



**XIN HWA HOLDINGS BERHAD**  
(1032102-P)




ANNUAL REPORT 2017



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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](http://www.xinhwa.com.my)



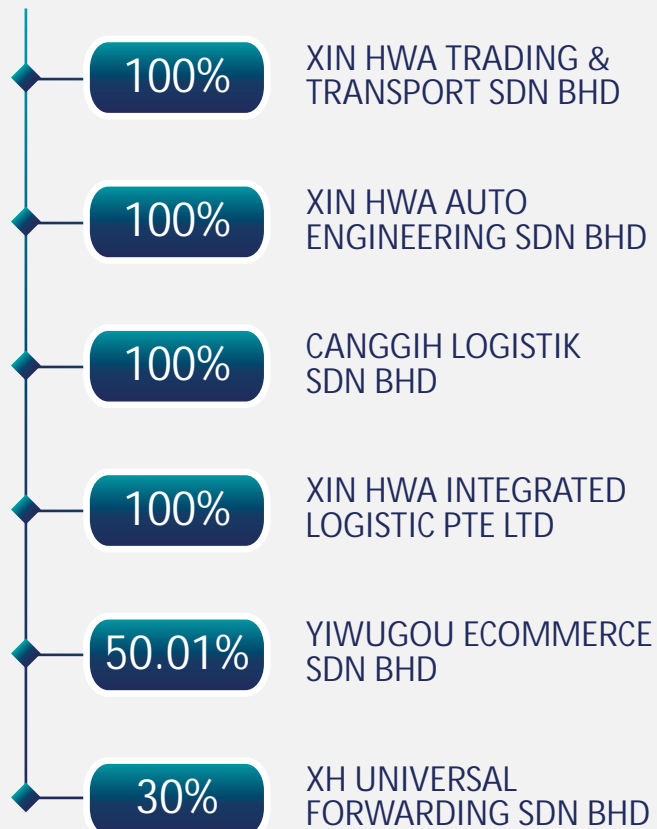


## Group Structure

as at 31 March 2017



XIN HWA HOLDINGS BERHAD



## Financial Highlights

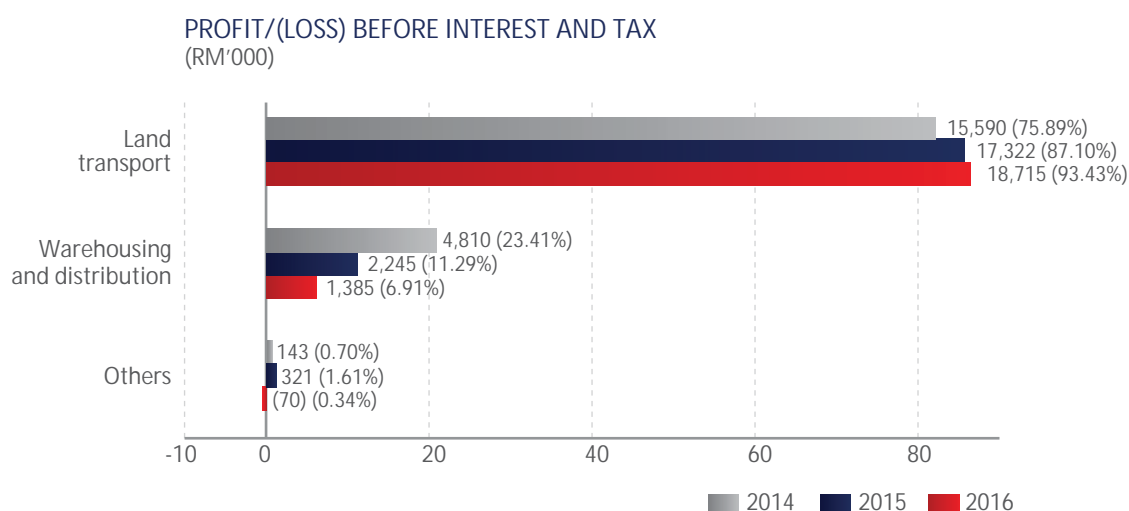
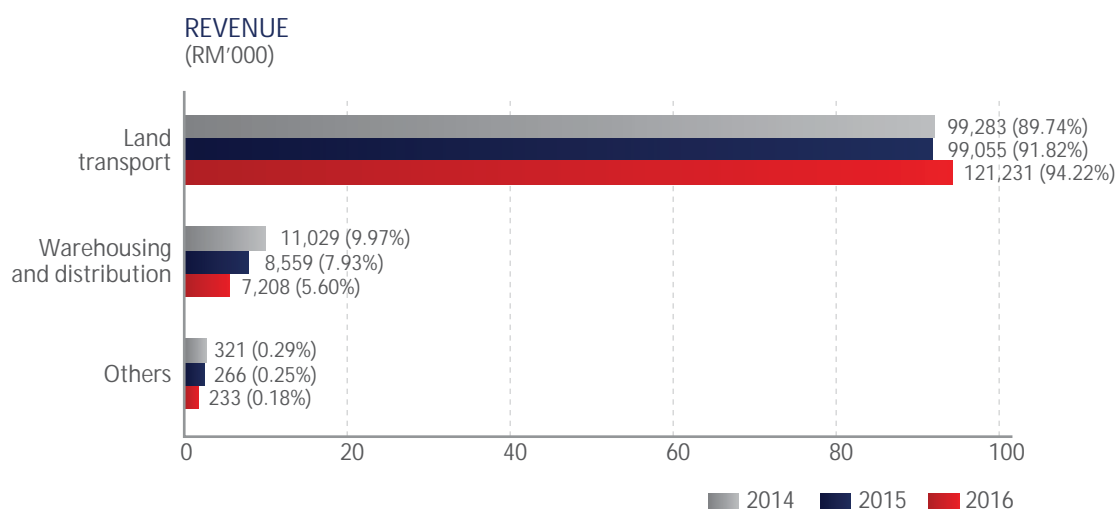
	1.1.2016 to 31.3.2017 (RM'000)	1.1.2015 to 31.12.2015 (RM'000)	1.1.2014 to 31.12.2014 (RM'000)
<b>Income Statements</b>			
Revenue	128,672	107,880	110,633
Gross profit	48,163	40,551	37,490
Profit before tax	16,139	16,812	18,422
Profit after tax attributable to owners of the Company	12,705	15,958	15,755
<b>Balance Sheets</b>			
Total assets	232,049	183,596	152,073
Total liabilities	94,772	55,555	65,460
Share capital	108,000	90,000	71,109
Equity attributable to owners of the Company	136,760	127,537	86,237
<b>Share Information</b>			
Earnings per share* (sen)	5.88	8.10	9.23
Net assets per share* (RM)	0.63	0.65	0.51
<b>Financial Ratios</b>			
Return of equity (%)	9.29	12.51	18.27
Current ratio (times)	1.66	3.26	1.50
Gearing ratio (times)	0.54	0.31	0.52

\* Based on weighted average number of ordinary shares in issued and have been restated to reflect the adjustments arising from bonus issues, which was completed on 11 January 2017.



## Business Segments

	1.1.2016 to 31.3.2017		1.1.2015 to 31.12.2015		1.1.2014 to 31.12.2014	
	RM'000	%	RM'000	%	RM'000	%
Revenue						
Land transport	121,231	94.22	99,055	91.82	99,283	89.74
Warehousing and distribution	7,208	5.60	8,559	7.93	11,029	9.97
Others	233	0.18	266	0.25	321	0.29
<b>Total revenue</b>	<b>128,672</b>	<b>100.00</b>	<b>107,880</b>	<b>100.00</b>	<b>110,633</b>	<b>100.00</b>
<b>Profit/(Loss) before interest and tax</b>						
Land transport	18,715	93.43	17,322	87.10	15,590	75.89
Warehousing and distribution	1,385	6.91	2,245	11.29	4,810	23.41
Others	(70)	(0.34)	321	1.61	143	0.70
<b>Total profit before interest and tax</b>	<b>20,030</b>	<b>100.00</b>	<b>19,888</b>	<b>100.00</b>	<b>20,543</b>	<b>100.00</b>



## Profile of the Board of Directors



**Datuk Seri Dr. Suleiman Bin Mohamed**  
*Independent Non-Executive Chairman*  
*Male, Malaysian, aged 69*

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 held from 2012 to 2016. He also sits on the board of Alliance Foundation Malaysia.

Datuk Seri Dr. Suleiman attended all six (6) Board Meetings held in the financial period ended 31 March 2017.

## Profile of the Board of Directors

*cont'd*

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.

Mr. AC Ng attended all six (6) Board Meetings held in the financial period ended 31 March 2017.



**Ng Aik Chuan**  
*Managing Director*  
*Male, Malaysian, aged 49*



## Profile of the Board of Directors

*cont'd*



**NG YAM PIN**  
*Executive Director*  
*Male, Malaysian, aged 48*

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.

Mr. YP Ng attended five (5) out of six (6) Board Meetings held in the financial period ended 31 March 2017.

## Profile of the Board of Directors

*cont'd*

Mr. Jory Leong Kam Weng ("Mr. Jory") 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.

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, a life insurance company. 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.

Mr. Jory attended all six (6) Board Meetings held in the financial period ended 31 March 2017.



**JORY LEONG KAM WENG**  
*Independent Non-Executive Director*  
 Male, Malaysian, aged 52

## Profile of the Board of Directors

*cont'd*



**DATIN RAHMAH BINTI MAHMOOD**

*Independent Non-Executive Director  
Female, Malaysian, aged 59*

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. 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.

In 2016, she brought in a franchise called “We Rock the Spectrum Kid’s Gym” from the United States. This is a gym for neuro-typical children as well as children in the autism spectrum.

Datin Rahmah attended all six (6) Board Meetings held in the financial period ended 31 March 2017.

## Profile of the Board of Directors

*cont'd*

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 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.

Mr. Liew attended all six (6) Board Meetings held in the financial period ended 31 March 2017.



**LIEW CHEK LEONG**  
*Independent Non-Executive Director*  
 Male, Malaysian, aged 45

### 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 hold any directorships in any other public companies and listed issuers.
- None of the Directors have any conflict of interest with the Company.
- None of the directors has any conviction for offences other than traffic offences within the past 5 years and none of them has any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.



## Profile of the Key Senior Management



### KOK POH FUI

*Chief Financial Officer, Male, Malaysian, aged 47*

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Mr. Kok Poh Fui is our Chief Financial Officer. He is currently responsible for the finance, taxation and accounting matters of our Group.

He is a member of the Association of Chartered Certified Accountants ("ACCA") since 1998 and a member of the Malaysian Institute of Accountants since 1999. He was admitted as a Fellow of ACCA in 2003.

Upon obtaining his London Chamber of Commerce and Industry ("LCCI") Diploma in Accounting in 1991, he began his career as a Lecturer for LCCI International Qualifications at Cambridge College in Johor Bahru, Johor Darul Takzim (currently known as I-Systems College Johor Bahru) in the same year. He then joined SQ Associates as a Senior Audit Assistant in 1995 and left SQ Associates in 1997 to join Singamip Enterprise Pte Ltd in Singapore as an Accountant. He then joined Chye Hup Heng Sdn. Bhd. as the Group Financial Controller in 1998. In 2010, he joined SMC Consulting Sdn. Bhd., a company that was established by himself and three (3) other parties in 2000 as a Business Consultant, advising on accounting, tax and internal control matters. He left SMC Consulting Sdn. Bhd. and joined our Group as the Chief Financial Officer in 2013.



### TING PIK HOU

*General Manager, Male, Malaysian, aged 38*

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Mr. Ting Pik Hou is our General Manager. He graduated with a Bachelor of Arts (Honours) in Finance from the University of Hertfordshire, United Kingdom in 2000.

He has accumulated approximately sixteen (16) years of experience in the logistics industry. He began his career in 2001 as an Operations Executive with Tiong Nam Logistics Solution Sdn. Bhd. In 2005, he was then promoted to Operations Deputy Manager. During his tenure with the company, he was involved in handling logistics operations of the branch offices in Johor Bahru, Johor Darul Takzim and Singapore. He left Tiong Nam Logistics Solution Sdn. Bhd. to join our Group in 2006 as the Operations Manager. He was subsequently promoted as the General Manager of our Group in 2010.

Currently, he is responsible for overseeing our Group's business operations which include monitoring, evaluating and improving the business processes of our Group. In addition, he is also the registered person for matters in relation to the compliance of the ISO 9001:2015 Quality Management System and BS OHSAS 18001:2007 Occupational Health and Safety Management System.

## Profile of the Key Senior Management

*cont'd*



### **MOHD YUSOFF BIN RAHMAT**

*Operations Manager, Male, Malaysian, aged 57*

Mr. Mohd Yusoff Bin Rahmat is our Operations Manager. He has accumulated more than twenty (20) years of experience in the logistics industry.

After completing his secondary education in 1975, he has spent approximately ten (10) years working in the agriculture sector, including establishing a sole proprietorship involved in the trading of agricultural products. He joined Tiong Nam Trading & Transport (M) Sdn. Bhd. as a Goods Vehicle Driver in 1988 and was subsequently promoted to Administration Assistant in 1991. He left the company in 1995 to oversee his family business. In 2001, he joined Sinwah Trading & Transport Agency as a Goods Vehicle Driver and was subsequently transferred to Xin Hwa Trading & Transport Sdn. Bhd. in 2002. He was promoted as the Branch Manager in 2005. In 2008, he was promoted as the Operations Manager of our Group.

He is currently responsible for the overall management of our land transport operations which, amongst others, include planning of vehicles schedule and arrangement of drivers.

#### *Notes:*

- None of the key senior management has any family relationship with any Director and/or substantial shareholder of the Company.
- None of the key senior management holds any directorships in any other public companies and listed issuers.
- None of the key senior management has any conflict of interest with the Company.
- None of the key senior management has any conviction for offences other than traffic offences within the past 5 years and none of them has any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.



DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors of Xin Hwa Holdings Berhad, I am delighted to present to you the Annual Report and the Audited Financial Statements of Xin Hwa Holdings Berhad ("Xin Hwa" or the "Group") for the 15-month financial period ended 31 March 2017 ("FY17"). Notwithstanding the challenges faced during the year, we managed to achieve satisfactory performance with revenue and net profit of RM128.7 million and RM12.7 million respectively in FY17.

## Chairman's Statement

Datuk Seri Dr. Suleiman Bin Mohamed  
*Independent Non-Executive Chairman*

### INDUSTRY AND BUSINESS OVERVIEW

The Malaysian economy expanded by 4.2% in 2016, against 5.0% achieved in 2015. The sustained Gross Domestic Product ("GDP") growth, albeit at a slower pace, was primarily driven by domestic demand. On the back of lower GDP growth, we experienced slowdown in activities in our logistics industry as well. In essence, the challenges we faced in 2015 continued into 2016, with issues such as rising cost of living, fluctuations in Ringgit against foreign currencies, volatility in prices of crude oil and other commodities had resulted in an overall weak consumer sentiment environment.

While we were not spared from the slowdown in economic activities in FY17, we were able to manage our risk exposure and kept our cost in check. During this period, we continued to expand our fleet size and acquired lands in Johor and Selangor with the intention to build additional warehouses since the capacity of our existing warehouses is close to full utilisation. We believe the additional capacity will come in handy when the economy picks up.

Being an integrated logistics services provider, we offer a complete range of services including land transportation, warehousing and distribution, freight forwarding and customs brokerage as well as manufacturing and fabrication of trailers. Within land transportation, we have cargo transportation and container haulage

## Chairman's Statement

*cont'd*

services. We serve various stakeholders – ranging from port operators to large Multinational Companies (“MNC”), Fast-Moving Consumer Goods (“FMCG”) companies, as well as large and small corporations from a variety of industries. The diversity of our clientele and the full spectrum of our services helped us balance our risk exposure with no over-reliance to any particular customer or industry.

31 March 2017 marked another significant milestone for Xin Hwa with our maiden foray into the e-commerce business. On that eventful day, we have successfully launched our proprietary Business-to-Business (“B2B”) e-commerce site, [www.e5buy.com](http://www.e5buy.com). e5buy.com mirrors the offerings of Yiwu Commodity Market in China. Yiwu Commodity Market sells more than 1.8 million products by some 75,000 suppliers, and is a key destination for wholesale traders and businessmen from all over the world. Now, with e5buy.com, Malaysians could shop online at their own convenience and with access to the vast offerings of the Yiwu Commodity Market.

Our e-commerce venture is a strategic and deliberate move as we believe it is synergistic with our logistics services. The inevitable rise of e-commerce activities in Malaysia will certainly lead to significant increase in demand for logistics services. Against this trend, it will augur well for us to have presence in these two growing segments.

### CORPORATE DEVELOPMENTS

Some key developments of our Group during the financial period include acquisition of land in Pasir Gudang, Johor and Shah Alam, Selangor as part of our expansion plan to double our existing warehousing

space from 404,000 square feet to 1 million square feet in the near future.

On 11 January 2017, Xin Hwa completed a 1 for 5 bonus issue to reward our shareholders for their loyalty and continuous support since our initial public offering in June 2015. The issuance of approximately 36 million bonus shares would also enhance the marketability and trading liquidity of Xin Hwa shares and enable shareholders to have greater participation in terms of the number of shares held while maintaining their percentage of equity interest in the Group.

On 30 March 2017, Xin Hwa completed the acquisition of 50.01% of the equity interest in Yiwugou Ecommerce Sdn Bhd (“YESB”) for RM500,000.00 in cash. YESB is principally involved in operating an e-commerce platform, and the acquisition marked Xin Hwa's foray into the e-commerce business.

### PROSPECTS FOR FY18

FY18 will be a busy and exciting year for us. According to the Construction Industry Development Board (“CIDB”), the construction sector is anticipated to grow by 8% in 2017. There are a number of major infrastructure projects that are either currently underway or are commencing in the near future, such as the RAPID project in Pengerang, Johor, Klang Valley MRT Line 2 project, LRT Line 3, Melaka Gateway, Gemas-Johor Bahru Double Track Rail and Malaysia-Singapore High Speed Rail. These projects are expected to augur well for the logistics industry with the rising demand of logistics services. Moving forward, we are optimistic that the Group will be able to improve its performance in the coming year.





## Chairman's Statement

*cont'd*

According to the Quarterly Update on the Malaysian Economy – First Quarter 2017 by the Ministry of Finance Malaysia, the Malaysian economy is picking up pace, with GDP growth rate of 5.6% in the first quarter of 2017, exceeding the 4.6% forecast by economists. The transport and storage subsector increased 6.1% as compared to 5.9% in the previous year's corresponding period. In particular, the land transport segment rose 6.8% on the back of higher trade-related activities. The increase in economic and trade activities bode well for us as this leads to higher demand for logistics services where Xin Hwa stands to benefit. We will continue to expand our fleet size in anticipation of the growing demand for land transportation in Malaysia.

For our warehousing division, we are building a new warehouse in Pasir Gudang, adjacent to our existing warehouse. Additionally, we are also constructing our first warehouse outside Johor – a new 400,000 square feet warehouse in Shah Alam, Selangor to meet the growing demand for warehousing services in Klang Valley. The 4-storey warehouse is slated for completion by end of 2018. Upon completion, Xin Hwa will have a total warehousing space of approximately 1 million square feet. The Group will grow in tandem with the expansion of the logistics sector and aims to deliver better financial performance in FY18.

As for our e-commerce foray, we are confident that it is the right move for us. Our venture is in line with Malaysia's National E-Commerce Strategic Roadmap, which aims to double the nation's e-commerce growth and increase the GDP contribution to RM211 billion by 2020 from under RM70 billion in 2015. It is also a timely exercise in conjunction with the launch of Digital Free Trade Zone, an initiative by our Government to further promote e-commerce growth. We shall capitalise on Malaysia's e-commerce growth through e5buy.com and we aim to become a prominent B2B e-commerce player in Malaysia.

### APPRECIATION

In closing, I would like to express my utmost appreciation to all our shareholders for your unwavering support and confidence. I would also like to extend my sincere gratitude to the customers, vendors, business associates, financiers and all other stakeholders for your continuous support and confidence in Xin Hwa. Lastly, I would like to thank our Board of Directors, management and all our employees for their hard work and commitment.

**DATUK SERI DR. SULEIMAN BIN MOHAMED**

*Chairman*



# Management Discussion and Analysis

## BUSINESS AND OPERATIONAL REVIEW

As an integrated logistics service provider, we offer a wide range of services to our customers to meet all their logistics requirements. Our business activities are grouped into the following key segments:



### I. Land Transport Services

Land transportation which comprises cargo transportation and container haulage services is Xin Hwa's primary revenue driver.

Cargo transportation is Xin Hwa's core business expertise, providing one-stop services within Peninsular Malaysia as well as between Peninsular Malaysia and Singapore. As of June 2017, Xin Hwa has a fleet size of 1,422 vehicles comprising a combination of prime movers, trailers and trucks. By comparison, our fleet size was just under 1,300 vehicles in 2015. It is part of our ongoing business expansion to increase our fleet size every year taking into consideration the current and prospective demand from our customers. During the financial period under review, Xin Hwa has also successfully obtained the Multi-Modal Transport Operators license which enables us to tender for Government logistics services contracts.

Within our land transportation segment, we offer specialised service termed as project cargo. Project cargo is the transportation of over-dimensional and over-sized cargo for large-scale projects such as precast elements for infrastructure projects, large process equipment for oil and gas industry, tower cranes, railway equipment, cement plant structure and machinery. In the previous years, Xin Hwa was involved in the project cargo transportation for Klang Valley MRT Line 1, transporting tunnel lining segments and segmental box girders from factory to site. We had also successfully transported huge process equipment measuring close to 100 meters in length and weighing more than 500 metric tonnes using specialised multi-axle trailers.



# Management Discussion and Analysis

cont'd

Besides cargo transportation, Xin Hwa also provides container haulage services which consist of external and internal port haulage transportation services. External haulage services involve inter-state haulage transportation across Peninsular Malaysia while internal haulage services remain within the port area. The Group is currently serving 2 major ports in Peninsular Malaysia – the Port of Tanjung Pelepas, Johor and the Penang Port in Pulau Pinang.

## II. Warehousing and Distribution Services

Xin Hwa offers both bonded and non-bonded warehousing options, as well as distribution services such as packing, unpacking and re-packing of goods in accordance to customers' requirements. Bonded warehouse is meant for storage of goods prior to clearance of customs-related taxes, while non-bonded warehouse refers to storage of goods after settlement of regulatory taxes. The warehousing and distribution operations are fully integrated with our land transport services. We currently have one warehouse in Kempas, Johor measuring 184,000 square feet in size and another one in Pasir Gudang, Johor with built-up of 220,000 square feet. Both warehouses are close to full utilisation at present.

Our new warehouse in Pasir Gudang, Johor with estimated built-up space of 180,000 square feet is expected to be completed soon and shall commence operations thereafter. This will bring Xin Hwa Group's warehousing space to a total of approximately 584,000 square feet. Barring any unforeseen circumstances, we expect the new warehouse to reach full utilisation within 6 months from commencement of operations.

## III. Other Logistics-Related Services

Xin Hwa offers other logistics-related complementary services such as freight forwarding and customs brokerage, in addition to manufacturing and fabrication of trailers.

- **Freight Forwarding and Customs Brokerage**

One of our subsidiaries is a customs broker licensed under the Customs Act 1967 to carry out customs brokerage activities in Malaysia, which include:

- o Preparation and submission of customs clearance documents;
- o Arrangement of transportation for the movement of cargo;
- o Port coordination to ensure smooth and timely delivery; and
- o Advisory services on matters relating to freight forwarding.

- **Manufacturing and Fabrication of Trailers**

Xin Hwa's in-house manufacturing, fabrication, and maintenance centre is one of the Group's key competitive advantages. Our expertise allows us to swiftly fabricate and/or customises trailers based on our customers' requirements. Xin Hwa takes pride in the fact that approximately 73% of our trailers are built in-house. Furthermore, we also have in-house maintenance expertise to carry out repair and maintenance works for our fleet. This effectively minimises repair and maintenance costs, plus reduces downtime of our vehicles, leading to overall improvement in our cost structure.

## IV. B2B E-Commerce

Following the acquisition of Yiwugou Ecommerce Sdn Bhd ("YESB") in March 2017, we now operate a proprietary B2B e-commerce platform, [www.e5buy.com](http://www.e5buy.com). This online platform mirrors the offerings of Yiwu Commodity Market in China. [e5buy.com](http://e5buy.com) provides Malaysians access to more than 1.8 million products by an aggregate of 75,000 suppliers at the convenience of their fingertips. The access to the database of Yiwu Commodity Market by [e5buy.com](http://e5buy.com) is made possible via a cooperation agreement between YESB and Zhejiang Yiwugou E-commerce Co., Ltd. in China, the operator of Yiwu Commodity Market. The agreement is for a period of 10 years effective from 2 March 2017.

# Management Discussion and Analysis

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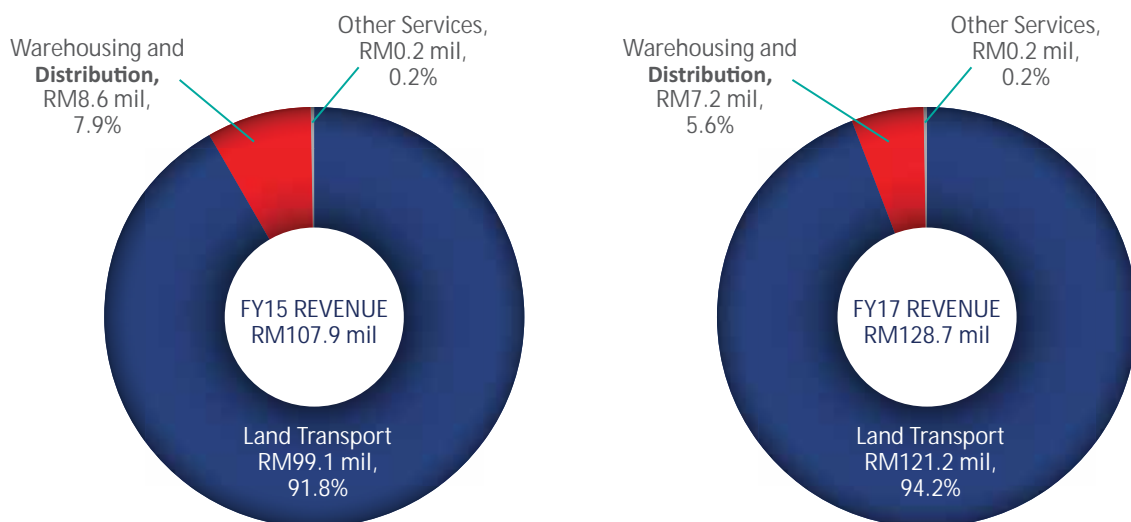
As the acquisition of YESB was completed on 30 March 2017, there is no revenue contribution from this segment in FY17. However, given the fast-growing e-commerce activities in Malaysia and e5buy.com's unique propositions, we are confident in the future prospects of this division and believe that it would contribute positively to the Group in the future.

## FINANCIAL REVIEW

For the financial period under review, Xin Hwa posted revenue of RM128.7 million. The revenue was derived mainly from our land transport operations with the remaining from warehousing and distribution operations and other services.

*(Due to change in financial year end to 31 March from 31 December, FY17 refers to financial period commencing from 1 January 2016 to 31 March 2017 and hence, this is a cumulative 15-month results. As such, there are no direct comparative figures available for the preceding year corresponding period.)*

### Revenue Breakdown By Business Segments



*Note: FY15 refers to financial year ended 31 December 2015 while FY17 refers to 15-month financial period ended 31 March 2017.*

### Land Transport Operations

Land transportation, which consist of cargo transportation services and container haulage services, contributed RM121.2 million or 94.2% to total Group revenue in FY17. In FY15, land transportation had, similarly, contributed the bulk of the Group revenue at 91.8%. Our land transport operations in FY17 were generally affected by the overall weak broader market conditions, in addition to absence of contribution from logistics services for some large infrastructure projects that were completed in FY15.

The Group's performance is not usually affected by seasonal factors, apart from some impact during festive seasons due to regulations that limit the transportation of non-necessity goods during these particular periods.

### Warehousing and Distribution Operations

Warehousing and distribution operations contributed RM7.2 million or 5.6% of FY17 revenue. The full revenue potential from the existing two warehouses in Johor was not reflected in the FY17 performance as we only achieved close to full utilisation towards the last quarter of FY17. The utilisation rate of the warehouses was lower in the early part of FY17 following the decrease in space rented by a key client and the space was only taken up by new tenant in the last quarter of FY17. The warehousing rental rate is charged based on a weekly or monthly basis and the period of warehousing varies between customers.



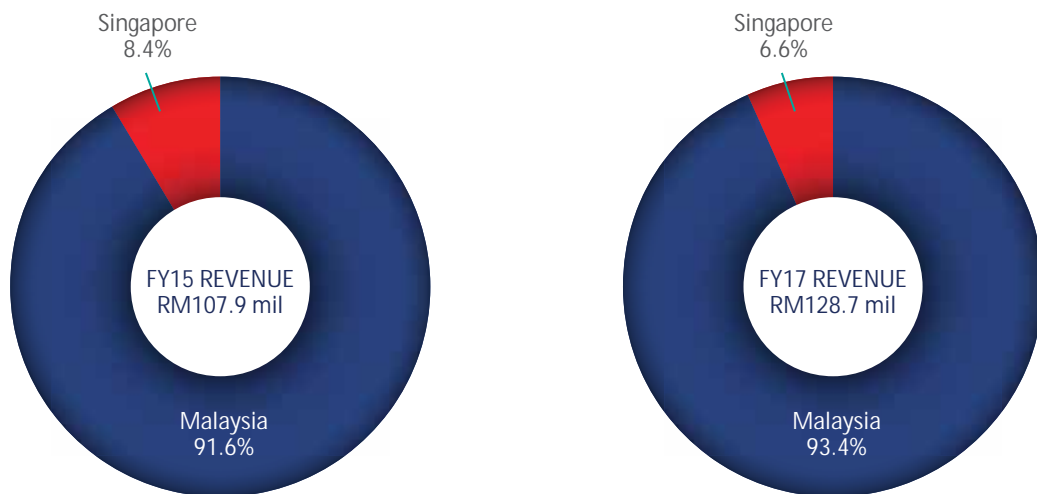
# Management Discussion and Analysis

cont'd

## Other Services

The contribution from our other services is mainly derived from freight forwarding and customs brokerage and manufacturing and fabrication of trailers division. The two divisions accounted for 0.2% or RM0.2 million of the Group revenue in FY17.

## Revenue Breakdown By Geographical Markets



Our Group revenue was predominantly generated from Malaysia, accounting for 93.4% or RM120.2 million in FY17. The remaining contribution came from our customers in Singapore, which contributed the balance 6.6% or RM8.5 million in FY17. Overall, the revenue composition in FY17 was similar to that of FY15 in terms of geographical locations, and we expect the trend to continue into the future.

## Profitability and Margins

During FY17, we recorded a gross profit ("GP") of RM48.2 million, translating into a GP margin of 37.4%. This was generally similar to the GP margin of 37.6% recorded in FY15. We believe our ability to sustain the GP margin is a commendable achievement, considering the pressure from the rising cost environment. This was made possible through meticulous cost control measures undertaken by the management especially when it comes to maximising fuel consumption and optimizing utilisation of our fleet vehicles (such as route planning and scheduling).

Segmental Profit Before Interest and Tax	FY15 RM'000	FY17 RM'000
Land Transport	17,322	18,715
Warehousing and Distribution	2,245	1,385
Other Services	321	(70)
Total	19,888	20,030

Meanwhile, our profit before interest and tax ("PBIT") margin stood at 15.9% in FY17, derived from a PBIT of RM20.0 million. The main contributor to our PBIT for FY17 was the land transport operations which generated RM18.7 million or 93.4%, with warehousing and distribution services (6.9%) and other services (-0.3%) making up the balance. The PBIT margin of land transport operations was 15.4% while warehousing and distribution services division registered a higher PBIT margin of 19.2%.

# Management Discussion and Analysis

*cont'd*

At the pre-tax level, the Group profit before tax ("PBT") margin stood at 12.5% in FY17, lower than the 15.6% achieved in FY15. This was primarily due to higher administrative costs and interest expense incurred during FY17. Increase in salaries along with corporate expenses associated with the bonus issue as well as acquisition of land and launching of new e-commerce platform contributed to the hike in administrative costs. Meanwhile, the rise in interest expense was due to our use of bank borrowings to part finance the acquisition of land for construction of new warehouses.

Xin Hwa's profit after taxation attributable to owners of the Company stood at RM12.7 million in FY17, translating into net profit margin of 9.9%, which is lower by comparison to 14.8% in FY15. This was mainly due to higher effective tax rate incurred in FY17 following the expiry of investment tax allowance.

## Capital Structure and Capital Resources

Capital expenditure of RM67.2 million was incurred during the financial period mainly for the acquisition of lands and for business expansion purposes. We have borrowings of RM73.8 million and a debt to equity ratio of 0.5 times as at 31 March 2017. Moving forward, we will consider all options available to achieve optimal debt and equity proportions in order to reduce our costs of capital.

Our trade receivables turnover in FY17 was approximately 76 days, well within the credit terms given to customers. The Group also generated positive net operating cash flow of RM24.4 million in FY17.

## Anticipated or Known Risks

Due to the nature of our business, we are subject to the risk of fluctuation in fuel prices. Fuel prices fluctuation are affected by various factors beyond our control including changes in the global supply and demand conditions, government trade policies and the level of global economic activity. In order to mitigate this risk, we monitor the fuel price movement on a daily basis and plan our procurement appropriately to lower our cost of sales. We also impute the cost of fuel in the pricing of our services to ensure that our profitability will not be materially affected should there be any significant increase in fuel prices.

Shortage of drivers is another risk that may disrupt our business operations. We monitor the movement of our drivers and we maintain a stable pool of committed drivers to ensure there are sufficient drivers for our daily operations.

## OUTLOOK & PROSPECTS

After enduring a challenging year in FY17, we are looking forward to capitalising on the improving economic environment. We will focus primarily on growing our land transport operations, warehousing and distribution operations as well as our B2B e-commerce division.

### Land Transport Operations

We will ride on the logistics sector growth which is mainly attributed to the boom in the construction sector. In addition, we will also actively tender for Government logistics services contracts now that we have secured the Multi-Modal Transport Operators license.

Xin Hwa will also continue to expand our fleet size by 5% to 10% per annum in tandem with the expected growth in our business which will allow the Group to expand our geographical presence across the Central and Northern Peninsular Malaysia as well as Singapore. Moreover, we are looking to set up regional offices in Klang Valley and Penang to further develop our land transportation services.

As for our internal port haulage services, we are actively engaging with port operators to potentially secure new contracts as part of our plan to expand our business.

# Management Discussion and Analysis

*cont'd*

## Warehousing & Distribution Operations

We have been busy growing our warehousing operations in FY17. Our new warehouse with estimated built-up space of 180,000 square feet in Pasir Gudang is expected to be completed soon and shall commence operations thereafter. We are confident that this new warehouse will swiftly reach full capacity within 6 months. We anticipate better performance from this division going forward with the close to full utilisation of our current warehouses, plus the expected contribution from the new warehouse. Our total warehouse space shall increase to 584,000 square feet from the current 404,000 square feet upon completion of the new warehouse.

In July 2016, we acquired a piece of land measuring 4.4 acres in Shah Alam, Selangor together with a single storey detached warehouse, an annexed 2-storey office building and other ancillary buildings. We will build a 4-storey warehouse cum office building with a combined built-up size of 400,000 square feet. Slated for completion by end of 2018, the Shah Alam warehouse shall be our first warehouse outside of our home-base in Johor. Upon completion, Xin Hwa will have a combined warehousing space of approximately 1 million square feet, which is more than double of our current capacity of 404,000 square feet.

## B2B E-Commerce

The response for our recently launched B2B e-commerce platform, [www.e5buy.com](http://www.e5buy.com) has been encouraging with orders coming in from various parts of Malaysia. We are channelling our efforts to promote the platform and to grow our user base. Moving forward, we are optimistic that this division will provide a new income stream for Xin Hwa and contribute positively to the Group. Our B2B e-commerce aspiration is in line with our Government's National E-Commerce Strategic Roadmap plan to double our nation's e-commerce growth and increase the GDP contribution to RM211 billion by 2020 from under RM70 billion in 2015.

On a related note, the synergy between e-commerce and our logistics and warehousing division provides us with the opportunity to extend Xin Hwa's scope of logistic services in the near future which may include courier services, as well as door-to-door delivery services for our e-commerce customers. In the longer term, there is also possibility for us to expand into other South East Asian markets with our proprietary B2B platform.

With growth impetus expected from all our key business divisions, we endeavour to deliver sustainable and healthy earnings growth to our shareholders. Barring any unforeseen circumstances, we are cautiously optimistic about the Group's performance in the coming financial year.

## Dividend

On 28 March 2016, the Group paid an interim dividend of 1.50 sen per share amounting to RM2.7 million in respect of the financial year ended 31 December 2015.

On 4 July 2017, the Group declared an interim dividend of 1.00 sen per share in respect of the financial year ending 31 March 2018 which shall be payable on 28 July 2017 to the shareholders whose names appear in the Record of Depositors on 18 July 2017.

While the Group does not adopt any dividend policy currently, we will consider recommending dividends to allow shareholders to participate in the profits of our Group after taking into consideration the working capital requirements and cash flow position of our Group in the future.

## Corporate Sustainability Statement

The Board of Directors recognises the importance of corporate sustainability and it is at the heart of Xin Hwa's corporate culture, governance and business strategy development. The Group embedded corporate sustainability to its business model and core values with the objective to contribute positively to the environment and society.

### CORPORATE SOCIAL RESPONSIBILITY

As a responsible corporate citizen, Xin Hwa is committed to creating long-lasting value for the community. In FY17, the Group undertook several activities to fulfil its corporate responsibility.

#### Parents' Day

On 28 May 2016, Xin Hwa visited the Amitabha Centre in Kulai, Johor to celebrate Parents' Day with the residents. Xin Hwa cleaned the compound, provided food and entertained the elderlies with a dance performance. The Group also provided financial support to the Amitabha Centre.



#### Family Day

Xin Hwa visited the Amitabha orphanage in Johor Bahru on 26 November 2016 in conjunction with the family day celebration. The Group repainted the orphanage and organised outdoor activities to raise the spirits of the children and highlighted the importance of exercise. Xin Hwa also supported the orphanage financially and provided the children with school supplies. Additionally, the Group also awarded children who excelled academically with financial reward.





# Corporate Sustainability Statement

cont'd

## Blood Drive

The Group organised a blood drive on 26 December 2016 at Xin Hwa's headquarter in Johor Bahru. One of the main objectives of the blood drive is to encourage Xin Hwa's employees to become regular blood donors and at the same time highlight the importance of good health. Another objective is to provide additional blood supply to local hospitals to ensure its blood supply stays at a healthy level.



## HUMAN RESOURCE DEVELOPMENT

At Xin Hwa, prime movers are not the only asset that pushes the Group forward, as the Group's human capital is also the main driver for long term and sustainable organisational success. Therefore, Xin Hwa emphasises the importance of employee rights and opportunities, occupational health and safety, as well as talent development. As part of the Group's talent development programme, Xin Hwa had put in place an

internship programme to encourage and allow young graduates to gain valuable skills and experience through the programme. Xin Hwa is also highly concerned about the safety of its drivers, and therefore, it has installed GPS systems onto all its vehicles as an additional safety measure, enabling Xin Hwa to track the location of its vehicles and drivers on real-time basis.

## ENVIRONMENT

As an integrated logistics service provider, Xin Hwa is well-aware of the carbon footprint left behind by its logistics operations. The Group strives to reduce its impact on the environment by carrying out regular maintenance on its fleet by the Group's in-house maintenance expertise. The maintenance team carries out inspection and maintenance under stringent guidelines to ensure the carbon footprint left behind is minimal. By having its fleet maintained in optimal condition, the vehicles last longer and emit lower carbon monoxide.

## STAKEHOLDERS

An integral part of Xin Hwa's sustainability management is active stakeholders' engagement to ensure their interests are being taken care of. These stakeholders include shareholders, research analysts, bankers, investors, customers, suppliers, authority bodies and public. The Group emphasizes on good corporate governance practices, transparency and accountability to meet shareholders' expectations. This is essential as understanding and integrating their expectations and concerns to our business allows Xin Hwa to reach its corporate goals effectively. The Group is committed to holding regular dialogues with stakeholders to obtain crucial information relevant to our business and industry. As for our shareholders and the investing community, Xin Hwa regularly provides updates on the Group's operations and growth plans. The management also engages with media personnel via interviews and press releases, which in turn, enable the public to keep abreast with the development at Xin Hwa through media news.

# 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 ("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 two (2) Executive Directors and four (4) Independent Non-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.

# Corporate Governance Statement

*cont'd*

## (A) BOARD OF DIRECTORS *cont'd*

### Roles and Responsibilities of the Board *cont'd*

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. The 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. Six (6) Board meetings were held during the financial period ended 31 March 2017 and all Directors have complied with the requirement in respect of Board meetings attendance as provided in the Listing Requirements.

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	6/6
Ng Aik Chuan	6/6
Ng Yam Pin	5/6
Jory Leong Kam Weng	6/6
Datin Rahmah Binti Mahmood	6/6
Liew Chek Leong	6/6

### 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 was tabled for review at the Board Meeting held on 30 May 2017.

The Board Charter is made available for reference in the Company’s website at [www.xinhwa.com.my](http://www.xinhwa.com.my).

# Corporate Governance Statement

*cont'd*

## (A) BOARD OF DIRECTORS *cont'd*

### 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](http://www.xinhwa.com.my).

### Board Independence and Effectiveness

The Board comprises 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, 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.

The Independent Non-Executive Directors are not involve 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.



# Corporate Governance Statement

*cont'd*

## (A) BOARD OF DIRECTORS *cont'd*

### Whistleblowing Policy *cont'd*

For greater transparency and independency, whistle-blowers are directed to report the wrongful activities/ wrongdoings directly to the Chairman of the Audit and Risk Management 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 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 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 minutes 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 Constitution, 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 to 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.

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 Independent Directors will be requested to confirm their independence by completing the independence checklist.

# Corporate Governance Statement

*cont'd*

## (A) BOARD OF DIRECTORS *cont'd*

### 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 2016 and other regulatory requirements relating to the discharge of the Directors' duties and responsibilities.

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

Name of Directors	Name of Seminars/Training programmes attended
Ng Aik Chuan	<ul style="list-style-type: none"> <li>Capitalising on the Growth of Shariah Investing</li> </ul>
Ng Yam Pin	<ul style="list-style-type: none"> <li>Capitalising on the Growth of Shariah Investing</li> </ul>
Jory Leong Kam Weng	<ul style="list-style-type: none"> <li>Practical Challenges &amp; Impact of the Companies Bill 2015 Training</li> <li>Employee share-based compensation</li> <li>International Malaysia Law Conference 2016</li> <li>Sustainability</li> <li>MIA International Accountants Conference 2016</li> <li>Budget 2017 Highlights &amp; Latest Tax Developments</li> </ul>
Datin Rahmah Binti Mahmood	<ul style="list-style-type: none"> <li>Directors' Training on Sustainability Report</li> </ul>
Liew Chek Leong	<ul style="list-style-type: none"> <li>Corporate Tax Issues for 2016 and 2017</li> <li>MFRS/FRS Update 2016 and 2017</li> <li>Group Accounting : The Economic Entity Model under MFRS 3 and MFRS 10</li> <li>2017 Budget Seminar Comprehensive Updates for Corporate Accountants</li> </ul>
Datuk Seri Dr. Suleiman Bin Mohamed could not attend any seminar or training due to his heavy schedule during the financial period.	

### 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 any 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 Group's statutory information is duly completed in the relevant prescribed forms and lodged with the Registrar of Companies within the required period of time.

# Corporate Governance Statement

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## (B) BOARD COMMITTEES

The Board has established the following committees ("Board Committees") and delegated specific responsibilities to each of them. The Board 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, responsibilities and summary of work done by the ARMC are as set out in the Audit and Risk Management Committee Report on pages 39 to 41 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 decision on new appointment of Directors shall be the responsibility of the Board after considering the recommendation of the NC. The NC meets at least once a year and as and when required.

#### *Composition of the NC*

The members of the NC are as follows:

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

#### *Functions of the NC*

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.

The Terms of Reference of the NC is made available for reference in the Company's website at [www.xinhwa.com.my](http://www.xinhwa.com.my).

# Corporate Governance Statement

*cont'd*

## (B) BOARD COMMITTEES *cont'd*

### Nominating Committee *cont'd*

#### *Activities of the NC*

The summary of activities of the NC during the financial period ended 31 March 2017 is as follows:

- Reviewed the Board's composition in regards to the mix of skill and experience and other qualities of the Board.
- Assessed the effectiveness of the Board as a whole, the Board Committees and the Directors.
- Conducted annual assessment of the independence of Independent Directors.
- Discussed the Directors' retirement by rotation.

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.

#### *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 2016 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.
- 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.



# Corporate Governance Statement

*cont'd*

## **(B) BOARD COMMITTEES** *cont'd*

### Nominating Committee *cont'd*

#### *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 NC undertakes annual assessment to evaluate the performance of each individual Directors, the effectiveness of the Board and the Board Committees.

The effectiveness of the Board and Board Committees are assessed in the areas of board structure/mix, decision making and boardroom participation and activities, meeting administration and conducts, skill and competencies and role and responsibilities whilst the performance of the individual Directors are assessed in the areas of contribution and interaction with peer, quality of the input of the Director, understanding of role, etc.

During the annual assessment exercise, the Directors are given a performance evaluation sheets for Individual Director Self Evaluation and Board Evaluation to complete. In addition, Directors who are members of the Board Committees are given additional performance evaluation sheets for the respective Board Committees to complete. Sufficient time is given to the Directors to complete the forms and upon completion, the forms are submitted to the Company Secretary for compilation of rating and scores which summary would then be presented to the NC for further review and assessment.

For good corporate governance, the NC would not review its own effectiveness and the performances of the NC members. Instead, such review would be carried out by the Board as a whole with the members of the NC abstained from deliberation.

In view that the NC members are also members of the Remuneration Committee and the ARMC, the assessment of the effectiveness and performances of the Remuneration Committee and the ARMC are also carried out by the Board.

The Director who is subject to re-election and/or re-appointment at next AGM are assessed by the NC (with the relevant NC member abstaining on his own re-election) before recommendation is made to the Board and shareholders for the re-election and/or re-appointment.

Outcome of the assessment and recommendation would be reported to the Board for information and decision on areas for improvement. All the results of the annual assessment on Board, the Board Committees and individual Directors were satisfactory.

#### *Assessment and Tenure of Independent 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. An independence checklist in described format has been created for the Independent Directors to conduct self-assessment on annual basis.

During the financial period, the Independent Directors had conducted self-assessment and confirmed their independence by completing the independence checklist.

# Corporate Governance Statement

cont'd

## (B) BOARD COMMITTEES cont'd

### Nominating Committee cont'd

#### *Assessment and Tenure of Independent Directors cont'd*

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.

### 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 at least once a year and as and when required.

#### *Composition of the RC*

The members of the RC are as follows:

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

#### *Functions of the RC*

The main function of the RC is 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 Terms of Reference of the RC is made available for reference in the Company's website at [www.xinhwa.com.my](http://www.xinhwa.com.my).

# Corporate Governance Statement

*cont'd*

## (B) BOARD COMMITTEES *cont'd*

### Remuneration Committee *cont'd*

#### *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 and to be tabled for approval by shareholders.

#### *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 15 months financial period ended 31 March 2017 is as follows:

Received from the Company (RM):

	Fees	Salaries	Bonus	Allowances	Total
Executive	-	-	-	-	-
Non-Executive	435,000	-	-	36,000	471,000

Received from the Group (RM):

	Fees	Salaries	Bonus	Allowances	Total
Executive	1,140,000	18,378	152,000	-	1,310,378
Non-Executive	435,000	-	-	36,000	471,000

# Corporate Governance Statement

*cont'd*

## (B) BOARD COMMITTEES *cont'd*

Remuneration Committee *cont'd*

*Directors' Remuneration cont'd*

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

Received from the Company (RM):

Bands	No. of Executive Directors	No. of Non-Executive Directors
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	-	3

Received from the Group (RM):

Bands	No. of Executive Directors	No. of Non-Executive Directors
RM650,001 to RM700,000	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](http://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 and the Company's website are with due consultation with our appointed Company Secretaries and/or other external professionals.

The Corporate Disclosure Policy was tabled for review at the Board Meeting held on 30 May 2017.



# Corporate Governance Statement

*cont'd*

## (C) SHAREHOLDERS *cont'd*

### 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 are 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 ARMC have to ensure that the financial statements are drawn up in accordance with the applicable regulations and 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 Company, 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 Company's internal control system is through the conduct of internal audit. The internal audit function and its summary of work done during the financial period are as set out in the Audit and Risk Management Committee Report on pages 39 to 41 of this Annual Report.

A Statement on Risk Management and Internal Control of the Company is set out on pages 42 and 43 of this Annual Report.

# Corporate Governance Statement

*cont'd*

## (D) ACCOUNTABILITY AND AUDIT *cont'd*

### 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 19 July 2017 undertook an annual assessment of the suitability and independence of the external auditors in accordance with the Board'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 rendered by CH to the Company for the financial period ended 31 March 2017.

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 re-appointment of CH as external auditors of the Company. The Board at its meeting held on 19 July 2017 approved the ARMC's recommendation for the shareholders' approval to be sought at the AGM on the re-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 applicable regulations and 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 period and of the results and cash flows of the Group and the Company for that period.

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 applicable regulations and 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 251(2) of the Companies Act 2016 is set out in page 50 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.

## Additional Compliance Information

In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the following information is provided:

### (1) UTILISATION OF PROCEEDS

The proceeds of approximately RM26.45 million raised from the Initial Public Offering ("IPO") have been fully utilised as at 31 March 2017. Summary of the utilisation is as follows:

Details of the utilisation of proceeds	Proposed utilisation RM'000	Revised utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Balance unutilised %	Estimated timeframe for utilisation 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	11,355	-	-	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 <sup>(a)</sup>	5,364	-	-	Within twenty four (24) months
Estimated listing expenses	3,511	1,228 <sup>(a)</sup>	1,228	-	-	Within three (3) months
Total	26,447	26,447	26,447	-	-	

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

### (2) AUDIT FEE

The amount of audit fee payable to the external auditors by the Company and by the Group for the 15-month financial period ended 31 March 2017 are RM33,000 and RM107,083 respectively.

### (3) NON-AUDIT FEE

The non-audit fee payable to the external auditors by the Company during the financial period ended 31 March 2017 is RM75,000.

### (4) VARIATION IN RESULTS

There was no material variation noted between the audited results for the 15-month financial period ended 31 March 2017 and the unaudited results previously announced.

### (5) 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 period ended 31 March 2017.

## Audit and Risk Management Committee Report

The Board of Directors of Xin Hwa Holdings Berhad ("Board") is pleased to present the Audit and Risk Management Committee Report for the 15-month financial period ended ("FPE") 31 March 2017.

### COMPOSITION

The Audit and Risk Management Committee ("Committee") comprised the following members:

Name	Directorship
<i>Chairman</i>	
<b>Jory Leong Kam Weng*</b>	<i>Independent Non-Executive Director</i>
<i>Members</i>	
<b>Datuk Seri Dr. Suleiman Bin Mohamed</b>	<i>Independent Non-Executive Chairman</i>
<b>Liew Chek Leong*</b>	<i>Independent Non-Executive Director</i>

\* A member of the Malaysian Institute of Accountants.

### TERMS OF REFERENCE

The Committee had discharged its function and carried out its duties as set out in its Terms of Reference. During the financial period, the Terms of Reference of the Committee was enhanced to be in line with the changes to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad on strengthening the role of the Committee when reviewing financial statements.

The Terms of Reference is accessible through the Company's website at [www.xinhwa.com.my](http://www.xinhwa.com.my).

### MEETINGS

Six (6) Committee meetings were held during the FPE 31 March 2017 and the summary of attendance of each member is as follows:

Name of Committee's members	Number of meetings attended
Jory Leong Kam Weng	6/6
Datuk Seri Dr. Suleiman Bin Mohamed	6/6
Liew Chek Leong	6/6

The Managing Director, Executive Director, Chief Financial Officer, internal as well as external auditors of the Company attended the meetings during the aforesaid financial period by invitation of the Committee.



# Audit and Risk Management Committee Report

*cont'd*

## SUMMARY OF WORK OF THE COMMITTEE

The following works were carried out by the Committee during the FPE 31 March 2017 in discharging its functions and duties in accordance of its Terms of Reference:

- (1) Reviewed the Company's quarterly financial report through discussions with Management before recommending to the Board for consideration and approval, focusing particularly on financial reporting issues, significant judgement made by management and unusual events and compliance with accounting standards and other legal requirements.
- (2) Reviewed/discussed with the internal auditors:
  - the internal audit plan for adequacy of scope, frequency of the internal audit cycle for the financial period and coverage on the activities of the Group. Audit areas were discussed and annual internal audit plan was approved for adoption; and
  - the internal audit reports presented by the internal auditors on their findings and recommendations with respect to system and control weaknesses and management's responses to these recommendations and actions taken to improve the system of internal control and procedures.
- (3) Reviewed with the external auditors:
  - the audit planning memorandum, audit strategy, their scope of work and audit fees;
  - the results of the annual audit and accounting issues arising from the audit, their audit report and management letter together with management's responses to the findings of the external auditors; and
  - the impact of any changes to the accounting standards, the impact and adoption of new accounting standards on the Company's financial statements.
- (4) Conducted discussion sessions with the external auditors, without the presence of Executive Directors and the Management, on 23 February 2016 and 20 February 2017.
- (5) Reviewed the performance of the external auditors and evaluated their suitability and independence before making recommendations to the Board on their re-appointment and recommendation.
- (6) Reviewed the annual audited financial statements of the Company prior to submission to the Board for consideration and approval. The review focused particularly on changes in accounting policy, significant matters highlighted including key audit matters, financial reporting issues, significant and unusual events/transactions and how these matters are addressed and compliance with applicable approved accounting standards in Malaysia.
- (7) Reviewed on quarterly basis whether there was any related party transaction undertaken by the Group.
- (8) Reviewed the Risk Management Framework before recommending to the Board for approval and follow-up with the Management on the implementation of the framework.
- (9) Reviewed the Audit and Risk Management Committee Report and Statement on Risk Management and Internal Control prior to submission to the Board for consideration and approval for inclusion in the Annual Report of the Company.
- (10) Reported to the Board on matters discussed and addressed at the meetings of the Committee.

# Audit and Risk Management Committee Report

*cont'd*

## SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The internal audit function, which is outsourced to a professional services firm is an integral part of the assurance mechanism in ensuring the Group's system of internal control are adequate and effective. The internal auditors report directly to the Committee and assist the Committee in discharging its duties and responsibilities.

The internal auditors prepare and table the internal audit plan for the consideration and approval of the Committee. They conduct independent reviews of the key activities with the Group's operations based on the audit plan approved by the Committee. During the FPE 31 March 2017, the internal auditors attended three (3) meetings of the Committee to report to the Committee the internal audit reports and provide their independent views on the adequacy, integrity and effectiveness of the system of internal control after their review and recommendations to improve it.

Prior to the presentation of reports to the Committee, comments from the Management are obtained and incorporated into the internal audit findings and reports.

The internal auditors also followed-up on the implementation of the recommendations and management action plans and reported to the Committee on status of implementation.

The review conducted by the internal auditors during the financial period are on the following areas:

- Planning and driver management of the Group's operations at Kempas, covering areas of control environment, risk assessment, control activities and information and communication and monitoring.
- Emergency Response/Recovery Management and Safety and Security on Xin Hwa Trading & Transport Sdn. Bhd., covering areas of control environment, risk assessment, control activities and information and communication and monitoring.
- Fleet maintenance of the Group's operations at Seelong Workshop, covering areas of repairs and maintenance management, waste management and purchase management (spare parts and consumables).

The costs incurred in maintaining the outsourced internal audit function for the FPE 31 March 2017 is RM32,000.

# 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. During the financial period, the Board had documented 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 RM32,000 was incurred for the internal audit function for the 15-month financial period ended 31 March 2017.

## 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.

# Statement on Risk Management and Internal Control

*cont'd*

## KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL *cont'd*

The other key elements of the Group's 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 period 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 is listed on the Main Market of Bursa Malaysia Securities Berhad since June 2015 and the Board has put in plan the implementation of the risk management framework as its priority. This exercise is expected to be completed by 31 December 2017.

## 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 period ended 31 March 2017.

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 19 July 2017.



# Financial Statements

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For the Financial Period From  
1 January 2016 to 31 March 2017



## Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period from 1 January 2016 to 31 March 2017.

### 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 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

### RESULTS

	The Group RM	The Company RM
Profit after tax for the financial period	12,713,490	14,938,910
Attributable to:-		
Owners of the Company	12,704,608	14,938,910
Non-controlling interests	8,882	-
	12,713,490	14,938,910

### DIVIDEND

Dividend paid or declared by the Company since 31 December 2015 is as follows:-

	RM
<u>In respect of the financial year ended 31 December 2015</u>	
A first interim dividend of 1.5 sen per ordinary share, paid on 28 March 2016	2,700,000

On 4 July 2017, the Company declared an interim dividend of 1 sen per ordinary shares amounting to approximately RM2,160,000 in respect of the financial year ending 31 March 2018. The financial statement for the current financial period do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 March 2018.

### RESERVES AND PROVISIONS

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

# Directors' Report

*cont'd*

## ISSUES OF SHARES AND DEBENTURES

During the financial period:-

- (a) the Company increased its issued and paid-up share capital from RM90,000,000 to RM107,999,999 by way of an issuance of 35,999,998 new ordinary shares on the basis of one (1) bonus share for every five (5) existing shares held (bonus issue).

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

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

## OPTIONS GRANTED OVER UNISSUED SHARES

During the financial period, 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 all known bad debts had been written off 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 further 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.

## CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value 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.

## Directors' Report

*cont'd*

### CONTINGENT AND OTHER LIABILITIES

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 period 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 period.

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 period 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 AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial period 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 period 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 period in which this report is made.

### DIRECTORS

The name of directors in office from the beginning of the financial period and up to the date of this 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

The name of directors who held office in the subsidiaries of the Company during the financial period and up to the date of this report are:-

Kok Poh Fui  
Md Zaliszan Bin Ahmad Kusaini  
Mohd Johari Bin Mohamed Ripin  
Siah Lee Poo  
Soo Boon Meng  
Soo Kok Hwa  
Tee Wai Meng

# Directors' Report

cont'd

## DIRECTORS' INTERESTS

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

	←----- Number of Ordinary Shares -----→			
	At 1.1.2016	Bought	Bonus issue	At 31.3.2017
<i>Direct Interest in the Company</i>				
Datin Rahmah Binti Mahmood	100,000	-	20,000	120,000
Datuk Seri Dr. Suleiman Bin Mohamed	100,000	-	20,000	120,000
Leong Kam Weng	100,000	-	20,000	120,000
Liew Chek Leong	100,000	-	20,000	120,000
<i>Indirect Interests in the Company</i>				
Ng Aik Chuan <sup>#*</sup>	125,999,998	3,992,700	25,998,539	155,991,237
Ng Yam Pin <sup>#</sup>	125,999,998	3,892,700	25,978,539	155,871,237
<i>Indirect interests in Subsidiaries</i>				
XH Universal Forwarding Sdn. Bhd.				
Ng Aik Chuan	210,000	-	-	210,000
Ng Yam Pin	210,000	-	-	210,000
Yiwugou Ecommerce Sdn. Bhd.				
Ng Aik Chuan	-	5,001	-	5,001
Ng Yam Pin	-	5,001	-	5,001
<i>Direct Interests in Holding Company</i>				
NF Capital Management Sdn. Bhd.				
Ng Aik Chuan	30	1	-	31
Ng Yam Pin	30	-	-	30

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

\* Deemed interested by virtue of interest of his spouse, Teo Siok Kee.

By virtue of their shareholdings in the ultimate holding company, Ng Aik Chuan and Ng Yam Pin are deemed to have interest in shares in the Company and its related corporations during the financial period to the extent of the holding company's interests, in accordance with Section 8 of the Companies Act 2016.

## 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 except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 37(b) to the financial statements.

Neither during nor at the end of the financial period 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.

### DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial period are disclosed in Note 36 to the financial statements.

### SUBSIDIARIES

The details of the Group's subsidiaries are disclosed in Note 7 to the financial statements.

### SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

The significant events during the financial period are disclosed in Note 41 to the financial statements.

### HOLDING COMPANY

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

### AUDITORS

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

The details of the auditors' remuneration are disclosed in Note 28 to the financial statements.

Signed in accordance with a resolution of the directors dated 21 July 2017.

Ng Aik Chuan

Liew Chek Leong



## Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, Ng Aik Chuan and Liew Chek Leong, 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 55 to 122 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 March 2017 and of their financial performance and cash flows for the financial period ended on that date.

The supplementary information set out in Note 43, 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 or 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 21 July 2017.

Ng Aik Chuan

Liew Chek Leong

## Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act 2016

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 55 to 122 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 above named Kok Poh Fui,  
at Johor Bahru in the state of Johor  
on this 21 July 2017

Before me

Kok Poh Fui

Lim Jit Ngoh (No.J 265)  
Commissioner for Oaths

# Independent Auditors' Report

## To the Members of Xin Hwa Holdings Berhad

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Xin Hwa Holdings Berhad, which comprise the statements of financial position as at 31 March 2017 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 period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 122.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017, and of their financial performance and their cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditors' Report

To the Members of Xin Hwa Holdings Berhad  
*cont'd*

## Key Audit Matters *cont'd*

We have determined the matters described below to be the key audit matters to be communicated in our report.

Recoverability of receivables	
Refer to Note 12 to the financial statements	
Area of focus	How the scope of our audit addressed the area of focus
The Group has material credit exposures in its trade receivables. The assessment of impairment involves significant estimation uncertainty, subjective assumptions and the application of significant judgements.	<p>Our audit procedures included, amongst others:</p> <p><i>Trade receivables</i></p> <ul style="list-style-type: none"> <li>• Review the Group credit risk policies on impairment losses for trade receivables;</li> <li>• Test the reliability and accuracy of ageing report;</li> <li>• To perform recoverability test of trade receivables;</li> <li>• Evaluate the reasonableness on the impairment losses provided or reversed in accordance with the Group credit risk policies;</li> <li>• Assess the adequacy of disclosures in the notes to the financial statements.</li> </ul>

## Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

# Independent Auditors' Report

To the Members of Xin Hwa Holdings Berhad

*cont'd*

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

# Independent Auditors' Report

To the Members of Xin Hwa Holdings Berhad

*cont'd*

## **Auditors' Responsibilities for the Audit of the Financial Statements** *cont'd*

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

## **Other Reporting Responsibilities**

The supplementary information set out in Note 43 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 or 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 266 of the Companies Act 2016 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

21 July 2017  
Johor Bahru



# Statements of Financial Position

At 31 March 2017

	Note	The Group		The Company	
		31.3.2017 RM	31.12.2015 RM	31.3.2017 RM	31.12.2015 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	7	-	-	71,609,003	71,108,997
Property, plant and equipment	8	185,244,361	127,648,147	-	-
Goodwill	9	497,177	-	-	-
Development costs	10	291,470	-	-	-
		186,033,008	127,648,147	71,609,003	71,108,997
CURRENT ASSETS					
Inventories	11	1,268,622	864,485	-	-
Trade receivables	12	26,726,906	24,843,791	-	-
Other receivables, deposits and prepayments	13	4,308,476	2,257,331	2,500	2,500
Amount owing by subsidiaries	14	-	-	31,495,021	3,513,113
Short-term investment	15	1,617,046	-	1,617,046	-
Current tax assets		2,383,085	3,347,652	-	-
Fixed deposits with licensed banks	16	24,121	10,021,993	-	10,000,000
Cash and bank balances		9,687,991	14,612,933	3,647,210	11,395,934
		46,016,247	55,948,185	36,761,777	24,911,547
<b>TOTAL ASSETS</b>		<b>232,049,255</b>	<b>183,596,332</b>	<b>108,370,780</b>	<b>96,020,544</b>

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

# Statements of Financial Position

At 31 March 2017

*cont'd*

		The Group		The Company	
		31.3.2017	31.12.2015	31.3.2017	31.12.2015
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	107,999,999	90,000,000	107,999,999	90,000,000
Reserves	18	28,759,992	37,536,711	178,196	5,939,285
Equity attributable to owners of the Company		136,759,991	127,536,711	108,178,195	95,939,285
Non-controlling interests		516,789	505,086	-	-
TOTAL EQUITY		137,276,780	128,041,797	108,178,195	95,939,285
NON-CURRENT LIABILITIES					
Long-term borrowings	19	59,221,488	33,871,747	-	-
Deferred tax liabilities	20	7,837,300	4,515,600	-	-
		67,058,788	38,387,347	-	-
CURRENT LIABILITIES					
Trade payables	21	5,405,248	5,333,043	-	-
Other payables and accruals	22	7,632,054	6,505,389	155,153	81,259
Short-term borrowings	23	11,403,658	5,304,366	-	-
Bank overdraft	24	3,178,257	-	-	-
Current tax liabilities		94,470	24,390	37,432	-
		27,713,687	17,167,188	192,585	81,259
TOTAL LIABILITIES		94,772,475	55,554,535	192,585	81,259
TOTAL EQUITY AND LIABILITIES		232,049,255	183,596,332	108,370,780	96,020,544

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

# Statements of Profit or Loss and Other Comprehensive Income

For the Financial Period From 1 January 2016 to 31 March 2017

	Note	The Group		The Company	
		1.1.2016 to 31.3.2017 RM	1.1.2015 to 31.12.2015 RM	1.1.2016 to 31.3.2017 RM	1.1.2015 to 31.12.2015 RM
REVENUE	27	128,671,751	107,880,211	15,750,000	180,000
COST OF SALES		(80,509,228)	(67,329,213)	-	-
GROSS PROFIT		48,162,523	40,550,998	15,750,000	180,000
OTHER INCOME		814,792	512,547	436,389	304,987
ADMINISTRATIVE EXPENSES		48,977,315	41,063,545	16,186,389	484,987
SELLING AND DISTRIBUTION EXPENSES		(28,573,479)	(20,565,028)	(1,141,216)	(749,942)
FINANCE COSTS		(1,073,267)	(1,244,266)	-	-
PROFIT/(LOSS) BEFORE TAX	28	(3,191,672)	(2,442,591)	(30,625)	-
INCOME TAX EXPENSE	29	16,138,897	16,811,660	15,014,548	(264,955)
PROFIT/(LOSS) AFTER TAX		(3,425,407)	(725,583)	(75,638)	-
OTHER COMPREHENSIVE EXPENSE	30	12,713,490	16,086,077	14,938,910	(264,955)
<u>Items that Will Not be Reclassified Subsequently to Profit or Loss</u>					
Deferred tax on revalued properties		(780,400)	-	-	-
<u>Items that May be Reclassified Subsequently to Profit or Loss</u>					
Foreign currency translation differences		(928)	-	-	-
TOTAL OTHER COMPREHENSIVE EXPENSE		(781,328)	-	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL PERIOD/YEAR		11,932,162	16,086,077	14,938,910	(264,955)
PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO:-					
Owners of the Company		12,704,608	15,957,507	14,938,910	(264,955)
Non-controlling interests		8,882	128,570	-	-
		12,713,490	16,086,077	14,938,910	(264,955)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		11,923,280	15,957,507	14,938,910	(264,955)
Non-controlling interests		8,882	128,570	-	-
		11,932,162	16,086,077	14,938,910	(264,955)
EARNINGS PER SHARE (SEN)	31				
- basic		5.88	8.10		
- diluted		Not applicable	Not applicable		

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

# Statements of Changes in Equity

For the Financial Period From 1 January 2016 to 31 March 2017

		Non-Distributable			Distributable			Attributable to Owners of the Company			Non-controlling Interests	Total Equity
	Note	Share Capital	Share Premium	Merger Deficit	Revaluation Reserve	Retained Profits		RM	RM	RM	RM	RM
The Group												
Balance at 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
Contribution by owners of the Company												
- Issuance of new share pursuant to public issue	17 & 18	18,891,000	7,556,400	-	-	-		26,447,400		-		26,447,400
Total transaction with owners		18,891,000	7,556,400	-	-	-		26,447,400		-		26,447,400
Listing expenses	18(a)	-	(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.

# Statements of Changes in Equity

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

Note	Non-Distributable			Distributable			Attributable to Owners of the Company			Non-controlling Interests	Total Equity
	Share Capital	Share Premium	Merger Deficit	Foreign Exchange Translation Reserve	Revaluation Reserve	Retained Profits	Profits	Company	RM		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
The Group											
Balance at 31.12.2015/1.1.2016	90,000,000	6,451,571	(68,978,997)	-	18,138,876	81,925,261	127,536,711	505,086	128,041,797		
Profit after tax for the financial period	-	-	-	-	-	12,704,608	12,704,608	8,882	12,713,490		
Other comprehensive income for the financial period:											
- Foreign currency translation differences	-	-	-	(928)	-	-	(928)	-	(928)		
- Deferred tax on revalued properties	-	-	-	-	(780,400)	-	(780,400)	-	(780,400)		
Total comprehensive income for the financial period	-	-	-	(928)	(780,400)	12,704,608	11,923,280	8,882	11,932,162		
Contribution by and distribution to owners of the Company											
- Acquisition of subsidiary	-	-	-	-	-	-	-	2,821	2,821		
- Issuance of bonus shares	17,999,999	(6,451,571)	-	-	-	(11,548,428)	-	-	-		
- Dividend	-	-	-	-	-	(2,700,000)	(2,700,000)	-	(2,700,000)		
Total transaction with owners	17,999,999	(6,451,571)	-	-	-	(14,248,428)	(2,700,000)	2,821	(2,697,179)		
Balance at 31.3.2017	107,999,999	-	(68,978,997)	(928)	17,358,476	80,381,441	136,759,991	516,789	137,276,780		

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



# Statements of Changes in Equity

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

		Non-Distributable		Distributable	
	Note	Share Capital RM	Share Premium RM	Retained Profits RM	Total Equity RM
The Company					
Balance at 1.1.2015		3	-	(247,331)	(247,328)
Loss after tax/Total comprehensive expenses for the financial year		-	-	(264,955)	(264,955)
Contributions by and distribution to owners of the Company:-					
- Issuance of new shares pursuant to:	17 & 18				
- 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	18(a)	-	(1,104,829)	-	(1,104,829)
Balance at 31.12.2015/1.1.2016		90,000,000	6,451,571	(512,286)	95,939,285
Profit after tax/Total comprehensive income for the financial period		-	-	14,938,910	14,938,910
Distribution to owners of the Company:					
- Issuance of bonus shares		17,999,999	(6,451,571)	(11,548,428)	-
- Dividend	33	-	-	(2,700,000)	(2,700,000)
		17,999,999	(6,451,571)	(14,248,428)	(2,700,000)
Balance at 31.3.2017		107,999,999	-	178,196	108,178,195

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

# Statements of Cash Flows

For the Financial Period From 1 January 2016 to 31 March 2017

	Note	The Group		The Company	
		1.1.2016 to 31.3.2017 RM	1.1.2015 to 31.12.2015 RM	1.1.2016 to 31.3.2017 RM	1.1.2015 to 31.12.2015 RM
<b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>					
Profit/(Loss) before tax		16,138,897	16,811,660	15,014,548	(264,955)
Adjustments for:-					
Allowances for impairment losses on trade receivables	12	482,000	-	-	-
Dividend income		(127,746)	-	(15,300,000)	-
Depreciation of property, plant and equipment		9,061,786	5,336,915	-	-
Gain on disposal of property, plant and equipment		(138,000)	(5,937)	-	-
Interest expense		3,085,486	2,364,468	-	-
Interest income		(314,277)	(329,837)	(308,643)	(304,987)
Listing expenses		-	122,498	-	122,498
Reversal of impairment losses on trade receivables	12	-	(34,446)	-	-
Operating profit/(loss) before working capital changes		28,188,146	24,265,321	(594,095)	(447,444)
Increase in inventories		(404,137)	(89,727)	-	-
(Increase)/Decrease in trade and other receivables		(4,256,280)	2,361,136	73,894	1,388,780
Increase/(Decrease) in trade and other payables		741,603	(4,228,139)	-	(1,557,415)
Increase in amount owing by subsidiaries		-	-	(211,130)	(180,000)
<b>CASH FROM/(FOR) OPERATIONS</b>		<b>24,269,332</b>	<b>22,308,591</b>	<b>(731,331)</b>	<b>(796,079)</b>
Interest expense		-	(55,459)	-	-
Income tax paid		(2,962,770)	(2,780,527)	(38,206)	-
Income tax refund		3,113,310	152,246	-	-
<b>NET CASH FROM/(FOR) OPERATING ACTIVITIES</b>		<b>24,419,872</b>	<b>19,624,851</b>	<b>(769,537)</b>	<b>(796,079)</b>

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

# Statements of Cash Flows

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

		The Group		The Company	
		1.1.2016 to 31.3.2017	1.1.2015 to 31.12.2015	1.1.2016 to 31.3.2017	1.1.2015 to 31.12.2015
	Note	RM	RM	RM	RM
CASH FLOWS FOR INVESTING ACTIVITIES					
Acquisition of subsidiaries, net of cash and cash equivalents acquired	32 & 41(b)	(500,000)	-	(500,006)	-
Advances to subsidiaries		-	-	(12,570,778)	(3,333,113)
Development costs paid		(4,500)	-	-	-
Dividend income received		127,746	-	100,000	-
Interest received		314,277	329,837	308,643	304,987
Proceeds from disposal of property, plant and equipment		669,727	34,897	-	-
Purchase of property, plant and equipment	34	(66,705,766)	(20,787,030)	-	-
Purchase of short-term investment		(1,617,046)	-	(1,617,046)	-
NET CASH FOR INVESTING ACTIVITIES		(67,715,562)	(20,422,296)	(14,279,187)	(3,028,126)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Dividend paid	33	(2,700,000)	-	(2,700,000)	-
Interest paid		(3,085,486)	(2,309,009)	-	-
Increase in fixed deposits with licensed banks		(1,477)	-	-	-
Payment of listing expenses		-	(1,227,327)	-	(1,227,327)
Proceeds from issuance of shares		-	26,447,400	-	26,447,400
Net drawdown/(repayment) of bankers' acceptances		2,715,000	(5,439,275)	-	-
Drawdown of term loans		36,826,400	8,563,086	-	-
Repayment of hire purchase obligations		(227,492)	(359,761)	-	-
Repayment of term loans		(8,332,875)	(7,772,006)	-	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES		25,194,070	17,903,108	(2,700,000)	25,220,073
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(18,101,620)	17,105,663	(17,748,724)	21,395,868
EFFECT OF CHANGES IN EXCHANGE RATE		(928)	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		24,620,419	7,514,756	21,395,934	66
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD/YEAR		35 6,517,871	24,620,419	3,647,210	21,395,934

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

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

## 1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 2016 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 21 July 2017.

## 2. HOLDING COMPANY

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

## 3. CHANGE OF FINANCIAL YEAR END

During the current financial period, the Company has changed its financial year end from 31 December to 31 March.

## 4. 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 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

## 5. 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 2016 in Malaysia.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

## 5. BASIS OF PREPARATION cont'd

- 5.1 During the current financial period, the Group has adopted the following applicable new accounting standards (including the consequential amendments, if any):-

### **MFRSs (Including The Consequential Amendments)**

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Annual Improvements to MFRSs 2012 – 2014 Cycle

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

- 5.2 The Group has not applied in advance the following applicable accounting standards and/or interpretation (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 period:-

<b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018*
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

\* Entities that meet the specific criteria in MFRS 4.20B may choose to defer the application of MFRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.

The adoption of the above accounting standards and/or interpretation (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 6. SIGNIFICANT ACCOUNTING POLICIES

### 6.1 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 of 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 the 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.

#### (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 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, current economic trends and changes in the 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.



# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 6.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *cont'd*

#### (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.

#### (h) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

### 6.2 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 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.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 6.2 BASIS OF CONSOLIDATION *cont'd*

Intragroup transactions, 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

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 the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

#### (b) Merger Accounting for Common Control 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 combinations, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the previous financial year.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 6.2 BASIS OF CONSOLIDATION *cont'd*

#### (c) 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.

#### (d) 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.

#### (e) 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.

Amounts 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.

### 6.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 6.4 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) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange 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.

#### (c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operations and are recognised in other comprehensive income.

### 6.5 FINANCIAL INSTRUMENTS

Financial assets and financial 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 financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. 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.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 6.5 FINANCIAL INSTRUMENTS *cont'd*

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

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is 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 assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

##### (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.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 6.5 FINANCIAL INSTRUMENTS *cont'd*

#### (a) Financial Assets *cont'd*

##### (iii) Loans and Receivables Financial Assets *cont'd*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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.

#### (b) Financial Liabilities

##### (i) Financial Liabilities at 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.

##### (ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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 the reporting date.

#### (c) Equity Instruments

Equity instruments classified as equity are measured initially 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.



# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 6.5 FINANCIAL INSTRUMENTS *cont'd*

#### (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 expired. 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.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised less cumulative amortisation.

### 6.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statements 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 the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

### 6.7 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 6.7 PROPERTY, PLANT AND EQUIPMENT *cont'd*

Freehold land is stated at valuation less impairment losses recognised after the date of the revaluation. 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 five years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

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.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) 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, fittings and 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%

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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. Any changes are accounted for as a change in estimate.

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.

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.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 6.8 RESEARCH AND DEVELOPMENT EXPENDITURE

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if, an entity can demonstrate all of the following:-

- (a) its ability to measure reliably the expenditure attributable to the asset under development;
- (b) the product or process is technically and commercially feasible;
- (c) its future economic benefits are probable;
- (d) its intention to complete and the ability to use or sell the developed asset; and
- (e) the availability of adequate technical, financial and other resources to complete the asset under development

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of their expected benefits when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

The amortisation method, useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

### 6.9 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. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

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.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 6.9 IMPAIRMENT *cont'd*

#### (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 an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines 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. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and 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.

### 6.10 LEASED ASSETS

#### (a) Finance Assets

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statements of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 6.10 LEASED ASSETS *cont'd*

#### **(b) Operating Lease**

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statements of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

### 6.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition.

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

### 6.12 CASH AND CASH EQUIVALENTS

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

### 6.13 EMPLOYEE BENEFITS

#### **(a) Short-term Benefits**

Wages, salaries, paid annual leave and bonuses 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.

### 6.14 INCOME TAXES

#### **(a) Current Tax**

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 6.14 INCOME TAXES *cont'd*

#### (a) Current Tax *cont'd*

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

#### (b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill 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 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.

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 the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or 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 (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

#### (c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.



# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 6.15 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 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 person having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including any director (whether executive or otherwise) of that entity.

### 6.16 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, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 6.17 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 segment and assess its performance, and for which discrete financial information is available.

### 6.18 EARNINGS PER ORDINARY SHARES

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.

### 6.19 BORROWING COSTS

Borrowing costs that are 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 are incurred.

### 6.20 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.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 6.21 REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable, net of returns, goods and services tax, cash and trade discounts.

#### (a) Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

#### (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) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

#### (d) Management Fee

Management fee is recognised on an accrual basis.

#### (e) Interest Income

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

#### (f) Rental Income

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

## 7. INVESTMENTS IN SUBSIDIARIES

	The Company	
	31.3.2017	31.12.2015
	RM	RM
<b>Unquoted shares, at cost</b>		
- in Malaysia	71,608,997	71,108,997
- outside Malaysia	6	-
	<b>71,609,003</b>	<b>71,108,997</b>

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 7. INVESTMENTS IN SUBSIDIARIES *cont'd*

The details of the subsidiaries are as follows:-

Name of Subsidiaries	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2017 %	2015 %	
Xin Hwa Trading & Transport Sdn. Bhd. ("XHTT")	Malaysia	100	100	Provision of cargo transportation services, container haulage services as well as warehousing and distribution services
Xin Hwa Auto Engineering Sdn. Bhd. ("XHAE")	Malaysia	100	100	Manufacturing and fabrication of trailers
Canggih Logistik Sdn. Bhd. ("Canggih")	Malaysia	100	100	Provision of cargo transportation services and rental of prime movers, trailers and trucks
XH Universal Forwarding Sdn. Bhd. ("XHUF") <sup>(a) &amp; (d) &amp; (e)</sup>	Malaysia	30	30	Provision of freight forwarding, customs brokerage services, cargo transportation services and rental of prime movers, trailers and trucks
Xin Hwa Integrated Logistics Pte. Ltd. ("XHIL") <sup>(c) ^</sup>	Singapore	100	-	Dormant
Yiwugou Ecommerce Sdn. Bhd. ("YESB") <sup>(b) &amp; (d) &amp; (e)</sup>	Malaysia	50.01	-	Provision of e-commercial and e-business transactions

<sup>^</sup> The subsidiary was audited by member firms of Crowe Horwath International of which Crowe Horwath is a member.

- (a) Although the Company owns less than half of the voting power in XHUF, the Company controls this subsidiary by virtue of the Shareholders' Agreement with the other investors of XHUF. Consequently, the Company consolidates its investment in this subsidiary.
- (b) During the current financial period, the Company had acquired 50.01% equity in YESB. The details of the acquisition are disclosed in Note 41.
- (c) During the current financial period, the Company had incorporated XHIL. The details of the incorporation are disclosed in Note 41.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

## 7. INVESTMENTS IN SUBSIDIARIES cont'd

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

	Effective Equity Interest		The Group	
	31.3.2017	31.12.2015	31.3.2017	31.12.2015
	%	%	RM	RM
XH Universal Forwarding Sdn. Bhd.	70.00	70.00	560,387	505,086
Yiwugou Ecommerce Sdn. Bhd.	49.99	-	(43,598)	-
			516,789	505,086

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

	XH Universal Forwarding Sdn. Bhd.	
	31.3.2017	31.12.2015
	RM	RM
<u>At 31 March/December</u>		
Non-current assets	741,924	10,208
Current assets	527,963	895,011
Non-current liabilities	(6,000)	(2,800)
Current liabilities	(463,336)	(180,869)
Net assets	800,551	721,550
<u>Financial period ended 31 March/December</u>		
Revenue	804,429	685,430
Profit after tax/Total comprehensive income for the financial period/year	79,001	183,671
Total comprehensive income attributable to non-controlling interests	55,301	128,570
Net cash flows from operating activities	549,553	40,864
Net cash flows for investing activities	(777,889)	(1,800)
Net cash flows from financing activities	206,700	-

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 7. INVESTMENTS IN SUBSIDIARIES *cont'd*

- (e) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group are as follows:- *cont'd*

	Yiwugou Ecommerce Sdn. Bhd. 31.3.2017 RM
<u>At 31 March</u>	
Non-current assets	307,431
Current assets	216,342
Non-current liabilities	-
Current liabilities	(610,985)
Net assets	(87,212)
<u>Financial period ended 31 March</u>	
Revenue	-
Loss after tax/Total comprehensive expense for the financial period	(97,212)
Total comprehensive expense attributable to non-controlling interests	(46,419)
Net cash flows from operating activities	241,353
Net cash flows for investing activities	(307,431)
Net cash flows from financing activities	56,655



# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

## 8. PROPERTY, PLANT AND EQUIPMENT

	At 1.1.2016	Additions (Note 34)	Reclassification	Disposal	Depreciation charge	Acquisition of A Subsidiary (Note 32)	At 31.3.2017
The Group	RM	RM	RM	RM	RM	RM	RM
2017							
<i>Net Book Value</i>							
Freehold land	30,840,271	31,151,623	-	-	-	-	61,991,894
Leasehold land	14,033,269	11,765,763	-	-	(405,285)	-	25,393,747
Buildings and warehouses	47,738,105	1,562,500	-	-	(1,316,333)	-	47,984,272
Furniture, fittings and equipment	3,850,458	283,438	-	-	(814,705)	15,961	3,335,152
Trucks, low loaders, prime movers, trailers and forklifts	22,546,101	10,162,736	6,755,867	(506,493)	(5,839,245)	-	33,118,966
Motor vehicles	951,420	613,365	-	(25,234)	(572,465)	-	967,086
Plant and machinery	99,061	-	-	-	(20,971)	-	78,090
Renovation	602,521	12,000	-	-	(92,782)	-	521,739
Assets under construction	6,986,941	11,622,341	(6,755,867)	-	-	-	11,853,415
	127,648,147	67,173,766	-	(531,727)	(9,061,786)	15,961	185,244,361

	At 1.1.2015	Additions (Note 34)	Reclassification	Disposal	Written Off	Depreciation charge	At 31.12.2015
The Group	RM	RM	RM	RM	RM	RM	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

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 8. PROPERTY, PLANT AND EQUIPMENT *cont'd*

The Group	At Cost RM	At Valuation RM	Accumulated Depreciation RM	Net Book Value RM
31.3.2017				
Freehold land	31,416,894	30,575,000	-	61,991,894
Leasehold land	22,722,924	3,400,000	(729,177)	25,393,747
Buildings and warehouses	29,401,719	21,000,000	(2,417,447)	47,984,272
Furniture, fittings and equipment	6,602,019	-	(3,266,867)	3,335,152
Trucks, low loaders, prime movers, trailers and forklifts	69,928,832	-	(36,809,866)	33,118,966
Motor vehicles	3,978,854	-	(3,011,768)	967,086
Plant and machinery	212,049	-	(133,959)	78,090
Renovation	762,414	-	(240,675)	521,739
Assets under construction	11,853,415	-	-	11,853,415
	176,879,120	54,975,000	(46,609,759)	185,244,361
31.12.2015				
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

- (a) Included in the property, plant and equipment of the Group at the end of the reporting period were motor vehicles with a total net book value of RM644,934 (2015 - RM476,134), which were acquired under hire purchase terms. These leased assets have been pledged as security for the related hire purchase liabilities of the Group as disclosed in Note 25 to the financial statements.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 8. PROPERTY, PLANT AND EQUIPMENT *cont'd*

- (b) The following assets of the Group have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Notes 23, 24 and 26 to the financial statements are as follows:-

	The Group	
	31.3.2017	31.12.2015
	RM	RM
Freehold land		
- at cost method	31,416,894	265,271
- at valuation method	30,575,000	30,575,000
Leasehold land		
- at cost method	22,198,693	10,759,389
- at valuation method	3,195,054	3,273,880
Buildings and warehouses		
- at cost method	28,457,702	27,644,775
- at valuation method	19,526,571	20,093,330
Trailers		
- at cost method	3,096,956	3,677,635
	138,466,870	96,289,280

- (c) Certain freehold land, leasehold land, buildings and warehouses of the Group were revalued by independent professional valuer in December 2013. The surpluses arising from the revaluations, net of deferred taxation, have been credited to other comprehensive income as disclosed in Note 18 to the financial statements and accumulated in equity under the revaluation reserve.
- (d) The details of the Group's property, plant and equipment carried at fair value are analysed as follows:-

The Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
31.3.2017				
Freehold land	-	30,575,000	-	30,575,000
Leasehold land	-	3,195,054	-	3,195,054
Buildings and warehouses	-	19,526,571	-	19,526,571
	-	53,296,625	-	53,296,625
31.12.2015				
Freehold land	-	30,575,000	-	30,575,000
Leasehold land	-	3,273,880	-	3,273,880
Buildings and warehouses	-	20,093,330	-	20,093,330
	-	53,942,210	-	53,942,210

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 8. PROPERTY, PLANT AND EQUIPMENT *cont'd*

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

The level 2 fair values have been determined based on the market comparison approach that reflects recent transaction prices for similar properties. 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 period.

There were no transfer between level 1 and level 2 during the financial period.

- (e) 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
2017				
Cost at 1 January 2016	14,964,228	2,004,115	20,849,883	37,818,226
Accumulated depreciation	-	(283,176)	(2,985,818)	(3,268,994)
At 31 March 2017	14,964,228	1,720,939	17,864,065	34,549,232
2015				
Cost at 1 January 2015	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

- (f) During the financial period, the Group capitalised borrowing costs for the construction of buildings and warehouses amounting to RM337,903 (2015 - RM296,849).

## 9. GOODWILL

	The Group	
	31.3.2017 RM	31.12.2015 RM
Cost:-		
At 1 January	-	-
Acquisition of subsidiary (Note 32)	497,177	-
At 31 March/December	497,177	-

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

## 9. GOODWILL *cont'd*

(a) The carrying amounts of goodwill allocated to cash-generating units is as follows:-

	The Group	
	31.3.2017	31.12.2015
	RM	RM
Yiwugou Ecommerce Sdn. Bhd.	497,177	-

(b) The Group has assessed the recoverable amounts of goodwill allocated and determined that no impairment is required. The recoverable amounts of the cash-generating unit are determined using the value in use approach, and this is derived from the present value of the future cash flows from cash-generating unit computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:-

	Gross Margin	Growth Rate	Discount Rate
	31.3.2017	31.3.2017	31.3.2017
Yiwugou Ecommerce Sdn. Bhd.	4%	0%	10%

- (i) Budgeted gross margin - Forecasted gross margin which taken into consideration of local requirement and operating costs.
- (ii) Growth rate - Based on the expected projection of e-commercial and e-business industry.
- (iii) Discount rate (pre-tax) - Reflect specific risks relating to the relevant cash-generating unit.

The values assigned to the key assumptions represent management's assessment of future trends in the cash-generating units and are based on best estimation.

## 10. DEVELOPMENT COSTS

	The Group	
	31.3.2017	31.12.2015
	RM	RM
Cost:-		
At 1 January	-	-
Additions during the financial period/year	4,500	-
Acquisition through business combination (Note 32)	286,970	-
At 31 March/December	291,470	-

Development costs were incurred for the software development of the Online Trading Platform project and other related services.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 11. INVENTORIES

	The Group	
	31.3.2017	31.12.2015
	RM	RM
Raw materials	303,103	243,458
Work-in-progress	185,143	196,334
Finished goods	780,376	424,693
	1,268,622	864,485
Recognised in profit or loss:-		
Inventories recognised as cost of sales	4,076,800	2,124,491

## 12. TRADE RECEIVABLES

	The Group	
	31.3.2017	31.12.2015
	RM	RM
Trade receivables	28,436,416	26,082,231
Allowance for impairment losses	(1,709,510)	(1,238,440)
	26,726,906	24,843,791
Allowance for impairment losses:-		
At 1 January	1,238,440	1,530,294
Addition during the financial period/year (Note 28)	482,000	-
Reversal during the financial period/year (Note 28)	-	(34,446)
Written off during the financial period/year	(10,930)	(257,408)
At 31 March/December	1,709,510	1,238,440

The Group's normal trade credit terms range from 30 to 120 (2015 - 30 to 120) days.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

## 13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	31.3.2017	31.12.2015	31.3.2017	31.12.2015
	RM	RM	RM	RM
Other receivables:-				
Third parties	554,980	434,620	-	-
Advances to suppliers	1,411,704	790,519	-	-
Goods and services tax recoverable	559,565	-	-	-
	2,526,249	1,225,139	-	-
Deposits	821,151	632,738	2,500	2,500
Prepayments	961,076	399,454	-	-
	4,308,476	2,257,331	2,500	2,500

The advances to suppliers are unsecured and interest-free. The amount owing will be offset against future purchases from the suppliers.

## 14. AMOUNT OWING BY SUBSIDIARIES

	The Company	
	31.3.2017	31.12.2015
	RM	RM
Amount Owing by Subsidiaries		
<u>Current</u>		
Trade balances	15,591,130	180,000
Non-trade balances	15,903,891	3,333,113
	31,495,021	3,513,113

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



# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 15. SHORT-TERM INVESTMENT

	The Group		The Company	
	31.3.2017	31.12.2015	31.3.2017	31.12.2015
	RM	RM	RM	RM
Investment in short term funds, at fair value	1,617,046	-	1,617,046	-

This represents the Group's and the Company's investment in money market deposits offered by a licensed bank at the end of the reporting period which bore effective interest rate of 4.27% per annum. The investment maturity period is 1 month.

## 16. 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 ranging from 3.05% to 3.10% (2015 - 3.05% to 3.80%) per annum and NIL (2015 - 3.80%) per annum respectively. The fixed deposits have maturity periods ranging from 31 to 365 (2015 - 31 to 365) days and NIL (2015 - 90) days for the Group and the Company respectively.
- (b) Included in the fixed deposits with licensed banks of the Group at the end of the reporting period was an amount of RM NIL (2015 – RM14,507) which has been pledged to a licensed bank as security for banking facilities granted to the Group.

## 17. SHARE CAPITAL

The movements in the authorised and paid-up share capital of the Company are as follows:-

	The Group/The Company			
	31.3.2017	31.12.2015	31.3.2017	31.12.2015
	Number of Shares		RM	
Issued and Fully Paid-Up				
<i>Ordinary shares</i>				
At 1 January	180,000,000	6	90,000,000	3
New Shares issued under the listing scheme (Note 18):				
- acquisition of subsidiaries	-	142,217,994	-	71,108,997
- public issue	-	37,782,000	-	18,891,000
Bonus issue	35,999,998	-	17,999,999	-
At 31 March/December	215,999,998	180,000,000	107,999,999	90,000,000

- (a) The Company increased its issued and paid-up share capital from RM90,000,000 to RM107,999,999 by way of an issuance of 35,999,998 new ordinary shares on the basis of one (1) bonus share for every five (5) existing shares held ("bonus issue").

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 17. SHARE CAPITAL *cont'd*

- (b) The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.
- (c) 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.
- (d) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

## 18. RESERVES

### (a) Share Premium

The share premium account is maintained pursuant to the transitional provisions set out in Section 618(3) of the Companies Act 2016.

### (b) 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.

### (c) Revaluation Reserve

The revaluation reserve represents the increase in the fair value of freehold land, leasehold land, buildings and warehouses of the Group (net of deferred tax, where applicable) presented under property, plant and equipment.

### (d) Foreign Exchange Translation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiary.

## 19. LONG-TERM BORROWINGS

	The Group	
	31.3.2017	31.12.2015
	RM	RM
Hire purchase payables (Note 25)	333,044	60,608
Term loans (Note 26)	58,888,444	33,811,139
	59,221,488	33,871,747

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

## 20. DEFERRED TAX LIABILITIES

	At 1.1.2016 RM	Recognised in <b>Profit or Loss</b> (Note 29) RM	Recognised in Equity RM	At 31.3.2017 RM
The Group				
2017				
<i>Deferred Tax Liabilities</i>				
Property, plant and equipment	5,578,100	3,070,700	-	8,648,800
Revaluation surplus	796,400	(6,200)	780,400	1,570,600
	6,374,500	3,064,500	780,400	10,219,400
<i>Deferred Tax Assets</i>				
Allowances for impairment losses on trade receivables	(240,800)	(162,600)	-	(403,400)
Unabsorbed capital allowances	-	(41,300)	-	(41,300)
Unabsorbed investment tax allowances	(1,618,100)	(319,300)	-	(1,937,400)
	(1,858,900)	(523,200)	-	(2,382,100)
	4,515,600	2,541,300	780,400	7,837,300

	At 1.1.2015 RM	Recognised in <b>Profit or Loss</b> (Note 29) RM	At 31.12.2015 RM
The Group			
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>			
Allowances for 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

The deferred tax assets on unabsorbed investment tax allowances have been recognised on the basis of the Group's previous history of recording profits and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. The unabsorbed investment tax allowances can be carried forward to subsequent financial years until fully utilised.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

## 21. TRADE PAYABLES

The normal trade credit term granted to the Group range from 30 to 120 (2015 – 30 to 120) days.

## 22. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	31.3.2017	31.12.2015	31.3.2017	31.12.2015
	RM	RM	RM	RM
Other payables:-				
Third parties	4,882,645	3,625,802	89,153	26,259
Goods and services tax payables	7,948	133,773	-	-
	4,890,593	3,759,575	89,153	26,259
Accruals	601,828	379,030	66,000	55,000
Payroll liabilities	2,139,633	2,366,784	-	-
	7,632,054	6,505,389	155,153	81,259

## 23. SHORT TERM BORROWINGS

	The Group	
	31.3.2017	31.12.2015
	RM	RM
Bankers' acceptances	2,715,000	-
Hire purchase payables (Note 25)	139,813	171,741
Term loans (Note 26)	8,548,845	5,132,625
	11,403,658	5,304,366

(a) The bankers' acceptances are drawn for a period of up to 85 days which bear interest range from 4.52% to 4.84% (2015 - NIL) per annum.

(b) The bankers' acceptances and term loans at the end of the reporting period are secured by:-

- (i) legal charges over the landed properties of the Group as disclosed in Note 8;
- (ii) specific debentures over certain trailers as disclosed in Note 8;
- (iii) pledge of the fixed deposits of the Group as disclosed in Note 16;
- (iv) corporate guarantee executed by the Company and by a subsidiary; and
- (v) jointly or severally guaranteed by certain directors of the Group.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 24. BANK OVERDRAFTS (SECURED)

- (a) The bank overdrafts of the Group are secured in the same manner as the short-term borrowings disclosed in Note 23 to the financial statements.
- (b) The bank overdrafts of the Group at the end of the reporting period bore floating interest rates of 6.75% (2015 – NIL) per annum.

## 25. HIRE PURCHASE PAYABLES (SECURED)

	The Group	
	31.3.2017	31.12.2015
	RM	RM
Minimum hire purchase payments:		
- not later than 1 year	160,356	189,012
- later than 1 year not later than 5 years	357,923	63,033
	518,279	252,045
Less: Future finance charges	(45,422)	(19,696)
Present value of hire purchase payables	472,857	232,349
<u>Current</u>		
Not later than 1 year (Note 23)	139,813	171,741
<u>Non-current</u>		
Later than 1 year and not later than 5 year (Note 19)	333,044	60,608
	472,857	232,349

- (a) The hire purchase payables of the Group are secured by the Group's motor vehicles under hire purchase as disclosed in Note 8(a) to the financial statements. The hire purchase arrangements are expiring from 3 to 5 (2015 - 1 to 3) years.
- (b) The hire purchase payables of the Group at the end of the reporting period bore effective interest rates ranging from 4.56% to 5.04% (2015 - 4.56% to 6.61%). The interest rates are fixed at the inception of the hire purchase arrangements.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

## 26. TERM LOANS (SECURED)

	The Group	
	31.3.2017	31.12.2015
	RM	RM
<u>Current</u> (Note 23)		
Not later than 1 year	8,548,845	5,132,625
<u>Non-current</u> (Note 19)		
Later than 1 year and not later than 2 years	7,958,145	5,318,509
Later than 2 years and not later than 5 years	24,774,913	13,064,410
Later than 5 years	26,155,386	15,428,220
	58,888,444	33,811,139
	67,437,289	38,943,764

(a) The term loans of the Group are secured in the same manner as the short-term borrowings disclosed in Note 23 to the financial statements.

(b) The interest rate profile of the term loans are summarised below:-

	Effective Interest rate	The Group	
	%	31.3.2017	31.12.2015
		RM	RM
Floating rate term loans	4.32 - 6.22%	67,437,289	38,943,764

## 27. REVENUE

	The Group		The Company	
	1.1.2016 to 31.3.2017	1.1.2015 to 31.12.2015	1.1.2016 to 31.3.2017	1.1.2015 to 31.12.2015
	RM	RM	RM	RM
Sales of goods	180,713	120,275	15,300,000	-
Sales of service	128,491,038	107,759,936	-	-
Management fee	-	-	450,000	180,000
	128,671,751	107,880,211	15,750,000	180,000

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 28. PROFIT/(LOSS) BEFORE TAX

	The Group		The Company	
	1.1.2016 to 31.3.2017	1.1.2015 to 31.12.2015	1.1.2016 to 31.3.2017	1.1.2015 to 31.12.2015
	RM	RM	RM	RM
Profit/(Loss) before tax is arrived at after charging:-				
Auditors' remuneration:				
- statutory audit fees:				
- current financial period/year	107,083	83,000	33,000	25,000
- underprovision in the previous financial year	1,000	15,000	-	2,000
- non-statutory audit fees	75,000	-	75,000	-
Depreciation of property, plant and equipment (Note 8)	9,061,786	5,336,915	-	-
Directors' fees	2,015,000	1,524,000	435,000	360,000
Directors' non-fee emoluments:				
- salaries, bonuses and allowances	306,506	87,754	36,000	11,000
- defined contribution benefits	29,333	10,067	-	-
Hire of equipment and trucks	138,625	63,172	-	-
Impairment losses on trade receivables (Note 12)	482,000	-	-	-
Interest expense on financial liabilities not at fair value through profit or loss	3,085,486	2,364,468	-	-
Listing expenses	-	122,498	-	122,498
Loss on foreign exchange - realised	30,793	-	-	-
Permit rental	85,010	31,110	-	-
Rental expense on:				
- equipment	388,222	556,731	-	-
- hostel	223,920	181,805	-	-
- premises	239,310	136,018	-	-
- warehouse	-	590,782	-	-
Staff costs (including other key management personnel as disclosed in Note 36)				
- salaries, bonuses and allowances	32,688,032	25,900,051	-	-
- defined contribution benefits	1,980,852	1,547,848	-	-



# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 28. PROFIT/(LOSS) BEFORE TAX *cont'd*

	The Group		The Company	
	1.1.2016 to 31.3.2017	1.1.2015 to 31.12.2015	1.1.2016 to 31.3.2017	1.1.2015 to 31.12.2015
	RM	RM	RM	RM
Profit/(Loss) before tax is arrived at after (crediting):				
Bad debts recovered	-	(461)	-	-
Dividend income from subsidiaries	-	-	(15,300,000)	-
Dividend income from short-term investment	(127,746)	-	(127,746)	-
Gain on disposal of property, plant and equipment	(138,000)	(5,937)	-	-
Gain on foreign exchange - realised	(950)	(46,518)	-	-
Total interest income on financial assets not at fair value through profit or loss and not impaired	(314,277)	(329,837)	(308,643)	(304,987)
Rental income	(71,444)	(27,500)	-	-
Reversal of impairment losses on trade receivables (Note 12)	-	(34,446)	-	-

## 29. INCOME TAX EXPENSE

	The Group		The Company	
	1.1.2016 to 31.3.2017	1.1.2015 to 31.12.2015	1.1.2016 to 31.3.2017	1.1.2015 to 31.12.2015
	RM	RM	RM	RM
Income tax:				
- current financial period/year	885,600	1,042,200	72,000	-
- (over)/underprovision in the previous financial year	(1,493)	(360,817)	3,638	-
	884,107	681,383	75,638	-
Deferred tax (Note 20):				
- origination and reversal of temporary differences	2,165,600	(256,560)	-	-
- effect of change in corporate income tax rate from 25% to 24%	-	10,260	-	-
- underprovision in the previous financial year	375,700	290,500	-	-
	2,541,300	44,200	-	-
	3,425,407	725,583	75,638	-

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 29. INCOME TAX EXPENSE *cont'd*

The Group 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 the 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	
	1.1.2016 to 31.3.2017 RM	1.1.2015 to 31.12.2015 RM	1.1.2016 to 31.3.2017 RM	1.1.2015 to 31.12.2015 RM
Profit/(Loss) before tax	16,138,897	16,811,660	15,014,548	(264,955)
Tax at the statutory tax rate of 24% (2015 - 25%)	3,873,335	4,202,915	3,603,492	(66,239)
Tax effects of:-				
Reduction in tax rate on small scale company up to RM500,000 at 20%	-	(70,853)	-	-
Non-taxable income	(327)	(1,192)	(3,624,000)	-
Non-deductible expenses	718,802	382,722	92,508	66,239
Tax incentive	(1,546,110)	(3,732,845)	-	-
Deferred tax assets not recognised during the financial period/year	5,500	4,894	-	-
Effect of change in corporate income tax rate from 25% to 24% on deferred tax	-	10,260	-	-
(Over)/Underprovision of income tax in the previous financial year	(1,493)	(360,817)	3,638	-
Underprovision of deferred taxation in the previous financial year	375,700	290,500	-	-
Income tax expense for the financial period/year	3,425,407	725,584	75,638	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015 - 25%) of the estimated assessable profit for the financial period/year.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

## 30. OTHER COMPREHENSIVE EXPENSE

	The Group	
	1.1.2016 to 31.3.2017 RM	1.1.2015 to 31.12.2015 RM
<b>Item that Will Not be Reclassified Subsequently to Profit or Loss</b>		
Deferred tax arising on revalued properties	(780,400)	-
<b>Item that May be Reclassified Subsequently to Profit or Loss</b>		
Foreign currency translation:		
- changes during the financial period	(928)	-

## 31. EARNINGS PER SHARE

	The Group	
	1.1.2016 to 31.3.2017 RM	1.1.2015 to 31.12.2015 RM
Profit attributable to owners of the Company	12,704,608	15,957,507
Weighted average number of ordinary shares in issue:-		
Ordinary shares at 1 January	180,000,000	142,218,000
Effect of public issue	-	22,039,500
Effect of bonus issue*	35,999,998	32,851,500
Weighted average number of ordinary shares at 31 March/December	215,999,998	197,109,000
Basic earnings per share (Sen)	5.88	8.10

\* - Comparatives figures for the weighted average number of ordinary shares in issue for the basic earnings per ordinary share computations have been restated to reflect the adjustments arising from bonus issues, which was completed on 11 January 2017.

The Company has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 32. ACQUISITION OF SUBSIDIARY

### 32.1 ACQUISITION OF A SUBSIDIARY – YIWUGOU ECOMMERCE SDN. BHD.

On 30 March 2017, the Company acquired 50.01% equity interests in Yiwugou Ecommerce Sdn. Bhd. ("YESB"). The acquisition of this subsidiary is to enable the Group to expand its business into the e-commerce industry via the online trading platform.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:-

	The Group 31.3.2017 RM
Equipment (Note 8)	15,961
Development costs (Note 10)	286,970
Other receivables, deposits and prepayments	159,980
Other payables and accruals	(457,267)
Net identifiable assets and liabilities	5,644
Less: Non-controlling interests, measured at the proportionate share of the fair value of the net identifiable assets	(2,821)
Add: Goodwill on acquisition (Note 9)	497,177
Total purchase consideration, to be settled by cash	500,000
Less: Cash and cash equivalents of subsidiary acquired	-
Net cash outflow from the acquisition of a subsidiary	500,000

- (a) The goodwill is attributable mainly to the control premium paid. In addition, the purchase consideration also included benefits derived from the expected revenue growth of the subsidiary and its future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill is not deductible for tax purposes.
- (b) The non-controlling interests are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

## 33. DIVIDEND

	The Group/The Company	
	1.1.2016 to 31.3.2017 RM	1.1.2015 to 31.12.2015 RM
Interim dividends of 1.5 sen per ordinary share in respect of previous financial year	2,700,000	-

## 34. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group	
	1.1.2016 to 31.3.2017 RM	1.1.2015 to 31.12.2015 RM
Cost of property, plant and equipment purchased (Note 8)	67,173,766	20,787,030
Amount financed through hire purchase	(468,000)	-
Cash disbursed for purchase of property, plant and equipment	66,705,766	20,787,030

## 35. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	1.1.2016 to 31.3.2017 RM	1.1.2015 to 31.12.2015 RM	1.1.2016 to 31.3.2017 RM	1.1.2015 to 31.12.2015 RM
Cash and bank balances	9,687,991	14,612,933	3,647,210	11,395,934
Fixed deposits with licensed banks	24,121	10,021,993	-	10,000,000
Bank overdrafts	(3,178,257)	-	-	-
	6,533,855	24,634,926	3,647,210	21,395,934
Less: Fixed deposits pledged to licensed banks (Note 16)	-	(14,507)	-	-
Fixed deposits with original maturity of more than 3 months	(15,984)	-	-	-
	6,517,871	24,620,419	3,647,210	21,395,934

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

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## 36. 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 period are as follows:-

	The Group		The Company	
	1.1.2016 to 31.3.2017	1.1.2015 to 31.12.2015	1.1.2016 to 31.3.2017	1.1.2015 to 31.12.2015
	RM	RM	RM	RM
Directors				
<u>Directors of the Company</u>				
<i>Executive Directors</i>				
Short-term employee benefits:				
- fees	1,140,000	972,000	-	-
- salaries, bonuses and other benefits	152,138	-	-	-
	1,292,138	972,000	-	-
Defined contribution benefits	18,240	-	-	-
	1,310,378	972,000	-	-
<i>Non-Executive Directors</i>				
Short-term employee benefits:				
- fees	435,000	360,000	435,000	360,000
- other benefits	36,000	11,000	36,000	11,000
	471,000	371,000	471,000	371,000
	1,781,378	1,343,000	471,000	371,000
<u>Directors of the Subsidiaries</u>				
<i>Executive Directors</i>				
Short-term employee benefits:				
- fees	-	192,000	-	-
- salaries, bonuses and other benefits	86,368	76,754	-	-
	86,368	268,754	-	-
Defined contribution benefits	11,093	10,067	-	-
	97,461	278,821	-	-
Total directors' remuneration (Note 28)	2,350,839	1,621,821	471,000	371,000

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 36. KEY MANAGEMENT PERSONNEL COMPENSATION *cont'd*

(a) The key management personnel compensation during the financial period are as follows:- *cont'd*

	The Group		The Company	
	1.1.2016 to 31.3.2017	1.1.2015 to 31.12.2015	1.1.2016 to 31.3.2017	1.1.2015 to 31.12.2015
	RM	RM	RM	RM
Other Key Management Personnel				
Short-term employee benefits	610,996	707,559	-	-
Defined contribution benefits	78,225	106,332	-	-
	689,221	813,891	-	-
Total compensation for other key management personnel	689,221	813,891	-	-

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

	The Company	
	1.1.2016 to 31.3.2017	1.1.2015 to 31.12.2015
	Number of Directors	
<b>Executive Directors</b>		
RM450,001 – RM500,000	-	2
RM650,001 – RM700,000	2	-
<b>Non-executive Directors</b>		
RM50,001 – RM100,000	1	3
RM100,001 – RM150,000	3	1
	6	6

## 37. RELATED PARTY DISCLOSURE

### (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, key management personnel and entities within the same group of companies.



# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 37. RELATED PARTY DISCLOSURE *cont'd*

### (b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the subsidiaries during the financial period/year:-

	The Company	
	1.1.2016 to 31.3.2017	1.1.2015 to 31.12.2015
	RM	RM
Management fees receivable	450,000	180,000

## 38. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Managing Director and Group Finance 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 the 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, provision of management services and provision of e-commercial and e-business transactions.

- (a) The Managing Director and Chief Financial Officer assesses the performance of the reportable segments based on their profit before interest expense and taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Borrowings and investment-related activities are managed on a group basis by the central treasury function and are not allocated to reportable segments.

- (b) Each reportable segment assets is measured based on all assets (including goodwill) 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.
- (c) 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.
- (d) 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.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

## 38. OPERATING SEGMENTS *cont'd*

### 38.1 BUSINESS SEGMENTS

31.3.2017	Land Transport Segment RM	Warehousing and <b>Distribution</b> Segment RM	Others RM	Group RM
Revenue				
External revenue	121,231,241	7,207,911	232,599	128,671,751
Inter-segment revenue	694,071	-	7,480,453	8,174,524
Total revenue	121,925,312	7,207,911	7,713,052	136,846,275
Consolidation adjustments				(8,174,524)
Consolidated revenue				128,671,751
Results				
Segments profit before interest and tax	18,715,153	1,385,185	(69,522)	20,030,816
Finance costs				(3,191,672)
Unallocated expenses				(704,603)
Consolidation adjustments				4,356
Consolidated profit before taxation				16,138,897
Segment profit before interest and tax includes the followings:-				
Depreciation of property, plant and equipment	(7,965,633)	(1,060,155)	(35,998)	(9,061,786)
Dividend income from short-term investment	-	-	127,746	127,746
Gain on disposal of property, plant and equipment	138,000	-	-	138,000
Gain on foreign exchange - realised	-	-	950	950
Hire of equipment and trucks	(138,625)	-	457	(138,168)
Impairment losses on trade receivables	(482,000)	-	-	(482,000)
Interest expenses	(3,085,486)	-	-	(3,085,486)
Interest income	5,634	-	308,643	314,277
Loss on foreign exchange - realised	(30,793)	-	-	(30,793)
Rental expense:				
- equipment	(388,222)	-	-	(388,222)
- hostel	(223,920)	-	-	(223,920)
- premises	(231,830)	-	(7,480)	(239,310)

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 38. OPERATING SEGMENTS *cont'd*

### 38.1 BUSINESS SEGMENTS *cont'd*

31.3.2017	Land Transport Segment RM	Warehousing and <b>Distribution</b> Segment RM	Others RM	Group RM
<b>Assets</b>				
Segment assets	180,464,008	46,213,979	110,480,506	337,158,493
Unallocated assets:				
- current tax assets				2,383,085
- short-term investment				1,617,046
Consolidation adjustments				(109,109,369)
Consolidated total assets				<u>232,049,255</u>
Additions to non-current assets other than financial instruments:-				
- property, plant and equipment	55,335,456	11,108,065	730,245	67,173,766
<b>Liabilities</b>				
Segment liabilities	46,458,295	2,377,749	1,696,306	50,532,350
Unallocated liabilities:				
- current tax liabilities				94,470
- deferred tax liabilities				7,837,300
- long-term borrowings				59,221,488
- short-term borrowings				11,403,658
- bank overdrafts				3,178,257
Consolidation adjustments				(37,495,048)
Consolidated total liabilities				<u>94,772,475</u>

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

## 38. OPERATING SEGMENTS *cont'd*

### 38.1 BUSINESS SEGMENTS *cont'd*

31.12.2015	Land Transport Segment RM	Warehousing and <b>Distribution</b> 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
Total revenue	99,586,208	8,559,418	4,511,558	112,657,184
Consolidation adjustments				(4,776,973)
Consolidated revenue				<u>107,880,211</u>
Results				
Segments 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				<u>16,811,660</u>
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

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 38. OPERATING SEGMENTS *cont'd*

### 38.1 BUSINESS SEGMENTS *cont'd*

31.12.2015	Land Transport Segment RM	Warehousing and <b>Distribution</b> Segment RM	Others RM	Group RM
<b>Assets</b>				
Segment assets	123,784,201	37,062,866	102,029,067	262,876,134
Unallocated assets:				
- current tax assets				3,347,652
Consolidation adjustments				(82,627,454)
Consolidated total assets				<u>183,596,332</u>
<b>Additions to non-current assets other than financial instruments:-</b>				
- property, plant and equipment	10,338,300	10,428,006	20,724	20,787,030
<b>Liabilities</b>				
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>

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 38. OPERATING SEGMENTS *cont'd*

### 38.2 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	
	1.1.2016 to 31.3.2017 RM	1.1.2015 to 31.12.2015 RM	31.3.2017 RM	31.12.2015 RM
Malaysia	120,160,577	98,770,598	186,033,008	127,648,147
Singapore	8,511,174	9,109,613	-	-
	128,671,751	107,880,211	186,033,008	127,648,147

### 38.3 MAJOR CUSTOMERS

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

## 39. CAPITAL COMMITMENTS

	The Group		The Company	
	31.3.2017 RM	31.12.2015 RM	31.3.2017 RM	31.12.2015 RM
Contracted but not Provided for				
Construction of building and warehouse	4,077,269	-	-	-

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 40. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (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.

### 40.1 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 functional currency of the Group. The currency 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.

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

#### *Foreign Currency Exposure*

	SGD RM
The Group	
31.3.2017	
<u>Financial Assets</u>	
Trade receivables	187,389
Other receivables	101,852
Cash and bank balances	624,538
	913,779
<u>Financial Liabilities</u>	
Trade payables	(160,179)
Other payables and accruals	(267,143)
	(427,322)
Currency Exposure	486,457



# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 40. FINANCIAL INSTRUMENTS *cont'd*

### 40.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

#### (a) Market Risk *cont'd*

##### (i) Foreign Currency Risk *cont'd*

##### *Foreign Currency Exposure cont'd*

	SGD
The Group	RM
31.12.2015	
<u>Financial Assets</u>	
Trade receivables	182,170
Cash and bank balances	61,799
	<u>243,969</u>
<u>Financial Liabilities</u>	
Trade payables	(144,769)
Other payables and accruals	(16,169)
	<u>(160,938)</u>
Currency Exposure	<u>83,031</u>

##### *Foreign Currency Risk Sensitivity Analysis*

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the functional currency of the Group 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.

##### (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 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 their 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 based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 23, 24 and 26 to the financial statements.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 40. FINANCIAL INSTRUMENTS *cont'd*

### 40.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

#### (a) Market Risk *cont'd*

##### (ii) Interest Rate Risk

##### *Interest Rate Risk Sensitivity Analysis*

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	The Group	
	31.3.2017	31.12.2015
	RM	RM
<b>Effects On Profit After Tax</b>		
Increase of 25 (2015 - 25) basis point	(85,687)	(64,093)
Decrease of 25 (2015 - 25) basis point	85,687	64,093

##### (iii) Equity Price Risk

Any reasonably possible change in the prices of quoted investments 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.

#### (b) Credit 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 Company 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 365 days, which are deemed to have higher 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. This allowance represents specific expected loss that relates to individually significant exposures. Impairment is estimated by management based on prior experience and the current economic environment.

The Company provides financial guarantee to financial institutions for credit facilities granted to a subsidiary. The Company monitors the results of this subsidiary regularly and repayments made by the subsidiary.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 40. FINANCIAL INSTRUMENTS *cont'd*

### 40.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

#### (b) Credit Risk *cont'd*

##### (i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by a customer which constituted approximately 11% (2015 - 12%) 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	
	31.3.2017 RM	31.12.2015 RM
Malaysia	26,539,517	24,664,410
Singapore	187,389	179,381
	26,726,906	24,843,791

##### (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 statements of financial position of the Group after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiary as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiary as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material. As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 40. FINANCIAL INSTRUMENTS *cont'd*

### 40.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

#### (b) Credit Risk *cont'd*

##### (iii) Ageing Analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

The Group	Gross Amount RM	Individual Impairment RM	Carrying Value RM
31.3.2017			
Not past due	11,129,686	-	11,129,686
Past due:			
- less than 3 months	10,320,045	-	10,320,045
- 3 to 6 months	3,363,343	-	3,363,343
- over 6 months	1,459,975	-	1,459,975
- more than 1 year	2,163,367	(1,709,510)	453,857
	28,436,416	(1,709,510)	26,726,906
31.12.2015			
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
- over 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

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These 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 strong fundamentals.

#### (c) Liquidity Risk

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

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

## 40. FINANCIAL INSTRUMENTS cont'd

### 40.1 FINANCIAL RISK MANAGEMENT POLICIES cont'd

#### (c) Liquidity Risk cont'd

##### Maturity Analysis

The following table sets out the maturity profile of the financial liabilities 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
2017						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	5,405,248	5,405,248	5,405,248	-	-
Other payables and accruals	-	7,624,106	7,624,106	7,624,106	-	-
Bankers' acceptances	4.52 to 4.84	2,715,000	2,715,000	2,715,000	-	-
Bank overdraft	6.75	3,178,257	3,178,257	3,178,257	-	-
Hire purchase payables	4.56 to 5.04	472,857	518,279	160,356	357,923	-
Term loans	4.32 to 6.22	67,437,289	83,379,352	11,879,449	41,998,020	29,501,883
		86,832,757	102,820,242	30,962,416	42,355,943	29,501,883
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

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 40. FINANCIAL INSTRUMENTS *cont'd*

### 40.1 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 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
31.3.2017			
<u>Non-derivative Financial Liabilities</u>			
Other payables and accruals	155,153	155,153	155,153
Financial guarantee contract in relation to corporate guarantee given to a subsidiary*	-	66,251,761	66,251,761
	155,153	66,406,914	66,406,914
31.12.2015			
<u>Non-derivative Financial Liabilities</u>			
Other payables and accruals	81,259	81,259	81,259
Financial guarantee contract in relation to corporate guarantee given to a subsidiary*	-	8,488,615	8,488,615
	81,259	8,569,874	8,569,874

\* The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiary at the end of the reporting period. The financial guarantees have not been recognized since their fair value on initial recognition were not material.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 40. FINANCIAL INSTRUMENTS *cont'd*

### 40.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure 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	
	31.3.2017 RM	31.12.2015 RM
Bankers' acceptances (Note 23)	2,715,000	-
Bank overdraft (Note 24)	3,178,257	-
Hire purchase payables (Note 25)	472,857	232,349
Term loans (Note 26)	67,437,289	38,943,764
	73,803,403	39,176,113
Less: Fixed deposits with licensed banks (Note 16)	(24,121)	(10,021,993)
Less: Cash and bank balances	(9,687,991)	(14,612,933)
Net debt	64,091,291	14,541,187
Total equity	137,276,780	128,041,797
Debt-to-equity ratio	46.69%	11.36%

There was no change in the Group's approach to capital management during the financial period/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 (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.



# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 40. FINANCIAL INSTRUMENTS *cont'd*

### 40.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	31.3.2017	31.12.2015	31.3.2017	31.12.2015
	RM	RM	RM	RM
<b>Financial Assets</b>				
<u>Loans and Receivables Financial Assets</u>				
Trade receivables (Note 12)	26,726,906	24,843,791	-	-
Other receivables and deposits (Note 13)	2,787,835	1,857,877	2,500	2,500
Amount owing by subsidiaries (Note 14)	-	-	31,495,021	3,513,113
Fixed deposits with licensed banks (Note 16)	24,121	10,021,993	-	10,000,000
Cash and bank balances	9,687,991	14,612,933	3,647,210	11,395,934
	39,226,853	51,336,594	35,144,731	24,911,547
<u>Fair value through Profit or Loss</u>				
Short-term investment (Note 15)	1,617,046	-	1,617,046	-
<b>Financial Liabilities</b>				
<u>Other Financial Liabilities</u>				
Trade payables (Note 21)	5,405,248	5,333,043	-	-
Other payables and accruals (Note 22)	7,624,106	6,371,616	155,153	81,259
Bankers' acceptances (Note 23)	2,715,000	-	-	-
Bank overdraft (Note 24)	3,178,257	-	-	-
Hire purchase payables (Note 25)	472,857	232,349	-	-
Term loans (Note 26)	67,437,289	38,943,764	-	-
	86,832,757	50,880,772	155,153	81,259

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

cont'd

## 40. FINANCIAL INSTRUMENTS *cont'd*

### 40.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

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

	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	Level 2	Level 3	Level 1	Level 2	Level 3		
The Group	RM	RM	RM	RM	RM	RM	RM	RM
31.3.2017								
<u>Financial Liabilities</u>								
Hire purchase payables	-	-	-	-	471,715	-	471,715	472,857
Term loans	-	67,437,289	-	-	-	-	67,437,289	67,437,289
31.12.2015								
<u>Financial Liabilities</u>								
Hire purchase payables	-	-	-	-	244,630	-	244,630	232,349
Term loans	-	38,943,764	-	-	-	-	38,943,764	38,943,764

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

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

- (i) The fair value of the Group's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.
- (ii) There were no transfer between level 1 and level 2 during the financial 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:-

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

	The Group	
	31.3.2017	31.12.2015
	%	%
Hire purchase payables	4.68 to 4.70	3.75 to 3.80

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017  
*cont'd*

## 41. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

### (a) Effective of Companies Act 2016

The Companies Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaces the existing Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that will affect the financial statements of the Group and of the Company upon its initial adoption are:-

- (i) Removal of the authorised share capital;
- (ii) Ordinary shares will cease to have par value; and
- (iii) Share premium account will become part of the share capital.

The adoption of the Companies Act 2016 has been applied prospectively and the impacts of adoption are disclosed in the respective notes to the financial statements.

### (b) Acquisition

- (i) On 21 January 2016, the Company incorporated a wholly-owned subsidiary in Singapore under the name of "Xin Hwa Integrated Logistic Pte Ltd" ("XHIL"). The issued and paid-up capital of XHIL comprising 2 ordinary shares of SGD1 each. The intended principal activities of XHIL are provision of transportation services, distribution and warehousing services and freight forwarding and custom brokerage services.
- (ii) On 30 March 2017, the Company acquired 50.01% issued and paid-up share capital of YESB amounting to 5,001 ordinary shares for a purchase consideration of RM 500,000. The acquisition will provide a platform for the Group to diversify into the e-commerce industry via the online trading platform developed by YESB. Furthermore, it will serve as an opportunity for the Group to create new revenue stream in the future with the expansion of its scope of logistic services to include courier services, which would facilitate the door-to-door delivery services for the customers of YESB.

## 42. COMPARATIVE FIGURES

The Company has changed its financial year end from 31 December to 31 March effective from the previous reporting period. Consequently, the comparative figures for the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and their related notes are not comparable to that for the current 15 months period ended 31 March 2017.

# Notes to the Financial Statements

For the Financial Period From 1 January 2016 to 31 March 2017

*cont'd*

## 43. 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	
	1.1.2016 to 31.3.2017 RM	1.1.2015 to 31.12.2015 RM	1.1.2016 to 31.3.2017 RM	1.1.2015 to 31.12.2015 RM
Total retained profits/(accumulated losses) of the Company and its subsidiaries				
- realised	74,114,741	77,409,661	178,196	(512,286)
- unrealised	6,266,700	4,515,600	-	-
At 31 March/December	80,381,441	81,925,261	178,196	(512,286)

## List of Properties

As at 31 March 2017

No.	Location	Description	Existing use	Tenure	Land area/ Gross floor area sq. ft.	Net book value as at 31 March 2017 RM'000	Approximate age of building	Date of last revaluation/ *acquisition
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	40,544	8 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	3,195	10 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	13,578	3 years	16 March 2015
4.	GM 586, Lot 1823, Mukim of Tebrau, District of Johor Bahru, State of Johor	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	30,487	2 years	16 March 2015
6.	GM 1694, Lot 1822, Mukim of Tebrau, District of Johor Bahru, State of Johor	A piece of agricultural land	Vacant	Freehold	134,764	6,077	-	7 March 2016
7.	PLO 828, Jalan Nikel 2, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor Darul Takzim	A piece of industrial land	Vacant	Leasehold expiring on 20 December 2076	344,015	11,668	-	17 June 2016
8.	No. 1, Persiaran Jubli Perak, Taman Perindustrian Subang, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan	A single-storey warehouse with double-storey office	Vacant	Freehold	190,769/ 22,916	26,521	23 years	1 July 2016

# Analysis of Shareholdings

As at 30 June 2017

## DISTRIBUTION OF SHAREHOLDINGS AS AT 30 JUNE 2017

Size of Holdings	No. of Holders		No. of Shares		%	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1 - 99	20	-	699	-	0.000	0.000
100 – 1,000	80	-	43,200	-	0.020	0.000
1,001 – 10,000	452	4	2,328,160	24,800	1.077	0.011
10,001 – 100,000	305	3	10,018,362	143,200	4.638	0.066
100,001 and above	69	4	197,109,177	5,852,400	91.254	2.709
Directors' holdings	4	-	480,000	-	0.222	0.000
<b>TOTAL</b>	<b>930</b>	<b>11</b>	<b>209,979,598</b>	<b>6,020,400</b>	<b>97.211</b>	<b>2.786</b>

## SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 30 JUNE 2017

	Direct		Indirect	
	No. of Shares Held	% of Issued Share Capital	No. of Shares Held	% of Issued Share Capital
NF Capital Management Sdn. Bhd.	155,871,237	72.16	-	-
Eng Peng Lam @ Ng Peng Lam	-	-	155,871,237 <sup>(1)</sup>	72.16
Ng Aik Chuan	-	-	155,871,237 <sup>(1)</sup>	72.16
Ng Yam Pin	-	-	155,871,237 <sup>(1)</sup>	72.16

Note:

<sup>(1)</sup> Deemed interested by virtue of his shareholding in NF Capital Management Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

## DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 30 JUNE 2017

	Direct		Indirect	
	No. of Shares Held	% of Issued Share Capital	No. of Shares Held	% of Issued Share Capital
Datuk Seri Dr. Sulaiman Bin Mohamed	120,000	0.056	-	-
Ng Aik Chuan	-	-	155,991,237 <sup>(1)</sup>	72.22
Ng Yam Pin	-	-	155,871,237 <sup>(2)</sup>	72.16
Jory Leong Kam Weng	120,000	0.056	-	-
Datin Rahmah Binti Mahmood	120,000	0.056	-	-
Liew Chek Leong	120,000	0.056	-	-

Note:

<sup>(1)</sup> Deemed interested by virtue of his shareholding in NF Capital Management Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and interest of his spouse, Teo Siok Kee, pursuant to Section 221 of the Companies Act 2016.

<sup>(2)</sup> Deemed interested by virtue of his shareholding in NF Capital Management Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

# Analysis of Shareholdings

As at 30 June 2017  
*cont'd*

## DIRECTORS' SHAREHOLDING IN RELATED CORPORATION AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 30 JUNE 2017

	Direct		Indirect	
	No. of Ordinary Shares Held in NF Capital Management Sdn. Bhd.	%	No. of Ordinary Shares Held in NF Capital Management Sdn. Bhd.	%
Ng Aik Chuan	31	30.69	-	-
Ng Yam Pin	30	29.70	-	-

## THIRTY LARGEST SHAREHOLDERS AS AT 30 JUNE 2017 (as per Record of Depositors)

No.	Name	Holdings	%
1.	NF CAPITAL MANAGEMENT SDN BHD	119,999,997	55.555
2.	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR NF CAPITAL MANAGEMENT SDN BHD (PBCL-OG0344)</i>	17,560,800	8.130
3.	RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NF CAPITAL MANAGEMENT SDN BHD</i>	14,271,240	6.607
4.	YAYASAN GURU TUN HUSSEIN ONN	4,996,600	2.313
5.	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB FOR NF CAPITAL MANAGEMENT SDN BHD (PB)</i>	4,039,200	1.870
6.	CITIGROUP NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)</i>	3,506,680	1.623
7.	TEY BOON KIANG	3,487,460	1.614
8.	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT PROGRESS FUND (4082)</i>	3,235,900	1.498
9.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND</i>	2,776,320	1.285
10.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD <i>HONG LEONG ASSET MANAGEMENT BHD FOR HONG LEONG ASSURANCE BERHAD (LP FUND ED102)</i>	2,265,400	1.048
11.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSMY FOCUS FUND</i>	2,239,080	1.036
12.	AMANAH RAYA TRUSTEES BERHAD <i>AMANAH SAHAM BANK SIMPANAN NASIONAL</i>	1,882,300	0.871
13.	KHOR HUN BOON	1,800,000	0.833
14.	SUNTHER A/L ANNAMALAI	1,139,000	0.527

# Analysis of Shareholdings

As at 30 June 2017

*cont'd*

THIRTY LARGEST SHAREHOLDERS *cont'd*

AS AT 30 JUNE 2017

(as per Record of Depositors)

No.	Name	Holdings	%
15.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ESPG IV SC E)</i>	1,045,980	0.484
16.	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>PAMB FOR PRULINK EQUITY FOCUS FUND</i>	1,045,880	0.484
17.	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD <i>AS BENEFICIAL OWNER (TMEF)</i>	884,280	0.409
18.	AMANAHRAYA TRUSTEES BERHAD <i>BSN DANA AL-JADID</i>	872,900	0.404
19.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD <i>CIMB COMMERCE TRUSTEE BERHAD - HONG LEONG STRATEGIC OPPORTUNITY FUND</i>	850,000	0.393
20.	PUBLIC NOMINEES (ASING) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PHUA LAM HUAT (E-TMI)</i>	800,000	0.370
21.	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NG HUI KHENG (E-TMI)</i>	778,000	0.360
22.	MOHD MAHATHIR BIN YACOB	668,160	0.309
23.	AMANAHRAYA TRUSTEES BERHAD <i>PUBLIC MUTUAL PRS MODERATE FUND</i>	666,600	0.308
24.	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD <i>AS BENEFICIAL OWNER (NPF)</i>	661,440	0.306
25.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG STRATEGIC FUND</i>	640,000	0.296
26.	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR LING HEE KEAT (MY0437)</i>	600,000	0.277
27.	PHUA WEE PING	561,000	0.259
28.	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PHUA WEE SENG (E-TMI)</i>	561,000	0.259
29.	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR ZURICH INSURANCE MALAYSIA BERHAD (BALANCED FUND)</i>	480,000	0.222
30.	PANG TIN @ PANG YON TIN	452,000	0.209
	<b>TOTAL</b>	<b>194,767,217</b>	<b>90.170</b>



# Notice of the Fourth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of the Company will be held at Emerald 3, Level 3, Grand Paragon Hotel Johor Bahru, 18 Jalan Harimau, Taman Century, 80250 Johor Bahru, Johor Darul Takzim on 29 August 2017 at 11.00 a.m. for the following businesses:

## AGENDA

1. To receive the Audited Financial Statements for the 15-month financial period ended 31 March 2017 together with the Directors' and Auditors' Reports thereon. *(Please refer to Note 1)*
2. To approve the payment of Directors' fees of up to an amount of RM493,000 from 1 April 2017 until the next annual general meeting of the Company. **Ordinary Resolution 1**
3. To approve the payment of Directors' benefits of up to an amount of RM80,000 from 1 April 2017 until the next annual general meeting of the Company. **Ordinary Resolution 2**
4. To re-elect the following Directors who retire in accordance with the Company's Constitution:
  - (a) Mr. Ng Aik Chuan **Ordinary Resolution 3**
  - (b) Mr. Leong Kam Weng **Ordinary Resolution 4**
5. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**
6. As Special Business:
 

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

**AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT 2016** **Ordinary Resolution 6**

"THAT subject always to the Companies Act 2016 ("Act") and the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 75 of the Act, to allot 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 total number of issued shares of the Company for the time being."
7. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

SEOW FEI SAN  
MOK MEE KEE  
Secretaries

Petaling Jaya

28 July 2017

# Notice of the Fourth Annual General Meeting

*cont'd*

Notes:

1. The shareholders' approval on the Audited Financial Statements is not required pursuant to the provision of Section 340(1) of the Companies Act 2016 ("Act") and hence, the matter will not be put for voting.
2. Only depositors whose names appear in the Record of Depositors as at 23 August 2017 shall be regarded as members and entitled to attend, speak and vote at the Meeting.
3. 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.
4. A member may appoint up to two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, he/she shall specify the proportions of his/her holdings to be represented by each proxy.
5. 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.
6. 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.
7. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.
8. 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 for holding the Meeting.
9. Explanatory Notes:

## Ordinary Resolutions 1 and 2

Pursuant to Section 230(1) of the Act, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board of Directors ("Board") agreed that the shareholders' approval shall be sought at the Fourth Annual General Meeting ("AGM") on the Directors' fees and benefits in two (2) separate resolutions as follows:

- Ordinary Resolution 1 on payment of Directors' fees for the period 1 April 2017 until the next AGM (i.e. 17 months); and
- Ordinary Resolution 2 on payment of Directors' benefits (excluding Directors' fees) for the period 1 April 2017 until the next AGM (i.e. 17 months).

The Directors' fees paid to the non-executive directors for the 15-month financial period ended 31 March 2017 of RM435,000 were within the mandated amount of RM500,000.00 per annum and hence, no approval is to be sought. However, for good corporate governance practice, notwithstanding there is no change in the fees structure and Board size, from current year onwards, the Board would like to seek for shareholders' approval for Directors' fees on annual basis.

The total amount of Directors' fees payable to the non-executive directors for the period 1 April 2017 until the next AGM (i.e. 17 months), with the assumption that there is no adjustment to the Directors' fees and no change in the Board size during the aforesaid period, tabled for the shareholders' approval is RM493,000. The Board will seek shareholders' approval at the next AGM in the event the amount of Directors' fees and benefits are insufficient due to an increase in the Board size.

In addition to the Directors' fees, the non-executive directors are also entitled to meeting attendance fees for attending the Company's meetings, including meetings of the Board, Board's Committees and general meetings. The Board would like to seek for shareholders' approval for this Directors' benefits on annual basis.

# Notice of the Fourth Annual General Meeting

*cont'd*

A total amount of Directors' benefits of up to RM80,000 payable to the non-executive directors for the period 1 April 2017 until the next AGM (i.e. 17 months) is proposed for the shareholders' approval.

## Ordinary Resolution 6

The Proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company to allot not more than 10% of the total number of issued shares of the Company subject to 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 general meeting, expire at the next AGM of the Company.

As at the date of printing of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Third AGM held on 16 June 2016 and which will lapse at the conclusion of the Fourth AGM.

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, acquisitions, repayment of bank borrowings, etc.





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):

<u>Name &amp; NRIC no. of proxy</u>	<u>No. of shares to be represented by proxy</u>
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 Fourth Annual General Meeting of the Company to be held at Emerald 3, Level 3, Grand Paragon Hotel Johor Bahru, 18 Jalan Harimau, Taman Century, 80250 Johor Bahru, Johor Darul Takzim on 29 August 2017 at 11.00 a.m. or at any adjournment thereof and to vote as indicated below:-

Resolution No.	FOR	AGAINST
1. To approve Directors' fees		
2. To approve Directors' benefits		
3. To re-elect Mr. Ng Aik Chuan as Director of the Company		
4. To re-elect Mr. Leong Kam Weng as Director of the Company		
5. To re-appoint Messrs. Crowe Horwath as Auditors of the Company		
6. To approve authority to allot 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 ....., 2017

Signature/Seal of Member

### Notes:

- The shareholders' approval on the Audited Financial Statements is not required pursuant to the provision of Section 340(1) of the Companies Act 2016 ("Act") and hence, the matter will not be put for voting.
- Only depositors whose names appear in the Record of Depositors as at 23 August 2017 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.
- A member may appoint up to two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, he/she shall specify the proportions of his/her holdings to be represented by each proxy.
- 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.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.
- 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 for holding the Meeting.

Fold This Flap For Sealing

Then Fold Here



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

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**XIN HWA HOLDINGS BERHAD** (1032102-P)

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