,673
- more than 1 year	1,561,553	(967,535)	594,018
	26,082,231	(1,238,440)	24,843,791
2014			
Not past due	13,309,360	(30)	13,309,330
Past due:			
- less than 3 months	11,131,124	(97,499)	11,033,625
- 3 to 6 months	1,507,414	(331,655)	1,175,759
- more than 6 months	211,298	(184,720)	26,578
- more than 1 year	1,028,922	(916,390)	112,532
	27,188,118	(1,530,294)	25,657,824

At the end of reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. Those receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

Notes to the
Financial Statements (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practices prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
2015						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	5,333,043	5,333,043	5,333,043	-	-
Other payables and accruals	-	6,371,616	6,371,616	6,371,616	-	-
Hire purchase payables	4.56 - 6.61	232,349	252,045	189,012	63,033	-
Term loans	4.45 - 5.95	38,943,764	47,373,121	7,062,048	23,547,260	16,763,813
		50,880,772	59,329,825	18,955,719	23,610,293	16,763,813
2014						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	8,572,802	8,572,802	8,572,802	-	-
Other payables and accruals	-	7,505,766	7,505,766	7,505,766	-	-
Bankers' acceptances	5.14 - 8.45	5,439,275	5,439,275	5,439,275	-	-
Bank overdraft	6.85	696,751	696,751	696,751	-	-
Hire purchase payables	4.51 - 6.61	592,110	646,191	394,146	252,045	-
Term loans	4.45 - 5.95	38,152,684	46,729,513	6,060,314	21,689,299	18,979,900
		60,959,388	69,590,298	28,669,054	21,941,344	18,979,900

35. FINANCIAL INSTRUMENTS (CONT'D)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):- (Cont'd)

The Company	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM
2015			
<u>Non-derivative Financial Liabilities</u>			
Other payables and accruals	81,259	81,259	81,259
2014			
<u>Non-derivative Financial Liabilities</u>			
Other payables and accruals	1,638,674	1,638,674	1,638,674

35.2 CAPITAL RISK MANAGEMENT

The Group manages its capital that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2015 RM	2014 RM
Bankers' acceptances (Note 19)	–	5,439,275
Bank overdraft (Note 19)	–	696,751
Hire purchase payables (Note 20)	232,349	592,110
Term loans (Note 21)	38,943,764	38,152,684
	39,176,113	44,880,820
Less: Fixed deposits with licensed banks (Note 12)	(10,021,993)	(21,993)
Less: Cash and bank balances (Note 29)	(14,612,933)	(8,204,021)
Net debt	14,541,187	36,654,806
Total equity	128,041,797	86,613,149
Debt-to-equity ratio	11.36%	42.32%

Notes to the Financial Statements (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

35.2 CAPITAL RISK MANAGEMENT (CONT'D)

There was no change in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) more than 25% of the issued and paid-up share capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirements.

35.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Financial Assets				
<u>Loans and Receivables Financial Assets</u>				
Trade receivables	24,843,791	25,657,824	–	–
Other receivables and deposits (Note 10)	1,857,877	1,311,677	2,500	500
Amount owing by related company (Note 11)	–	–	3,513,113	–
Fixed deposits with licensed banks (Note 12)	10,021,993	21,993	10,000,000	–
Cash and bank balances	14,612,933	8,204,021	11,395,934	66
	51,336,594	35,195,515	24,911,547	566
Financial Liabilities				
<u>Other Financial Liabilities</u>				
Trade payables (Note 17)	5,333,043	8,572,802	–	–
Other payables and accruals (Note 18)	6,371,616	7,505,766	81,259	1,638,674
Bankers' acceptance (Note 19)	–	5,439,275	–	–
Bank overdraft (Note 19)	–	696,751	–	–
Hire purchase payables (Note 20)	232,349	592,110	–	–
Term loans (Note 21)	38,943,764	38,152,684	–	–
	50,880,772	60,959,388	81,259	1,638,674

35. FINANCIAL INSTRUMENTS (CONT'D)

35.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company that maturing within the next 12 months approximated their carrying amounts due to relatively short-term maturity of the financial instruments.

The following table sets out only the fair value profile of financial instruments that are carried at fair value and not carried at fair value at the end of the reporting period.

The Group	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	RM	RM
2015								
<u>Financial Liabilities</u>								
Hire purchase payables	-	-	-	-	244,630	-	244,630	232,349
Term loans	-	38,943,764	-	-	-	-	38,943,764	38,943,764
2014								
<u>Financial Liabilities</u>								
Hire purchase payables	-	-	-	-	624,728	-	624,728	592,110
Term loans	-	38,152,684	-	-	-	-	38,152,684	38,152,684

Notes to the Financial Statements (Cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

35.4 FAIR VALUE INFORMATION (CONT'D)

(a) Fair Value of Financial Instruments Carried at Fair Value

- (i) The fair values of term loans are determined by discounting relevant cash flows using discount rate that reflects the Company's borrowing rate as at the end of the reporting period.

(b) Fair Value of Financial Instruments not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

- (i) The fair values of hire purchase payables are determined by discounting relevant cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows as follows:-

	The Group	
	2015 %	2014 %
Hire purchase payables	3.75 to 3.80	3.24 to 3.31

36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- 36.1 The approval from the Securities Commission Malaysia for the listing on the Main Market of Bursa Malaysia Securities Berhad of its entire issued and paid-up capital was obtained on 25 June 2015 which involved the following events:-

(a) Acquisitions

On 1 April 2015, the Company entered into a conditional Share Sale Agreement to acquire the equity interest of the following entities for the purpose of listing on the Main Market of Bursa Malaysia Securities Berhad:-

- (i) acquired the entire issued and paid-up share capital of XHTT amounting to RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each in XHTT for a purchase consideration of RM65,216,997 which was wholly satisfied by the issuance of 130,433,994 new ordinary shares of the Company at an issue price of RM0.50 per share.
- (ii) acquired the entire issued and paid-up share capital of XHAE amounting to RM100,000 comprising 100,000 ordinary shares of RM1.00 each in XHAE for a purchase consideration of RM2,364,000 which was wholly satisfied by the issuance of 4,728,000 new ordinary shares of the Company at an issue price of RM0.50 per share.
- (iii) acquired the entire issued and paid-up share capital of Canggih amounting to RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each in Canggih for a purchase consideration of RM3,409,000 which was wholly satisfied by the issuance of 6,818,000 new ordinary shares of the Company at an issue price of RM0.50 per share.
- (iv) acquired 30% issued and paid-up share capital of XHUF amounting to RM30,000 comprising 30,000 ordinary shares of RM1.00 each in XHUF for a purchase consideration of RM119,000 which was wholly satisfied by the issuance of 238,000 new ordinary shares of the Company at an issue price of RM0.50 per share.

The above acquisitions were completed on 1 April 2015.

36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

- 36.1 The approval from the Securities Commission Malaysia for the listing on the Main Market of Bursa Malaysia Securities Berhad of its entire issued and paid-up capital was obtained on 25 June 2015 which involved the following events (Cont'd):-

(b) Public Issue

On 25 June 2015, the Company had undertaken a public issue of 37,782,000 new ordinary shares of RM0.50 each, representing 20.99% of the Company's enlarged issued and paid-up capital.

(c) Listing

The Company's entire enlarged issued and paid-up share capital comprising 180,000,000 ordinary shares was listed on the Main Market of Bursa Malaysia Securities Berhad on 25 June 2015.

37. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

- 37.1 On 21 January 2016 the Company incorporated a wholly-owned subsidiary in Singapore under the name of "Xin Hwa Integrated Logistics Pte Ltd" ("XHIL"). The issued and paid-up capital of XHIL is SGD2.00 comprising 2 ordinary shares of SGD1.00 each. The intended principal activities of XHIL are provision of transportation services, distribution and warehousing services and freight forwarding and custom brokerage services.
- 37.2 On 7 March 2016, XHTT, a wholly-owned subsidiary of the Company, acquired a piece of freehold vacant land held under Geran Mukim 1694 Lot 1822, situated in the Mukim Tebrau, District of Johor Bahru, State of Johor, measuring approximately 1.252 hectare for a total cash consideration of RM5,862,240.96.

38. COMPARATIVE FIGURES

The comparative figures of the Group were presented based on the financial statements of subsidiaries accounted for by using the merger method of accounting as these subsidiaries were under common control by the same parties both before and after the acquisitions by the Company, and that control is not transitory.

39. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/ (LOSSES)

The breakdown of the retained profits of the Group and of the Company at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	The Group		The Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Total retained profits/ (accumulated loss)				
of the Company and its subsidiaries				
- realised	77,409,661	61,496,354	(512,286)	(247,331)
- unrealised	4,515,600	4,471,400	–	–
At 31 December	81,925,261	65,967,754	(512,286)	(247,331)

List of Properties

as at 31 December 2015

No.	Location	Description	Existing use	Tenure	Land area / Gross floor area sq. ft.	NBV as at 31 December 2015 RM'000	Approximate Age of property	Date of revaluation
1.	No. 2, Jalan Permatang 2, Kempas Baru, 81200 Johor Bahru, Johor Darul Takzim	A single-storey warehouse with two-storey office and store and three-storey office annexes, a double-storey warehouse and other ancillary buildings	Head office and warehouse	Freehold	245,007 / 220,483	41,111	7 years	16 March 2015
2.	PLO 818, Jalan Keluli 9, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor Darul Takzim	A single-storey detached cabin office	Parking yard	Leasehold expiring on 31 May 2069	130,680	3,274	9 years	16 March 2015
3.	PTD 107511, Jalan Seelong Jaya 13, Kampung Seelong Jaya, 81400 Senai, Johor Darul Takzim	A single-storey detached factory with a double-storey office annex, a single-storey open-sided detached factory and other ancillary buildings	Manufacturing and fabrication yard	Freehold	348,480 / 50,494	13,762	2 years	16 March 2015
4.	GM 586, Lot 1823, Mukim of Tebrau, District of Johor Bahru, State of Johor Darul Takzim	A piece of agricultural land	Vacant	Freehold	137,780	3,300	–	16 March 2015
5.	PLO 823, Jalan Nikel 2, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor Darul Takzim	A single-storey warehouse with three-storey office	Branch office and warehouse	Leasehold expiring on 30 November 2074	362,898 / 220,000	31,164	1 year	16 March 2015

Analysis of Shareholdings

as at 31 March 2016

Class of Stock : Ordinary share of RM0.50 each
Voting Rights : 1 Vote per share

DISTRIBUTION OF SHAREHOLDINGS

as at 31 March 2016

Size of Holdings	No. of Holders	%	No. of Shares	%
1-99	4	0.397	100	0.000
100-1,000	118	11.683	79,000	0.043
1,001-10,000	538	53.267	2,956,700	1.642
10,001-100,000	283	28.019	9,940,000	5.523
100,00-8,999,999	65	6.436	49,024,202	27.236
5% and above	2	0.198	117,999,998	65.556
TOTAL	1,010	100.000	180,000,000	100.000

Remark:

* - Less Than 5% of Issued Shares

** - 5% and Above of Issued Shares

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

as per register of substantial shareholders as at 31 March 2016

Name	No. of Shares Held	Direct	No. of Shares Held	Indirect
		% of Issued Share Capital		% of Issued Share Capital
NF Capital Management Sdn. Bhd.	126,231,998	70.13	—	—
Eng Peng Lam @ Ng Peng Lam	—	—	126,231,998 ⁽¹⁾	70.13
Ng Aik Chuan	—	—	126,231,998 ⁽¹⁾	70.13
Ng Yam Pin	—	—	126,231,998 ⁽¹⁾	70.13

Note:

⁽¹⁾ Deemed interested by virtue of his shareholdings in NF Capital Management Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

DIRECTORS' INTERESTS AS PER THE REGISTER OF DIRECTORS' HOLDINGS

as at 31 March 2016

Name	No. of Shares Held	Ordinary Shares		Indirect % of Issued Share Capital
		Direct % of Issued Share Capital	No. of Shares Held	
Datuk Seri Dr. Sulaiman Bin Mohamed	100,000	0.05	—	—
Ng Aik Chuan	—	—	126,231,998 ⁽¹⁾	70.13
Ng Yam Pin	—	—	126,231,998 ⁽¹⁾	70.13
Jory Leong Kam Weng	100,000	0.05	—	—
Datin Rahmah Binti Mahmood	100,000	0.05	—	—
Liew Chek Leong	100,000	0.05	—	—

Note:

⁽¹⁾ Deemed interested by virtue of his shareholdings in NF Capital Management Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

DIRECTORS' SHAREHOLDING IN RELATED CORPORATION

as per the register of directors' shareholdings as at 31 March 2016

	No. of Ordinary Shares of RM1.00 Each in NF Capital Management Sdn. Bhd.	Direct		Indirect
		%	No. of Ordinary Shares of RM1.00 Each in NF Capital Management Sdn. Bhd.	
Ng Aik Chuan	30	29.70	—	—
Ng Yam Pin	30	29.70	—	—

Analysis of Shareholdings (Cont'd)

THIRTY LARGEST SHAREHOLDERS

as at 31 March 2016
(as per Record of Depositors)

No.	Name	Holdings	%
1.	NF Capital Management Sdn Bhd	99,999,998	55.555
2.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for NF Capital Management Sdn Bhd (Pb)	18,000,000	10.000
3.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For NF Capital Management Sdn Bhd	8,232,000	4.573
4.	Citigroup Nominees (Asing) Sdn Bhd Exempt an for Citibank New York (Norges Bank 14)	3,776,000	2.097
5.	Tey Boon Kiang	3,119,200	1.732
6.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Espg Iv Sc E)	2,474,400	1.374
7.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Ballan A/L Kannan (My2326)	2,435,100	1.352
8.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for AIA Bhd.	2,300,000	1.277
9.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Eastspring Investmentssmall-Cap Fund	2,285,600	1.269
10.	Kumpulan Wang Simpanan Guru-Guru	2,000,000	1.111
11.	Lim Ching Chern	2,000,000	1.111
12.	Sunther A/L Annamalai	1,888,000	1.048
13.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Eastspring Investmentsmy Focus Fund	1,865,900	1.036
14.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Eastspring Investmentsequity Income Fund	1,530,800	0.850
15.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ballan A/L Kannan (E-Tsa)	1,500,000	0.833
16.	Tokio Marine Life Insurance Malaysia Bhd as Beneficial Owner (Tmef)	875,000	0.486
17.	Tokio Marine Life Insurance Malaysia Bhd as Beneficial Owner (Npf)	689,300	0.382
18.	Mohd Mahathir Bin Yacob	680,000	0.377
19.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tang Fang Fang (E-Tsa)	540,000	0.300
20.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Ling Hee Keat (My0437)	500,000	0.277
21.	Teoh Hock Hin	500,000	0.277
22.	Pang Tin @ Pang Yon Tin	460,000	0.255
23.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Zurich Insurance Malaysia Berhad (Balanced Fund)	400,000	0.222
24.	Amanahraya Trustees Berhad Public Strategic Growth Fund	380,900	0.211
25.	Lim Hung Thiam	369,400	0.205
26.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chew Jong Kwang (E-Tjj)	350,000	0.194
27.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chin Horng	345,900	0.192
28.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad for TA Growth Fund	307,800	0.171
29.	Chin Yoke Moey	305,000	0.169
30.	Tan Hwee Kiang Roland	300,000	0.166
Total		160,410,298	89.102

Notice of the Third Annual General Meeting

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ANNUAL REPORT 2015

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of the Company will be held at Atlanta East Hall, Level 3, Armada Petaling Jaya, Lot 6 Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Thursday, 16 June 2016 at 10.30 a.m. for the following businesses:

AGENDA

Resolution No.

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Reports of the Directors and the Auditors thereon.

Please refer
to Explanatory
Note (a)

2. To re-elect the following Directors who retire in accordance with of the Company's Articles of Association:

(a) Mr. Ng Yam Pin

1

(b) Mr. Liew Chek Leong

2

3. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

3

4. As Special Business:

To consider and if thought fit, to pass the following as Ordinary Resolution, with or without modifications:

AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

4

"THAT subject always to the approvals of the relevant governmental and / or regulatory authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company, at any time until the conclusion of the next Annual General Meeting upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being."

5. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and / or the Companies Act, 1965.

BY ORDER OF THE BOARD

SEOW FEI SAN
MOK MEE KEE
Secretaries

Petaling Jaya
29 April 2016

Notice of the Third Annual General Meeting (Cont'd)

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Notes:

(i) Proxy

1. Only depositors whose names appear in the Record of Depositors as at 10 June 2016 shall be regarded as members and entitled to attend, speak and vote at the Meeting.
2. A member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his / her behalf. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of proxy.
3. The instrument appointing a proxy must be deposited at the Company's Share Registrar's Office at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the holding of the Meeting or any adjournment thereof.
4. A member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting.
5. Where a member appoints two (2) proxies, the appointment shall be invalid unless he / she specifies the proportions of his / her holdings to be represented by each proxy.
6. In the case of an individual, the instrument appointing a proxy must be signed by the appointer or by his / her attorney duly authorised in writing. In the case of a corporate member, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.
7. Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
8. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

(ii) Explanatory Notes

- (a) This Agenda item is meant for discussion only as the approval of members is not required pursuant to the provision of Section 169(1) of the Companies Act, 1965. Hence, this Agenda item is not put forward for voting by members of the Company
- (b) Ordinary Resolution 4 – Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 4, if passed, will empower the Directors of the Company to issue not more than 10% of the issued share capital of the Company subject to the approvals of all the relevant governmental and / or other regulatory bodies and for such purposes as the Directors consider would be in the interest of the Company. This authorisation will, unless revoked or varied by the Company in a general meeting, expire at the next Annual General Meeting of the Company.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and / or acquisitions and would enable the Company to avoid delay and cost of convening further general meetings to approve the issue of shares for such purposes.

**XIN HWA HOLDINGS BERHAD**

(1032102-P)
(Incorporated in Malaysia)

CDS Account No.	No. of Shares Held

FORM OF PROXY

I/We (BLOCK LETTERS)

NRIC No./Company No.of

being (a) Member(s) of **XIN HWA HOLDINGS BERHAD** (1032102-P) hereby appoint the following person(s):

Name of proxy, NRIC No.	No. of shares to be represented by proxy
1.
2.

or failing him/her,

1.
2.

or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Third Annual General Meeting of the Company to be held at Atlanta East Hall, Level 3, Armada Petaling Jaya, Lot 6 Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Thursday, 16 June 2016 at 10.30 a.m. or any adjournment thereof and to vote as indicated below:-

RESOLUTION NO.	FOR	AGAINST
1. Re-election of Ng Yam Pin		
2. Re-election of Liew Chek Leong		
3. Re-appointment of Auditors		
4. Authority to Issue Shares		

Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this day of, 2016

.....
Signature / Seal of Member

Notes:

- Only depositors whose names appear in the Record of Depositors as at 10 June 2016 shall be regarded as members and entitled to attend, speak and vote at the Meeting.
- A member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his / her behalf. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of proxy.
- The instrument appointing a proxy must be deposited at the Company's Share Registrar's Office at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the holding of the Meeting or any adjournment thereof.
- A member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless he / she specifies the proportions of his / her holdings to be represented by each proxy.
- In the case of an individual, the instrument appointing a proxy must be signed by the appointer or by his / her attorney duly authorised in writing. In the case of a corporate member, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.
- Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.



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Postage
Stamp

Xin Hwa Holdings Berhad
c/o Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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