



XIN HWA HOLDINGS BERHAD

Registration No. 201301002265 (1032102-P)

ANNUAL REPORT
2023

10th

ANNUAL GENERAL MEETING

Online meeting platform provided by
Tricor Investor & Issuing House Services Sdn. Bhd.
at <https://tiih.online>

Wednesday, 30 August 2023 | 11.00 a.m.

TABLE OF CONTENTS

page. 02	Corporate Information	page. 61	Directors' Report
page. 03	Corporate Structure	page. 69	Statement by Directors
page. 04	Financial Highlights	page. 69	Statutory Declaration
page. 05	Business Segments	page. 70	Independent Auditors' Report
page. 06	Profile of the Board of Directors'	page. 75	Statements of Financial Position
page. 10	Profile of the Key Senior Management	page. 77	Statements of Profit or Loss and Other Comprehensive Income
page. 11	Chairman's Statement	page. 79	Statements of Changes in Equity
page. 15	Management Discussion and Analysis	page. 82	Statements of Cash Flows
page. 25	Sustainability Statement	page. 85	Notes to the Financial Statements
page. 37	Corporate Governance Overview Statement	page. 159	List of Properties
page. 48	Additional Compliance Information	page. 160	Analysis of Shareholdings
page. 50	Audit and Risk Management Committee Report	page. 164	Analysis of Warrant Holdings
page. 53	Nominating Committee Report	page. 167	Notice of the Tenth Annual General Meeting
page. 55	Statement on Risk Management & Internal Control	page. 172	Administrative Guide Form of Proxy

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI DR. SULEIMAN BIN MOHAMED

Independent Non-Executive Chairman

NG AIK CHUAN

Managing Director

NG YAM PIN

Executive Director

KOK POH FUI

Executive Director

TEO SIOK KEE

Executive Director

DATUK JORY LEONG KAM WENG

Independent Non-Executive Director

LIEW CHEK LEONG

Independent Non-Executive Director

AUDIT & RISK MANAGEMENT COMMITTEE

Chairman

Datuk Jory Leong Kam Weng

Member

**Tan Sri Dr. Suleiman Bin
Mohamed**

Liew Chek Leong

NOMINATING COMMITTEE

Chairman

**Tan Sri Dr. Suleiman Bin
Mohamed**

Member

Datuk Jory Leong Kam Weng

REMUNERATION COMMITTEE

Chairman

**Tan Sri Dr. Suleiman Bin
Mohamed**

Member

Liew Chek Leong

Datuk Jory Leong Kam Weng

COMPANY SECRETARIES

Seow Fei San

(MAICSA 7009732)
(SSM PC No. 201908002299)

Mok Mee Kee

(MAICSA 7029343)
(SSM PC No. 201908002288)

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
Email : eadvisory@epsilonas.com

CORPORATE OFFICE

No. 2, Jalan Permatang 2
Kempas Baru
81200 Johor Bahru
Johor
Tel No. : (607) 231 6999
Fax No.: (607) 231 6900

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
Email : is.enquiry@my.tricorglobal.com

AUDITORS

Crowe Malaysia PLT (AF 1018)
E-2-3 Pusat Komersial Bayu Tasek
Persiaran Southkey 1
Kota Southkey
80150 Johor Bahru
Johor
Tel No. : (607) 288 6627
Fax No.: (607) 338 4627

PRINCIPAL BANKERS

Public Bank Berhad
CIMB Islamic Bank Berhad
United Overseas Bank (Malaysia) Berhad
Malayan Banking Berhad
AmBank Malaysia

STOCK EXCHANGE LISTING

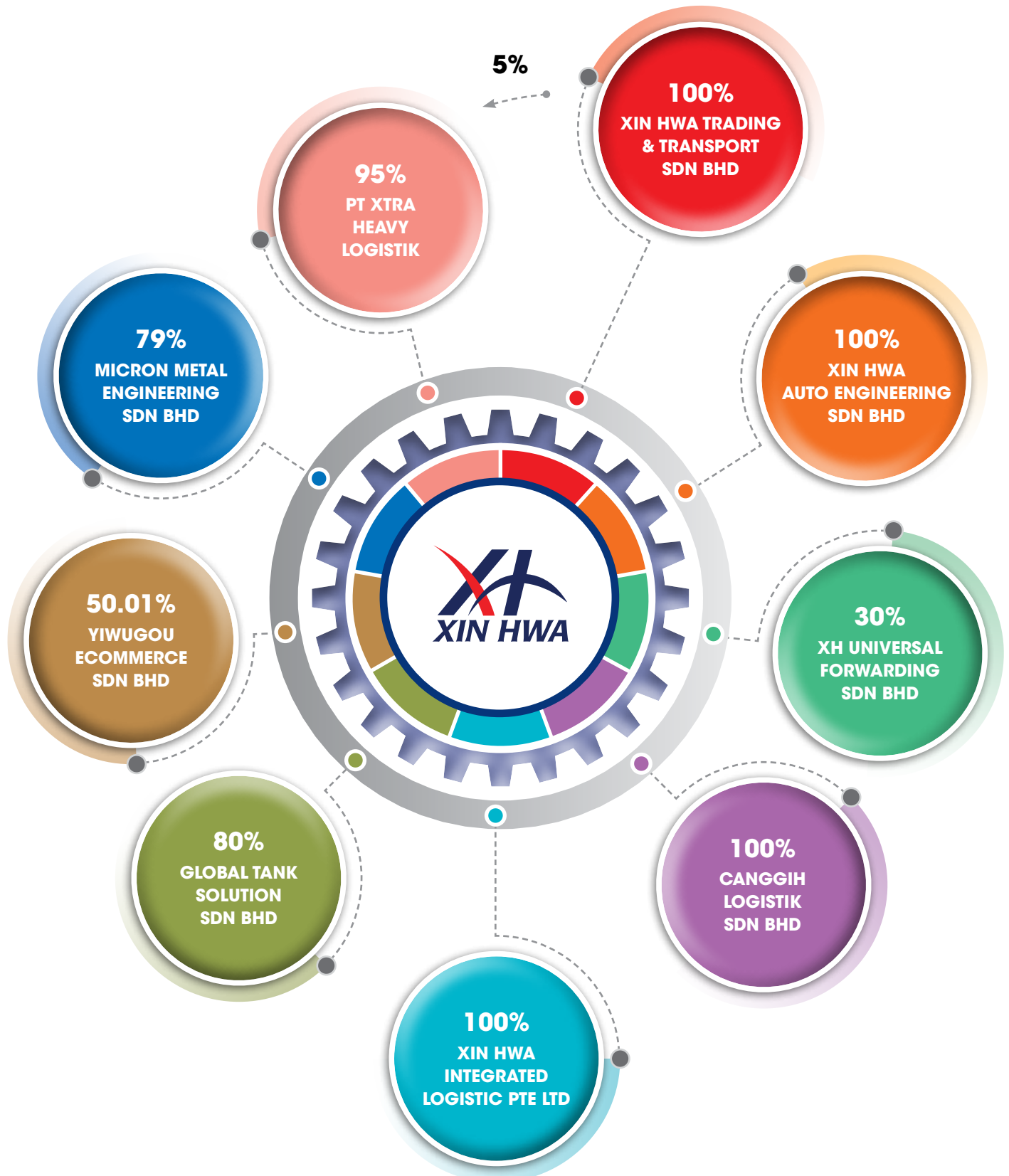
Main Market of Bursa Malaysia
Securities Berhad
Stock Name : XINHWA
Stock Code : 5267
Sector : Trading / Services

WEBSITE

www.xinhwa.com.my

CORPORATE STRUCTURE

AS AT 31 MARCH 2023



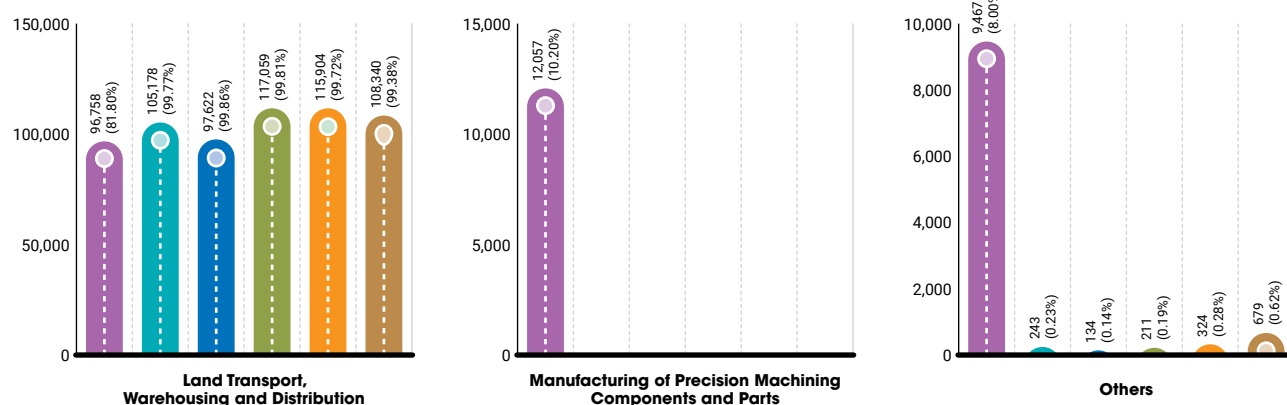
FINANCIAL HIGHLIGHTS

Financial Year Ended	1.4.2022 to 31.3.2023 (RM'000)	1.4.2021 to 31.3.2022 (RM'000)	1.4.2020 to 31.3.2021 (RM'000)	1.4.2019 to 31.3.2020 (RM'000)	1.4.2018 to 31.3.2019 (RM'000)	1.4.2017 to 31.3.2018 (RM'000)
Income Statements						
Revenue	118,282	105,421	97,756	117,270	116,228	109,019
Gross profit	27,580	28,208	35,247	43,429	37,959	37,398
(Loss)/Profit before tax	(14,584)	396	4,609	2,412	(483)	9,906
(Loss)/Profit after tax attributable to owner of the company	(16,050)	4,617	2,996	1,073	1,643	10,399
Balance Sheets						
Total assets	381,343	379,958	369,056	342,082	297,663	247,515
Total liabilities	187,076	176,990	181,607	159,308	114,306	101,994
Share capital	120,905	117,905	109,458	108,000	108,000	108,000
Equity attributable to owners of the Company	188,418	201,414	184,841	180,287	182,142	145,360
Share Information						
(Loss)/Earnings per share (sen)	(6.36)	1.94	1.37	0.50	0.76	4.81
Net assets per share (RM)	0.76	0.83	0.83	0.83	0.84	0.67
Financial Ratios						
Return of equity (%)	(8.52)	2.29	1.63	0.60	0.90	7.15
Current ratio (times)	1.03	1.69	0.63	0.69	1.03	1.57
Gearing ratio (times)	0.57	0.50	0.74	0.66	0.45	0.55

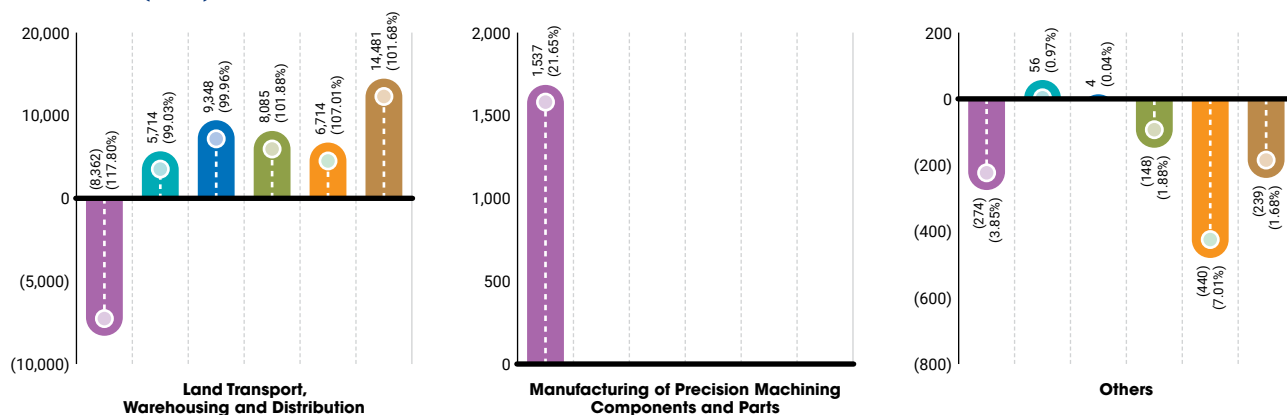
BUSINESS SEGMENTS

Financial Year Ended	1.4.2022 to 31.3.2023		1.4.2021 to 31.3.2022		1.4.2020 to 31.3.2021		1.4.2019 to 31.3.2020		1.4.2018 to 31.3.2019		1.4.2017 to 31.3.2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue by Business Segment												
Land Transport, Warehousing and Distribution	96,758	81.80	105,178	99.77	97,622	99.86	117,059	99.81	115,904	99.72	108,340	99.38
Manufacturing of Precision Machining Components and Parts	12,057	10.20	-	-	-	-	-	-	-	-	-	-
Others	9,467	8.00	243	0.23	134	0.14	211	0.19	324	0.28	679	0.62
Total	118,282	100.00	105,421	100.00	97,756	100.00	117,270	100.00	116,228	100.00	109,019	100.00
Segmental (Loss)/Profit Before Interest and Tax												
Land Transport, Warehousing and Distribution	(8,362)	117.80	5,714	99.03	9,348	99.96	8,085	101.88	6,714	107.01	14,481	101.68
Manufacturing of Precision Machining Components and Parts	1,537	(21.65)	-	-	-	-	-	-	-	-	-	-
Others	(274)	3.85	56	0.97	4	0.04	(148)	(1.88)	(440)	(7.01)	(239)	(1.68)
Total	(7,099)	100.00	5,770	100.00	9,352	100.00	7,937	100.00	6,274	100.00	14,242	100.00

REVENUE RM'000



SEGMENTAL (LOSS)/PROFIT BEFORE INTEREST AND TAX RM'000



PROFILE OF THE BOARD OF DIRECTORS'

TAN SRI DR. SULEIMAN BIN MOHAMED

Independent Non-Executive Chairman

NATIONALITY

Malaysian

GENDER

Male

AGED

75

Tan Sri Dr. Suleiman Bin Mohamed ("Tan Sri 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.

Tan Sri 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.

Tan Sri Dr. Suleiman was the former Chairman of UNITAR International University, a position he held from 2012 to 2016.

Tan Sri is also the founder and Chairman of Koperasi Khazanah Suria (KL) Berhad since 2009, a Company that provides business consulting and promotes financial literacy, education and planning for its members.

In the year 2021, Tan Sri Dr Suleiman Mohamed was given The National Book Award 2020 by the government of Malaysia. This grand award was based on his 12th books, "Diaspora Khatib Koyan," also as prolific book writer.

Tan Sri Dr. Suleiman attended all six (6) Board Meetings held in the financial year ended 31 March 2023.

NG AIK CHUAN

Managing Director

NATIONALITY

Malaysian

GENDER

Male

AGED

55

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 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, the brother of Ng Yam Pin, a substantial shareholder as well as the Executive Director of the Company, and the husband of Teo Siok Kee, the Executive Director of the Company.

Mr. AC Ng attended all six (6) Board Meetings held in the financial year ended 31 March 2023.

PROFILE OF THE BOARD OF DIRECTORS' (CONT'D)

NG YAM PIN	NATIONALITY	GENDER	AGED
Executive Director	Malaysian	Male	54

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 year ended 31 March 2023.

KOK POH FUI	NATIONALITY	GENDER	AGED
Executive Director	Malaysian	Male	53

Mr. Kok Poh Fui ("Mr. PF Kok") is our Executive Director. He was appointed to the Board on 2 January 2020. He was previously the Chief Financial Officer 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 Chief Financial Officer in 2013 and was subsequently promoted as Executive Director of our Group.

Mr. PF Kok attended six (6) Board Meeting held in the financial year ended 31 March 2023.

PROFILE OF THE BOARD OF DIRECTORS' (CONT'D)

TEO SIOK KEE	NATIONALITY	GENDER	AGED
Executive Director	Malaysian	Female	56

Ms. Teo Siok Kee ("Ms. SK Teo") is our Executive Director. She was appointed to the Board on 29 May 2023. She was previously the Customer Care Manager of Xin Hwa Trading & Transport Sdn. Bhd. ("XHTT"), the major and a wholly-owned subsidiary of Xin Hwa Holdings Berhad. She is responsible for overseeing operations, marketing, and customer care services.

With approximately 26 years of experience in the logistics industry, Ms. SK Teo has developed extensive expertise in this field. She joined Sinwah Trading & Transport Agency ("Sinwah") in 1999, where she was involved in the day-to-day operations of the company and overseeing the accounts department. In 2002, the entire business operations of Sinwah were transferred to XHTT, where Ms. SK Teo continued to work with XHTT and further develop her expertise in the logistics industry.

She is the wife of Mr. Ng Aik Chuan, a substantial shareholder as well as the Managing Director of the Company.

DATUK JORY LEONG KAM WENG	NATIONALITY	GENDER	AGED
Independent Non-Executive Director	Malaysian	Male	58

Datuk Jory Leong Kam Weng ("Datuk 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 both Nominating and Remuneration Committees.

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

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

In between November 1995 to February 1997, he held the position of Executive 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 the Independent Non-Executive Chairman of Pan Malaysia Holdings Berhad and an Independent Non-Executive Director of Pecca Group Berhad, Only World Group Berhad and Malayan United Industries Berhad, companies listed on Bursa Malaysia Securities Berhad. Datuk Jory is also the Independent Non-Executive Chairman of Tokio Marine Life Insurance Berhad, and sits on the Board of several public limited companies namely, Asian Outreach (M) Berhad and Pusat Penyayang KSKA and several private limited companies.

Datuk Jory attended all six (6) Board Meetings held in the financial year ended 31 March 2023.

PROFILE OF THE BOARD OF DIRECTORS' (CONT'D)

LIEW CHEK LEONG	NATIONALITY	GENDER	AGED
Independent Non-Executive Director	Malaysian	Male	51

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. Mr. Liew promoted as the Finance Director of Tomypak Flexible Packaging Sdn. Bhd. (previously known as Tomypak Berhad) in year 2009 and was 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 was also a member of the Risk Management Committee, ESOS committee, and Investment and Development Committee of Tomypak Holdings Berhad. Mr. Liew left Tomypak Flexible Packaging Sdn. Bhd. in February 2018.

Currently, Mr. Liew is the Operation Director of Hi-Q Global Sdn Bhd, one of the subsidiaries of Neo Group Ltd, a public company limited by shares, incorporated in Singapore.

Mr. Liew attended all six (6) Board Meetings held in the financial year ended 31 March 2023.

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.
- Mr AC Ng and Mr YP Ng had been publicly reprimanded and fined RM100,000 and RM50,000 respectively by Bursa Malaysia Securities Berhad for the breach of certain provisions of the Main Market Listing Requirements during the financial year 2021.
- Save for Mr AC Ng and Mr YP Ng, none of the other 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 year.

PROFILE OF THE KEY SENIOR MANAGEMENT

TING PIK HOU

General Manager

NATIONALITY

Malaysian

GENDER

Male

AGED

44

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 twenty two (22) 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 ISO 45001:2018 Occupational Health and Safety Management System.

MOHD YUSOFF BIN RAHMAT

Group Operations Manager

NATIONALITY

Malaysian

GENDER

Male

AGED

65

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 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.

CHAIRMAN'S STATEMENT

Dear Respected Shareholders,

As the Chairman of Xin Hwa Holdings Berhad ("Xin Hwa" or the "Group"), I am delighted to present to you the Annual Report for Xin Hwa for the financial year ended 31 March 2023 ("FY2023") on behalf of the Board of Directors (the "Board").

MACROECONOMIC OVERVIEW

At the onset of FY2023, there was an initial wave of optimism as the world moved towards endemicity and recovery in the global economy was gaining traction. Unfortunately, this positive outlook was subsequently overshadowed by the persistent ramifications of the Coronavirus disease 2019 ("Covid-19") pandemic alongside geopolitical upheavals such as the Russia-Ukraine conflict and prolonged US-China trade tensions. These interconnected factors, accompanied by mounting inflation, rising interest rates and apprehensions of recession, had considerably amplified uncertainties in the market.

Consequently, these circumstances have intensified the already challenging business environment, creating additional strain due to supply chain disruptions, labour and material shortages, and fluctuations in commodity prices. These difficulties have had a notable impact on the world economic recovery. The International Monetary Fund ("IMF") projected a moderation in global gross domestic product ("GDP") growth to 3.4% in 2022, compared to the commendable 6.0% achieved in 2021.

On a brighter note, the economic landscape in Malaysia has displayed a positive trajectory, bolstered by the reopening of economy and a notable revival in business activities. As a result, our GDP experienced a robust expansion of 8.7% in 2022, surpassing the growth of 3.1% recorded in 2021, as reported by the Ministry of Finance ("MOF"). This encouraging trend persisted into the first quarter of 2023, with our nation's GDP registering a growth of 5.6%



CHAIRMAN'S STATEMENT (CONT'D)



NAVIGATING THROUGH ADVERSITY

At Xin Hwa, the business operating environment in FY2023 proved to be exceedingly challenging due to the aforementioned factors. These headwinds, compounded by escalating cost pressures and impairments, resulted in a net loss of RM15.7 million for the fiscal year under evaluation. However, on a positive side, our strategic diversification into the manufacturing of precision machining components and parts has yielded favourable outcomes, contributing positively to our earnings. Notably, our revenue grew 12.2% year-on-year ("YoY") to RM118.3 million as compared to RM105.4 million in FY2022.

To recap, we successfully completed the acquisition of a 79.0%-stake in Micron Metal Engineering Sdn. Bhd. ("Micron") in July 2022, which marked our diversification into manufacturing. Since then, we have been charting good progress on this front as we continue to scale the business.

Meanwhile, we are also pleased to share that our Shah Alam E-Fulfilment Centre has been doing very well since its official opening in March 2022. The utilisation rate recorded a healthy upswing to almost full capacity. The E-Fulfilment Centre distinguishes itself from traditional warehouses by its exceptional capacity to handle high volumes of smaller-sized packages for efficient delivery via trucks. This capability is particularly crucial in meeting the escalating demands of e-commerce activities. Moreover, the facility incorporates state-of-the-art conveyor elevators, facilitating seamless transportation of goods between floors and significantly enhancing overall warehouse efficiency.



CHAIRMAN'S STATEMENT (CONT'D)

PROSPECTS

The new financial year ahead, that is FY2024, is anticipated to present persistent challenges due to prevailing macroeconomic uncertainties, further compounded by a projected global economic growth slowdown in 2023. On the domestic front, Bank Negara Malaysia ("BNM") foresees a moderation in GDP growth and estimated an expansion of 4.0% to 5.0% in 2023 compared to the high-growth base of 8.7% achieved in 2022.

Similarly, the transportation and storage subsector is expected to experience a slower pace of growth compared to the previous year, primarily attributable to the strong growth achieved in 2022. Nevertheless, it is still projected to exhibit commendable expansion of 7.0% in 2023, as forecasted by the Ministry of Finance ("MoF"). The acceleration of infrastructure projects serves as a positive impetus for the industry.



At Xin Hwa, our unwavering dedication lies in further establishing a strong foundation for our business. Our primary objective for our logistics arm is to expand our clientele while concurrently optimising our efficiency and cost management. Additionally, we have set our sights on building up our land transport presence in Indonesia given the vast opportunity arising from the relocation of its capital city.

Separately, the long-term outlook for our manufacturing business continues to be exciting. The engineering supporting industry ("ESI"), that mainly revolves around the manufacture of intermediate metal products that are later used to produce various end products, is forecasted to reach RM13.88 billion in 2027 from RM9.98 billion in 2023. This equates to a healthy compounded annual growth rate ("CAGR") of 8.2%, driven by the rising demand for engineering supporting services across various sectors, including semiconductor, life science, and medical technology, among others. This growth trajectory brings positive news to our precision machining components and parts manufacturing division, positioning it favourably to capitalise on emerging opportunities.



For our manufacturing segment, we have charted a clear strategic growth plan. We will expand capacity and enhance our capabilities to grow this business. Simultaneously, we are intensifying our focus on research and development ("R&D") and quality control, reinforcing our value proposition with resolute commitment. Lastly, we continue to pursue opportunities stemming from the US-China trade diversion as Southeast Asia continues to be an attractive location for manufacturers to diversify their production base.

All in all, we look forward to a better year in FY2024 as we remain steadfast on the execution of our growth strategies. We remain cautiously optimistic on the outlook of the Group and are working hard to deliver an improved performance in the upcoming financial year barring unforeseen circumstances.

CHAIRMAN'S STATEMENT (CONT'D)

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our management and staff for their commitment, hard work and contribution to Xin Hwa, especially during these demanding times.

Our heartfelt thanks go to all our stakeholders, including but not limited to our customers, business partners, bankers and suppliers for their unwavering support to the Group. To our valued shareholders, thank you for putting your trust and confidence in our leadership and vision. Your support has helped us get through this challenging time and enabled us to continue growing our business.



Next, I would like to extend a warm welcome to Miss Teo Siok Kee who joined the Board as our new Executive Director. She has been with the Group for almost 25 years and brings with her a wealth of experience in the logistics industry. We are confident she will contribute fresh insights and ideas to the Board, further creating value for Xin Hwa.

In closing, I would like to convey my sincere appreciation to my esteemed colleagues on the Board for their exceptional professionalism and collaborative spirit throughout our work together. Your collective wisdom, insightful counsel and guidance have been indispensable in navigating through the obstacles. It has been a true pleasure to work alongside each of you. I have no doubts that our management team, under the leadership of the Board, will help the Group forge ahead, overcome the present challenges and emerge stronger than before.

Tan Sri Dr. Suleiman bin Mohamed
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS



Dear Valued Shareholders,

The financial year ended 31 March 2023 ("FY2023") was another challenging year for Johor-based Xin Hwa Holdings Berhad and its subsidiaries ("Xin Hwa" or the "Group") as we continued to navigate through the aftereffects of the pandemic.

The persistent ramifications of the Coronavirus disease 2019 ("Covid-19") pandemic, geopolitical upheavals alongside supply chain disruptions, labour and material shortages as well as fluctuations in commodity prices, have considerably amplified uncertainties in the market and putting further pressure on the existing onerous business operating conditions. Many businesses across various industries were impacted, including Xin Hwa's.

For FY2023, the Group posted a net loss of RM15.7 million as it was affected by higher financing costs, depreciation as well as increase in operating and administrative expenses. On a brighter note, our diversification into the manufacturing business has contributed positively to Xin Hwa and boosted top-line growth. Revenue for the financial year under review, rose 12.2% year-on-year ("YoY") to RM118.3 million from RM105.4 million in FY2022.

BUSINESS & OPERATIONAL REVIEW

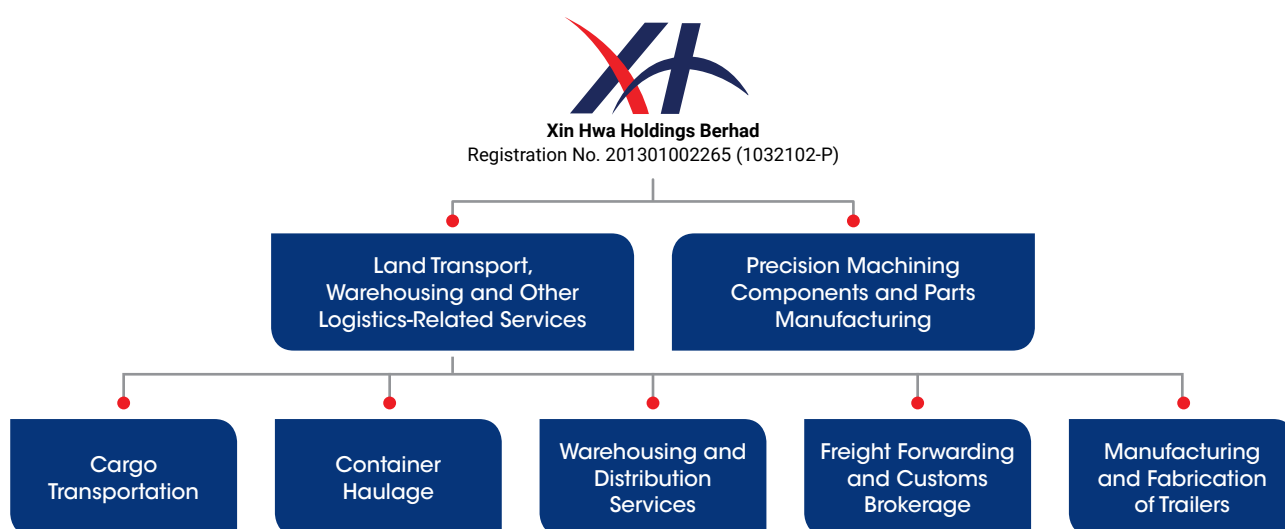
Established in 1965 as a modest land transport operator, Xin Hwa has evolved over time into an integrated logistics services provider. With close to six decades of operational expertise and a solid track record, Xin Hwa now offers a broad range of logistics solutions to meet the diverse requirements of our clients. In June 2015, we achieved a significant milestone in our corporate history when Xin Hwa went public and was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). Today, our clientele spans various industries including electronics & electrical, oil & gas, consumer products, construction, ports and more, reflecting our diversified business portfolio.

In 2022, the Group diversified our principal activity to include manufacturing of precision machining components and parts following the acquisition of a 79.0%-stake in a homegrown precision machining components and parts manufacturer, Micron Metal Engineering Sdn. Bhd. ("Micron"), which is also based in Johor.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

BUSINESS & OPERATIONAL REVIEW (CONT'D)

Xin Hwa's business activities can be classified into the following key segments:



Land Transport, Warehousing and Other Logistics-Related Services

Land Transport – Cargo Transportation

Xin Hwa offers comprehensive cargo transportation services that cover both domestic shipments within Peninsular Malaysia and cross-border operations between Peninsular Malaysia and Singapore. Additionally, we have expanded our presence into Indonesia since FY2019, extending our reach to serve a broader market. As of end-March 2023, our fleet size stood at 1,651 comprising prime movers, trailers and trucks. This was a slight increase from 1,621 units in the previous year.

On project cargo, which is transportation of over-dimensional and overweight heavy cargo where we have carved out a niche, we successfully completed several projects in FY2023. One of them is the Light Rapid Transit Line 3 ("LRT 3") project for the transportation of precast structures and other related products for LRT 3.

Another highlight during the financial year under review was the commencement of an ongoing project with a prominent global Malaysian energy group. We are tasked with the responsibility to transport oil and gas products in solid and liquid form across various destinations in Peninsular Malaysia. The Group takes pride that we have delivered the products on a timely basis and met all the stringent requirements set by our customer.

Land Transport – Container Haulage

In addition to our cargo transportation services, Xin Hwa extends its expertise to container haulage services. Our Group is equipped to handle both internal and external haulage requirements. Internal haulage services focus on the smooth transfer of containers within ports, ensuring efficient logistics operations. For external haulage, we specialise in inter-state transportation services across Peninsular Malaysia, delivering reliable and timely solutions. Presently, our operations are located at Port Klang, including Westport, Selangor and Penang Port, Pulau Pinang.

Warehousing and Distribution Services

Xin Hwa offers comprehensive solutions that seamlessly integrate our land transport operations with our warehousing and distribution services, delivering exceptional value to our customers. This integration enhances our value proposition by empowering our customers to achieve operational efficiency and cost savings within their supply chain. Our Group's warehousing and distribution services encompass a wide range of offerings:

- General storage;
- Cargo consolidation for distribution purpose;
- Inventory management services;
- Value-added services such as picking, packing, labelling and palletising.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

BUSINESS & OPERATIONAL REVIEW (CONT'D)

Land Transport, Warehousing and Other Logistics-Related Services (Cont'd)

Warehousing and Distribution Services

At Xin Hwa, we understand the diverse needs of our clients, which is why we provide both bonded and non-bonded warehousing options. Bonded warehouses serve as secure storage facilities for goods awaiting customs-related tax clearance, while non-bonded warehouses are utilized to store goods after tax settlement. This flexibility ensures that we can accommodate our customers' specific requirements effectively.

We currently have a total of 1.03 million square feet ("sf.") of warehousing space across 5 warehouses in Johor, Selangor and Pahang. The average utilisation rate of our warehouses continues to be more than 90%, giving us a stable stream of recurring revenue.

More excitingly, the utilisation of our our Shah Alam E-Fulfilment Centre has picked up strongly since opening its doors back in March 2022. Currently, the utilisation rate is close to full on the back of robust demand from customers especially from the e-commerce segment. The 300,000 sf. E-Fulfilment Centre is located strategically by the side of ELITE Highway with a distance of less than 30km to Port Klang and is a purpose-built building designed to facilitate e-commerce logistics. This stands out from other conventional warehouses due to its ability to cater for fulfilment that involves high volume and smaller-sized packages to be delivered by trucks, which is critical in fulfilling the surging volume in e-commerce activities.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

BUSINESS & OPERATIONAL REVIEW (CONT'D)

Land Transport, Warehousing and Other Logistics-Related Services (Cont'd)

Other Logistics-Related Services – Freight Forwarding and Customs Brokerage

Additionally, the Group offers a range of complementary value-added services, including freight forwarding and customs brokerage as part of our integrated logistics solutions. Xin Hwa holds a license under the Customs Act 1967, authorising us to provide customs brokerage activities in Malaysia. These activities encompass several key aspects:

- Preparation and submission of customs clearance documents;
- Arrangement of transportation for cargo movement;
- Port coordination to ensure timely and seamless delivery;
- Provision of advisory services on freight forwarding matters.

To enhance our efficiency and streamline operations, our systems are interconnected with Dagang Net, the National Electronic Trade Facilitation system. This connectivity allows us to submit applications electronically, reducing processing times for requests. Moreover, it enables us to provide real-time information to our customers, such as customs exchange rates, shipping schedules, and customs declarations. By leveraging these capabilities, we ensure optimal service delivery and effective management of logistics-related processes.

Other Logistics-Related Services – Manufacturing and Fabrication of Trailers

Our in-house manufacturing, fabrication, and maintenance centre stands as a cornerstone of our competitive advantage, of which we take great pride. Supported by a team of highly skilled professionals, Xin Hwa has the capability to custom fabricate trailers based on our clients' specific logistics requirements. The majority of our trailers are proudly produced in-house, showcasing our commitment to quality and tailored solutions.

At the same time, our in-house maintenance services contribute to our competitive edge by delivering enhanced efficiency through faster servicing turnaround times and reduced downtime. By relying on our internal capabilities rather than external maintenance service providers, we maintain greater control over our operations, safeguarding our efficiency and profitability. This becomes especially crucial as any downtime directly impacts our performance. Our state-of-the-art manufacturing, fabrication, and maintenance centre is strategically located in Senai, Johor, enabling us to efficiently cater to our clients' needs.

In the financial year under review, this division made a breakthrough by having secured a trailer fabrication project from external customer, which is also a testament to our capabilities. More excitingly, by undertaking this project, it has effectively boosted our top-line performance in FY2023.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

PRECISION MACHINING COMPONENTS AND PARTS MANUFACTURING

Micron is a homegrown precision machining components and parts manufacturer with almost two decades of experience and a proven track record. It specialises in the manufacturing and supply of shafts, precision parts and small metal attachments to the office automation, medical equipment and oil & gas industries. The manufacturing base is located in Ulu Tiram, Johor with total built-up area of 15,084 sf.

FY2023 posed challenges for numerous manufacturers due to dampened consumer sentiments caused by inflationary pressures and escalating interest rates. We experienced some slowdown in orders as well, however, given that we serve a diverse range of customers from different industries, the impact was manageable. The utilisation rate of our production capacity remained healthy at around 70%.



CORPORATE DEVELOPMENTS

Acquisition of Micron

In the financial year under review, the Group had in July 2022 completed the acquisition of a 79.0%-stake in Micron for a purchase consideration of RM19.8 million, which was satisfied via a combination of cash and issuance of new Xin Hwa shares ("Acquisition"). Micron is now a 79.0%-owned subsidiary of Xin Hwa. The Group has also granted a put option to the Vendors for the sale of the remaining 21.0%-stake at similar valuation, with the option period of 2 years effective from 1 January 2025.

To recap, the Acquisition comes with a cumulative profit guarantee totaling RM4.5 million in profit after tax ("PAT") provided by the vendors for 3 financial years ending 31 December 2022 to 31 December 2024 ("Profit Guarantee"), translating into an average of RM1.5 million per year. On that note, we are delighted to share that the Profit Guarantee continues to be on track given the commendable performance thus far.

Diversification

Pursuant to the abovementioned Acquisition, the Group had diversified its principal activity to include manufacturing of precision machining components and parts ("Diversification"), which was approved by shareholders at an extraordinary general meeting held in July 2022. This is because the precision machining business stemming from the acquisition may contribute 25.0% or more to the net profits or result in a diversion of 25.0% or more of the net assets of Xin Hwa.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

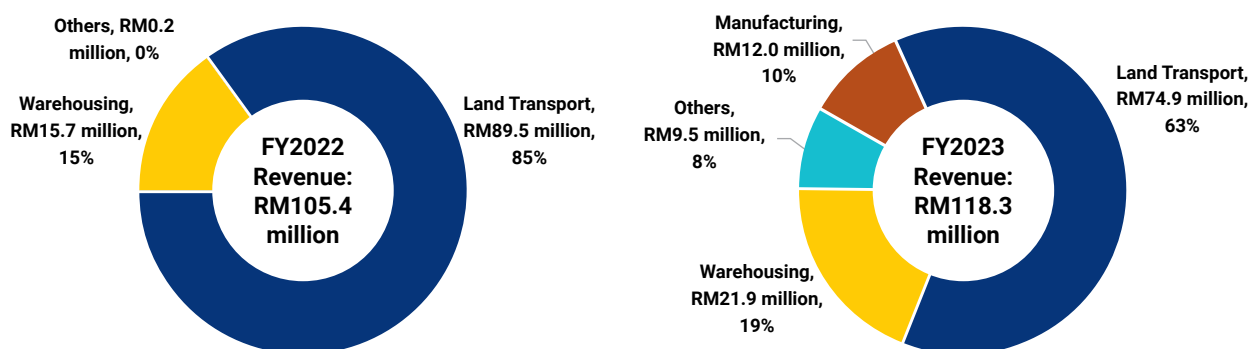
FINANCIAL REVIEW

Top-Line Performance

For the financial year under review, the Group achieved a revenue growth of 12.2% year-on-year ("YoY") to RM118.3 million from RM105.4 million in FY2022. This was predominantly owing to maiden contribution from our manufacturing business as well as our manufacturing and fabrication of trailers division.

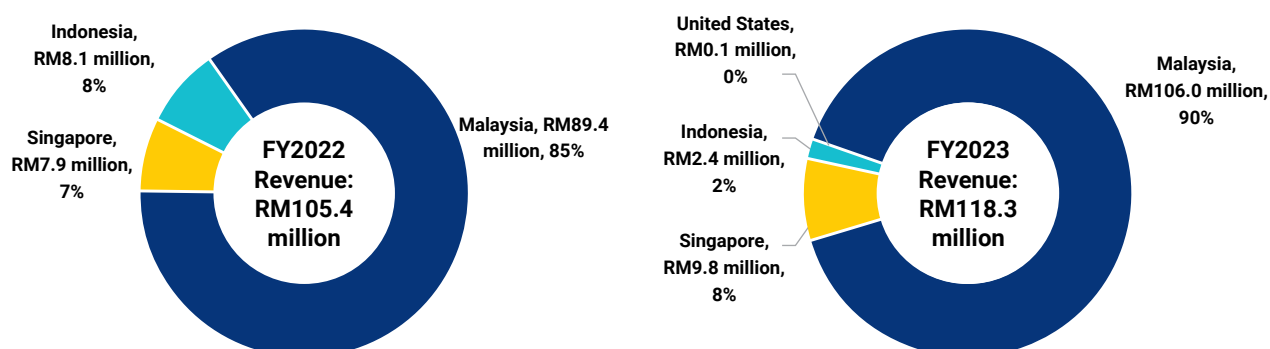
In terms of revenue breakdown by business segment, land transport, warehousing and other services remained our primary revenue contributor, accounting for 89.8% or RM106.3 million of total FY2023 revenue. Further zooming into the division, of the RM106.3 million, land transport and warehousing contributed RM74.9 million and RM21.9 million respectively followed by others at RM9.5 million. The strong jump in the others segment was chiefly owing to the manufacturing and fabrication of trailers project. On the other hand, the manufacturing business accounted for the remaining 10.1% or RM12.0 million of total turnover in FY2023.

Revenue Breakdown by Business Segment



* There was no contribution from the manufacturing segment in FY2022 as Xin Hwa completed the acquisition of Micron and diversified into manufacturing in FY2023.

Revenue Breakdown by Geographical Markets



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL REVIEW (CONT'D)

Top-Line Performance (Cont'd)

As for revenue contribution by geographical markets, Malaysia accounted for the lion's share of the total FY2023 revenue at 89.6% or RM106.0 million, followed by Singapore (8.3% or RM9.8 million), Indonesia (2.0% or RM2.4 million) and United States (0.1% or RM0.1 million)

Bottom-Line Performance

In FY2023, our bottom-line was impacted by higher financing costs, depreciation, operating and administrative expenses, and additional impairment of trade receivables, as well as impairment of property, plant and equipment ("PPE") of an Indonesian subsidiary. The impairments were made in adherence to Malaysian Financial Reporting Standards ("MFRS") and prudent accounting practices. Consequently, the Group recorded a net loss of RM15.7 million, reflecting the impact of these factors on our bottom line.

Capital Structure and Capital Resources

At the end of the financial year under review, Xin Hwa's total assets remained broadly similar at RM381.3 million vis-à-vis RM380.0 million in the previous year. Total cash and cash equivalent stood at RM17.3 million as of 31 March 2023. This was lower than RM41.3 million a year ago as we completed the 79.0%-stake in Micron and invested in PPE for the Group in FY2023.

Total liabilities, on the other hand, stood at RM187.1 million as at end-FY2023. This was a rise of RM10.1 million from RM177.0 million last year, stemming from increase in bank overdrafts. As at the end of the financial year under review, total equity amounted to RM194.3 million as compared to RM203.0 million at end-FY2022.

Net Operating Cash Flow ("NOCF")

Xin Hwa generated a positive NOCF of RM8.9 million in FY2023. It is noteworthy to mention that the Group has consistently generated positive NOCF every year since our listing in 2015.

Dividend

After thorough deliberation and careful evaluation of the current challenging operating conditions that are filled with uncertainties, the Board of Directors (the "Board") has decided not to recommend any dividends for the year in review. This decision reflects the Board's priority to conserve funds for the long-term sustainability and growth of the business.

Balance Sheet Highlights As At 31 March 2023



Total Assets
RM381.3
million



Total Equity
RM194.3
million



Total Cash
RM17.3
million



Net Assets
RM0.76
per Share

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

ANTICIPATED OR KNOWN RISKS

Operational Disruptions (Including Availability of Drivers)

As a provider of land transportation services, our operations are contingent upon the availability of skilled drivers. Any shortages in our driver pool could have a direct impact on our delivery schedule. To address this potential challenge, Xin Hwa consistently implements proactive measures. We continuously develop initiatives aimed at attracting new drivers while ensuring competitive compensation packages to retain our current workforce. Additionally, we provide comprehensive on-the-job training for all drivers and maintain an accessible management system to address any concerns they may have. However, it is important to acknowledge that external risks such as riots, pandemics, natural catastrophes, and general strikes are factors beyond our control. Despite these uncertainties, we remain committed to mitigating risks and delivering reliable transportation services to our valued customers.

Intense Competition

The logistics sector is competitive and fragmented with a wide range of service providers and pricing level available in the market. Our Group faces competition not only from local players but also from foreign logistics service companies. Engaging in a pricing war could potentially undermine our profitability and market share. To fortify our value proposition and market position, Xin Hwa places great emphasis on delivering services of exceptional value and excellence to our customers. In order to maintain our competitive edge and expand our market share, we continue to leverage our expertise, profound technical knowledge and established track record. By doing so, we are dedicated to sustaining our competitive advantage and reinforcing our presence in the industry.

Volatility in Fuel Prices

As a result of the nature of our operations, fuel costs constitute a significant portion of our expenses. Consequently, the Group is exposed to the inherent risk of fluctuations in fuel prices. These fluctuations are influenced by various factors beyond our control, such as changes in global demand and supply dynamics, trade policies, and overall global economic activities. To mitigate this risk, we adopt proactive measures that include closely monitoring daily fuel price movements, strategically planning our procurement processes, and optimising driving routes for maximum efficiency. Additionally, when pricing our services, the Group takes into careful consideration the fuel costs, aiming to minimise the impact of potential volatile fluctuations in fuel prices. By implementing these measures, we aim to maintain cost stability and mitigate the impact of fuel price fluctuations on our operations.

Political, Economic and Regulatory Risks

Potential adverse shifts in Malaysia's political, economic, or regulatory landscape would not only affect Xin Hwa but also the logistics industry at large. A decline in industry performance could result from insufficient public and private investments, government initiatives and reduced budget allocations. However, our Group maintains a cautious approach to business operations, ensuring resilience throughout economic cycles. Moreover, we proactively engage with government agencies and pertinent industry organisations to exchange perspectives and remain informed about any legislative or policy changes. By adopting these proactive measures, we strive to navigate potential challenges and adapt to evolving circumstances in order to sustain our business performance effectively.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

ANTICIPATED OR KNOWN RISKS (CONT'D)

Outlook for FY2024

Forging ahead, the coming financial year (FY2024) is expected to remain taxing on the back of elevated market ambiguities arising from ongoing macroeconomic issues. Factors such as inflationary pressures, rising input cost and weak market sentiments are projected to prevail and cause global economic growth to moderate in 2023.

Likewise, the growth rate of Malaysia's transportation and storage subsector is expected to slow down in 2023 when compared to 2022, primarily due to the higher base in the previous year. Nevertheless, the subsector is estimated to still expand by a healthy 7.0% in 2023, which certainly bodes well for the industry according to the Ministry of Finance ("MoF"). This is supported by all segments on the back of expansion in rail, highway, port and airport activities as well as sustained external demand.

While there are near term headwinds, we remain steadfast in the execution of our strategic plans with prudent management as the long-term growth of the logistics industry continues to be positive. Based on statistics by independent market research firm, Protégé Associates, the Malaysian logistics industry is projected to grow to RM73.05 billion in 2027 from RM51.46 billion in 2022, implying a compound annual growth rate ("CAGR") of 7.7%.

Our key focus for our logistics division will be growing our customer base to capture larger market share and further enhance our cost structure and efficiencies in order to fortify the foundation of the business. The Group is currently pursuing a project cargo opportunity related to an international cross-border rapid transit system, and we hope to share some good news with our shareholders soon.

Concurrently, we will be establishing our land transport presence in Indonesia to seize the huge opportunities from the relocation of its capital city to Nusantara. Notably, in June 2023, the parliamentary budget committee of Indonesia approved an additional 15 trillion Indonesian Rupiah for expediting the construction of the flagship new capital, Nusantara. This significant investment in infrastructure will drive the demand for land transport and project cargo services, which augurs well for the Group.

On the other hand, our warehousing business continues to thrive as the demand for our warehousing space remains high with an average utilisation rate of 80%-90%. Xin Hwa is delighted to disclose that we have recently secured a leading refined sugar producer as a customer.

Meanwhile, we are on the lookout to seize suitable opportunities to further expand our warehousing capacity in alignment with our growth plans. The long-term outlook for the warehousing and storage market in Malaysia is highly favourable, with Protégé Associates estimating a CAGR of 8.5% until 2027. The market size is projected to increase from RM2.01 billion in 2022 to RM3.00 billion in 2027.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

ANTICIPATED OR KNOWN RISKS (CONT'D)

Outlook for FY2024 (Cont'd)

Separately, Malaysia's e-commerce market is expected to stay on an uptrend, which is good news for our E-Fulfilment Centre in Shah Alam as it is designed to facilitate e-commerce logistics. The country's e-commerce revenue is forecasted to hit RM1.65 trillion in 2025 from RM1.01 trillion in 2021, representing a CAGR of 10.7% according to Malaysia Digital Economy Corporation ("MDEC"). This is on the back of Malaysia's National E-commerce Strategic Roadmap.

Regarding our Integrated Logistics Solutions Hub ("ILSH") in Pasir Gudang, Johor, we have decided to adopt a cautious stance at this juncture in light of the prevailing market uncertainties and current economic landscape. Consequently, we have made the decision to delay the construction plans slightly, considering the substantial capital investment required for the development of the ILSH.



Moving onto our manufacturing business, we are upbeat on the prospects premised upon our growth plans. By forging strong collaborations with our valued customers, we are actively expanding our capabilities to encompass innovative and specialised manufacturing processes. At Micron, we place a paramount emphasis on quality control, striving to deliver products of exceptional quality to our customers. To achieve this, we are intensifying our efforts and allocating additional resources towards research and development ("R&D") and quality control initiatives. At the same time, we are also looking to expand our capacity to grow our business further.

In terms of business development, Micron continues to receive enquiries due to the ongoing US-China trade war, which we are making encouraging progress. The trade tensions have opened up avenues for the Group, as multinational corporations ("MNCs") seek to diversify their manufacturing base in Southeast Asia, with Malaysia emerging as a prime candidate.

All things considered, we maintain a cautiously optimistic view on the outlook of the Group supported by the aforementioned factors, while mindful of any potential obstacles that may arise along the way.

Ng Aik Chuan
Managing Director

SUSTAINABILITY STATEMENT

As an integrated logistics services provider, Xin Hwa Holdings Berhad and our subsidiaries ("Xin Hwa" or "the Group") offer a comprehensive range of services including cargo transportation, container haulage, warehousing and distribution, freight forwarding and customs brokerage, as well as the manufacturing and fabrication of trailers. Being in the logistics and transportation industry, we are cognisant of the impact our operations have on the Environment, Economy and Society ("EES").

With this in mind, Xin Hwa is focused on integrating sustainable practices across the Group as we seek to strengthen the Group's resiliency and competitive position. Our commitment to sustainability not only future-proofs the Group, but also contributes to a more equitable world as we continue to consider Environmental, Social, and Governance ("ESG") aspects in our day-to-day activities.

The measures we undertake align with the Group's Vision and Mission, reinforcing our position as a leading integrated logistics service provider. In this Sustainability Statement ("SS2023"), we outline the sustainability initiatives of the Group, as well as our ESG performance.



OUR VISION

To be a renowned integrated logistic service provider that provides reliable services, supported by a committed team and up-to-date technological systems.



OUR MISSION



Reliable services

To maintain a high level of quality in the provision of services that are efficient, timely and effective.



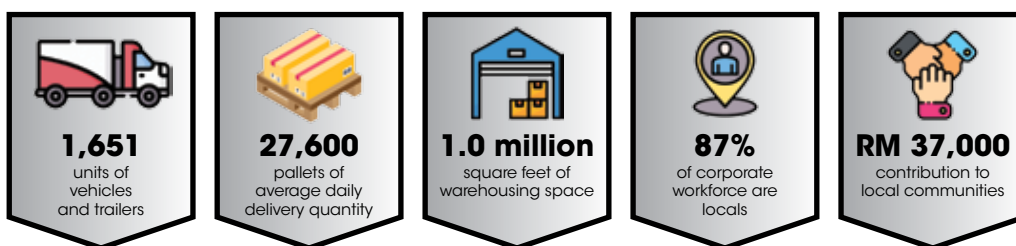
Up-to-date Technological Systems

To constantly upgrade and enhance our logistics systems in order to provide personalised services to the customers and to maintain the company's competitiveness.

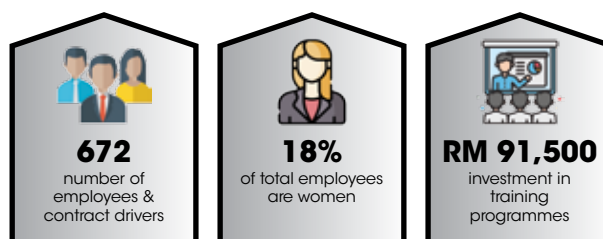


Committed Team

To ensure and encourage a conclusive and rewarding work environment that promotes commitment and dedication, strong teamwork and camaraderie amongst employees.



FY2023 Performance Highlights



SUSTAINABILITY STATEMENT (CONT'D)

ABOUT THIS SUSTAINABILITY STATEMENT

Reporting Period

This SS2023 covers the reporting period from 1 April 2022 to 31 March 2023 ("FY2023") and pertains to activities conducted by Xin Hwa. We have included historical data where possible to facilitate meaningful comparisons for stakeholders.

Reporting Scope and Boundaries

The information presented in the SS2023 covers the Group's land transport services in Malaysia, Singapore, and Indonesia; warehousing and distribution services in Johor, Kuala Lumpur, Selangor, and Kuantan; as well as other logistics-related services.

Reporting Framework

This statement was prepared in accordance with Bursa Malaysia Securities Berhad ("Bursa Malaysia")'s Main Market Listing Requirements and Sustainability Reporting Guide (2nd Edition).

SUSTAINABILITY GOVERNANCE

Our sustainability governance structure serves as the foundation and guiding framework for sustainability efforts across the Group. The Board of Directors ("the Board") at Xin Hwa leads our ESG initiatives, spearheading the establishment of sustainability goals and policies. They are supported by the Senior Management ("SM") team, under the guidance of the Managing Director, who is accountable for ensuring the effective implementation, monitoring, and reporting of the Group's sustainability efforts.

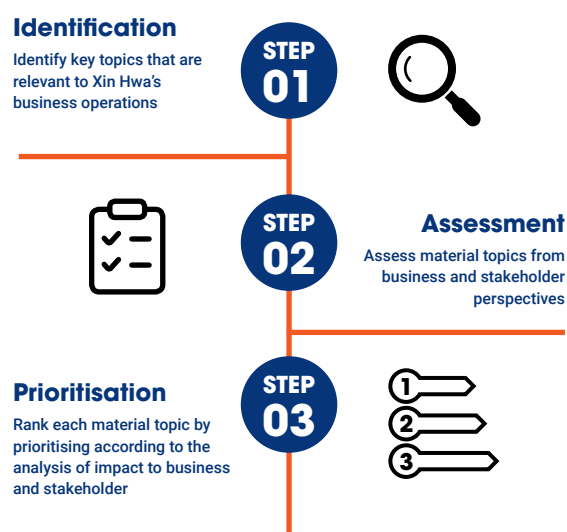
MATERIALITY ASSESSMENT

Material ESG matters impact our stakeholders and the Group's ability to generate long-term value. As such, conducting a materiality assessment is a strategic imperative for Xin Hwa allowing us to identify, assess, and prioritise the Group's sustainability matters.

Following the results of the assessment, we can chart our sustainability strategies and initiatives that align with the Group's goals. Our materiality assessment process follows the following structured process.

For FY2023, we maintained the Group's 15 material topics as presented in the prior year as they are still deemed relevant in the current operating climate.

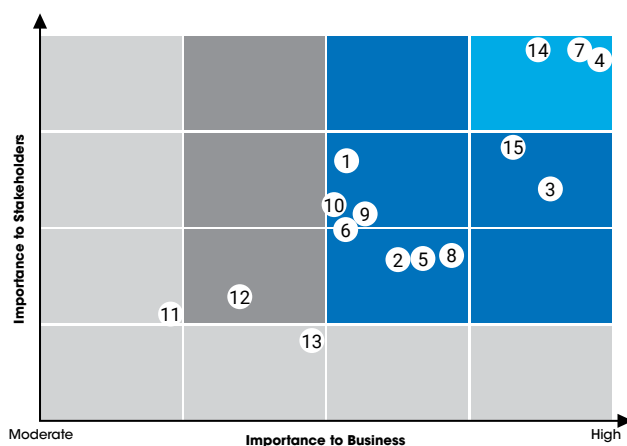
Our Material Analysis Process



SUSTAINABILITY STATEMENT (CONT'D)

MATERIALITY ASSESSMENT (CONT'D)

Our Materiality Matrix



No.	Material topic
1	Economic conditions
2	Expansion of logistic infrastructure
3	Sustainable and fair procurement practices
4	Corporate governance and ethical behaviour
5	Fluctuation in fuel price
6	Reduction of environmental impact of operations
7	Compliance of environmental laws
8	Occupational safety and health
9	Employees' welfare
10	Training and development
11	Diversity in workplace
12	Community engagement and development
13	Human rights
14	Shareholders' relations
15	COVID-19 impact

STAKEHOLDER ENGAGEMENT

Our approach to sustainability involves maintaining an open and transparent channel of communication with the Group's key stakeholder groups. This allows us to gather insights and perspectives on matters most pertinent to our stakeholders, as well as the Group. Our stakeholders, categorised into six groups that influence our business decisions, were engaged via various platforms throughout the year. The interests and key concerns of, as well as the engagement methods for the respective stakeholder groups are presented in the following table.

Major stakeholders	Communication channels	Areas of Interest
Customers	<ul style="list-style-type: none"> Customer satisfaction survey Regular updates and meetings Business engagement programmes 	<ul style="list-style-type: none"> Timely service and response Transparency and integrity Company's reputation Customer satisfaction Business continuity
Investors, shareholders, bankers and analysts	<ul style="list-style-type: none"> Annual General Meeting Bursa announcements, annual report, circulars Meetings Corporate website 	<ul style="list-style-type: none"> Regulatory compliance Corporate governance Business continuity Shareholders' return ESG-related matters Sustainable performance
Employees	<ul style="list-style-type: none"> Regular management meetings Annual performance review Social events Festive celebrations Training programmes 	<ul style="list-style-type: none"> Fair employment practices Talent acquisition and retention Career development Fair remuneration and benefits Health and safety Workplace satisfaction
Local communities	<ul style="list-style-type: none"> Community events Corporate Social Responsibility ("CSR") activities 	<ul style="list-style-type: none"> Contribution towards community Community engagement Job creation for locals Responsible operations

SUSTAINABILITY STATEMENT (CONT'D)

STAKEHOLDER ENGAGEMENT (CONT'D)

Major stakeholders	Communication channels	Areas of Interest
Suppliers	<ul style="list-style-type: none"> Business reviews Purchasing policies and procedures Meetings 	<ul style="list-style-type: none"> Supply chain management Compliance and anti-corruption standards Transparent procurement policies
Government / Regulators	<ul style="list-style-type: none"> Regulatory filings, reporting and queries Annual service audits 	<ul style="list-style-type: none"> Adherence to regulations

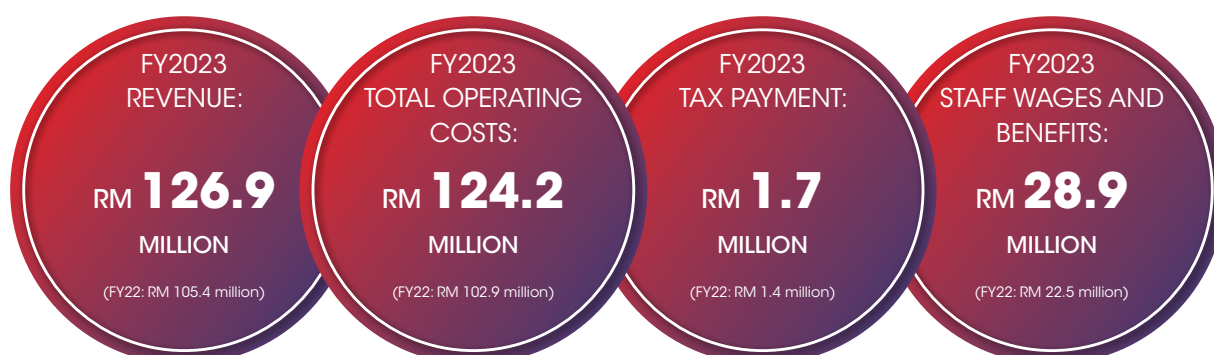


ECONOMIC PERFORMANCE

The creation of long-term value for stakeholders enables us to sustain our operations, and is crucial in achieving sustainability. Robust economic performance allows us to continue delivering quality and reliable services to our customers, in addition to distributing economic value to other stakeholders, including our shareholders, employees, suppliers, and bankers.

In 2022, the world experienced challenging global macroeconomic conditions, with prolonged geopolitical tensions, rising global energy prices, widespread inflation, heightened interest rates, and a decline in economic momentum. Notwithstanding these challenges, we remained committed to our fundamental role as a logistics service provider, supporting the Malaysia's economic activities. In FY2023, we continued to generate value for our stakeholders, despite the external headwinds.

FY2023 Economic Performance



SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC

CORPORATE GOVERNANCE AND ETHICAL BEHAVIOUR

At Xin Hwa, we remain resolute on conducting our business ethically and in compliance with all regulatory requirements. To ensure we maintain a high level of corporate governance, we implemented standard operating procedures ("SOPs") and policies to serve as guidelines for our day-to-day activities and decision-making processes, including the Board Charter, and Whistleblowing Policy & Procedure, among others. These policies can be found on our corporate website at <http://www.xinhwa.com.my/>.

Our actions are guided by the principles outlined in the Malaysian Code of Corporate Governance 2021 ("MCCG 2021"). Detailed information of our corporate governance practices can be found in the Corporate Governance Overview Statement on pages 37 to 47 of this Annual Report.

INTEGRATED LOGISTICS SERVICES PROVIDER

Xin Hwa is an integrated logistics services provider offering a wide range of services across the logistics industry. These include cargo transportation services, container haulage services, warehousing and distribution services and other logistics-related services such as freight forwarding, customs brokerage, as well as manufacturing and fabrication of trailers.

Our comprehensive range of services seamlessly integrate supply chains in Malaysia and Singapore. By combining our land transport operations with warehousing and custom brokerage services in both countries, we optimise efficiencies and cost-effectiveness for the Group's customers. Additionally, our in-house fleet maintenance services ensure quicker turnaround times for repairs, enhancing customer operations.

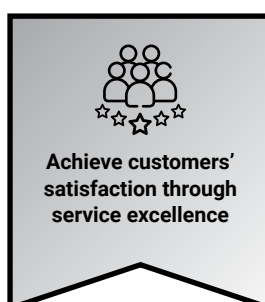
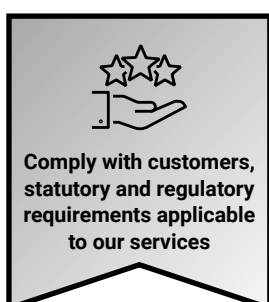
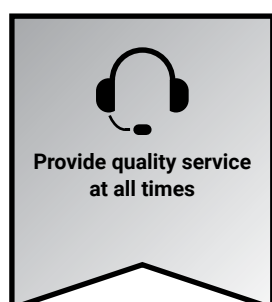
As we progress, we are committed to continuously improve our service quality to meet the evolving needs of our customers and ensure the Group's long-term success.

DELIVERING QUALITY SERVICES

At Xin Hwa, our goal is to become the preferred and leading integrated logistics services provider of choice. We recognise that customer satisfaction is paramount to the Group's success, and as such, we place great emphasis on delivering high-quality services to our customers. Consistency in quality services enables us to fulfill our customers' expectations, which in turn influence our business performance.

At all times, we adhere to the Group's Quality Policy, setting out our steadfastness to quality excellence. This is demonstrated through two of our subsidiaries, Xin Hwa Trading & Transport Sdn. Bhd. and XH Universal Forwarding Sdn. Bhd., being certified with the International Organization for Standardization ("ISO") 9001:2015 Quality Management System. This validates that our operations meet international standards and reinforces our pledge to continuous improvement.

QUALITY POLICY



SUSTAINABILITY STATEMENT (CONT'D)

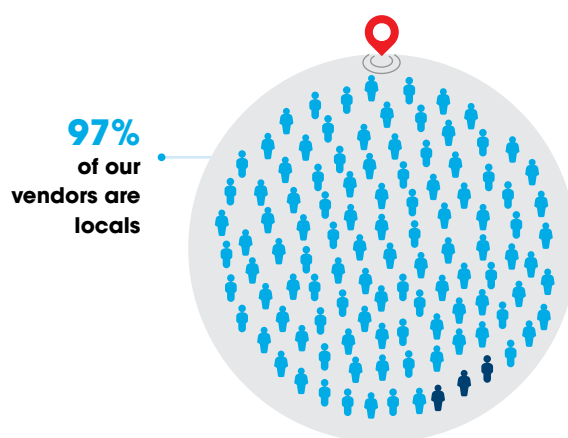
ECONOMIC

SUSTAINABLE AND FAIR PROCUREMENT PRACTICES

Our commitment to sustainability encompasses the entire value chain of our operations. With this holistic approach in mind, we strive to uphold fair and ethical procurement practices that promote transparency and integrity throughout the supply chain.

To ensure the quality and reliability of our suppliers, Xin Hwa's Procurement Department conducts vendor performance evaluations on an annual basis. These assessments evaluate suppliers based on established criteria, including commercial, financial, and operational aspects. As we move forward, we continually refine our procurement policies and processes to optimise our supply chain operations.

Whenever possible, we prioritise local procurement to support the local economy. By sourcing locally, we contribute to domestic socio-economic growth and maintain partnerships with local suppliers. This approach not only adds value to the community, but also provides benefits to the Group such as flexible and prompt delivery arrangements, as well as improved cost savings. In FY2023, 97% of our suppliers were local vendors.



ENVIRONMENTAL

We recognise that environmental stewardship is a shared responsibility extending beyond our Group, as climate change continues to pose challenges globally. The logistics and transportation industry is a major contributor to global greenhouse gas ("GHG") emissions. We are cognisant of the impact our operations have on the environment. With this in mind, we aim to operate responsibly and minimise our ecological footprint. This involves adhering to relevant environmental regulations, optimising resource utilisation, and implementing effective waste management practices.

COMPLIANCE WITH ENVIRONMENTAL LAWS

The Group complies with the respective environmental laws in our operating locations, ensuring full legal compliance. This includes the Environmental Quality Act 1974 ("EQA 1974") and its applicable regulations, such as the Environmental Quality (Scheduled Wastes) Regulations 2005. By prioritising environmental compliance, we strive to protect ecosystems, minimise pollution, and contribute to a more sustainable future.

In FY2023, there were no major incidences involving fines, penalties or non-monetary sanctions for non-compliance with environmental laws and regulations.

SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENTAL

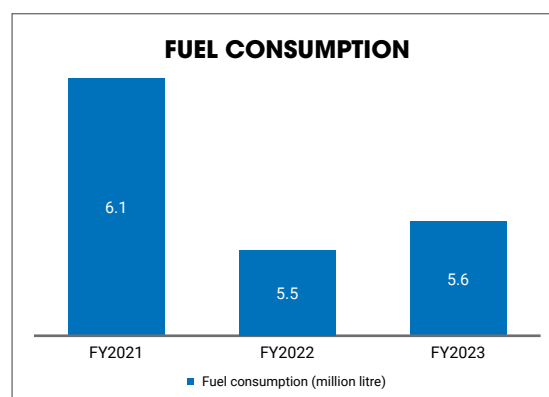
ENERGY MANAGEMENT

As a logistics services provider, Xin Hwa owns and operates a fleet of vehicles for our logistics and transportation operations. As a result, a significant portion of our energy expenses is attributed to energy consumption, in addition to electricity. Hence, our focus is to improve the Group's overall energy efficiency by effectively managing our fuel and electricity usage.

Minimising Fuel Consumption

Xin Hwa has taken proactive measures to optimise the Group's energy usage. Our efforts include closely monitoring the fuel consumption of our vehicles and continually working towards improving the efficiency of our transportation network. This involves regularly reviewing our logistics routes and scheduling deliveries to optimise routes.

Apart from that, the Group's fleet of prime movers and trailers are equipped with Global Positioning Systems ("GPS") devices, allowing our drivers to make more informed decisions and choose the most efficient routes to their destinations. We also encourage eco-friendly driving behaviours among our drivers, such as maintaining a steady speed and turning off engines when idle, among others. These efforts contribute to further reducing fuel consumption, and our environmental impact. Additionally, we prioritise the scheduled maintenance and servicing of our vehicles conducted by our in-house team. This pre-emptive approach ensures our fleet operates at its optimal level, lowering the risk of unexpected breakdowns. Through these aforementioned initiatives, we endeavour to minimise energy waste, and reduce GHG emissions.

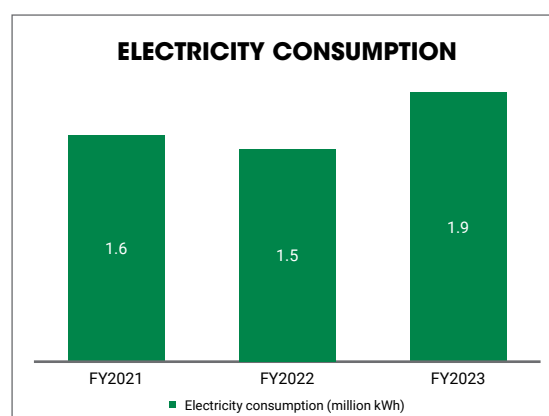


In FY2023, the Group's total fuel consumption increased marginally to 5.6 million litres, as compared to 5.5 million litres in FY2022, primarily due to increased transportation activities following Malaysia's transition to the endemic phase from 1 April 2022 onwards.

Optimising Electricity Usage

The Group sources electricity from the national grid to power our premises. Electricity generation is a major contributor to climate change due to its reliance on fossil fuels that release GHG emissions when burned. With this in mind, we raise environmental awareness among employees through educational sharing sessions held at our offices and warehouses, as well as displaying posters and signs to encourage energy-saving habits. During the year, we also installed energy-efficient lighting at our office premises, which is expected to lower the Group's carbon footprint.

In FY2023, the Group's total electricity consumption amounted to 1.9 million kilowatt-hours ("kWh"), as compared to 1.5 million kWh in FY2022, on the back of expanded operations, as employees returned to the workplace.



SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENTAL

WASTE MANAGEMENT

Waste management makes up a vital component of sustainability, as the proper handling of waste can contribute to lower GHG emissions. To achieve effective waste management, we follow a structured SOP that governs our waste disposal procedures in compliance with the national standards for waste effluents and management. By segregating waste at its source according to our SOP and promoting recycling practices, we aim to divert waste from landfills and reduce our overall environmental impact.

We generate various types of waste in our operations, including solid and scheduled waste. Solid waste includes items such as domestic waste, boxes, plastics, and metal, among others. These wastes are stored, collected, transferred and transported, processed and disposed in accordance with our SOP.

Meanwhile, our manufacturing and fabrication of trailer operations produce by-products in the form of scheduled wastes, comprising used consumables and vehicle parts, such as used engine oil and batteries. The Group has allocated a designated area for disposal within our premise to ensure the proper management of these wastes. We engage a Department of Environment ("DOE")-licensed scheduled waste contractor to collect and handle these wastes in compliance with the Environmental Quality (Scheduled Wastes) Regulations 2005 of the EQA 1974. Throughout FY2023, we maintained compliance with the applicable laws and regulations in relation to waste management.

Beyond this, we work towards reducing waste generation by implementing recycling initiatives based on the 3R concept (Reduce, Reuse, Recycle), involving the recycling of used paper, using electronic files, and sorting recyclable waste before disposal. These efforts also contribute to creating a greener workplace and fostering a culture of environmental responsibility.



SOCIAL

OUR PEOPLE

Each employee of Xin Hwa is an important asset to the Group. Our ability to attract and retain the right talents is crucial for the Group's continuous growth. As an organisation, we remain steadfast on developing a positive work environment that promotes personal growth, professional development, and overall well-being.

Diversity and Equal Employment Opportunity

At Xin Hwa, we embrace individuals from various backgrounds, cultures, and perspectives, as we view diversity as a source of strength. With this in mind, we endeavour to create an inclusive work culture that is free of discrimination. By embracing diversity, we encourage the exchange of ideas, nurturing creativity and innovation that are essential for the Group's progress.

As at 31 March 2023, our workforce stands at 672 employees, of which 18% are women. The male-dominant trend is common in logistics industry given that drivers of commercial fleet are mostly, if not all, men. Notwithstanding, we remain resolute on creating equal opportunities for all genders, especially for roles that do not rely solely on physical strength. In terms of age profile, 73% of our employees are below the age of 40 years old, reflecting a dynamic and young talent pool at Xin Hwa.

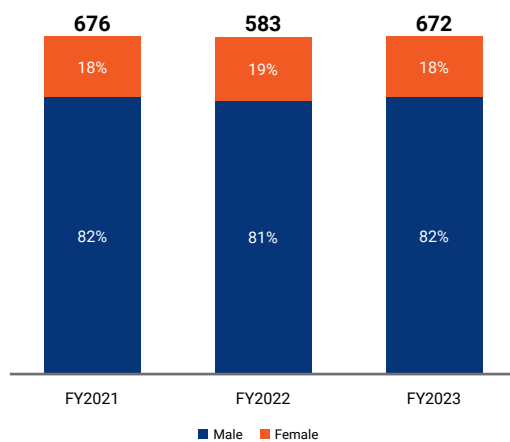
SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL

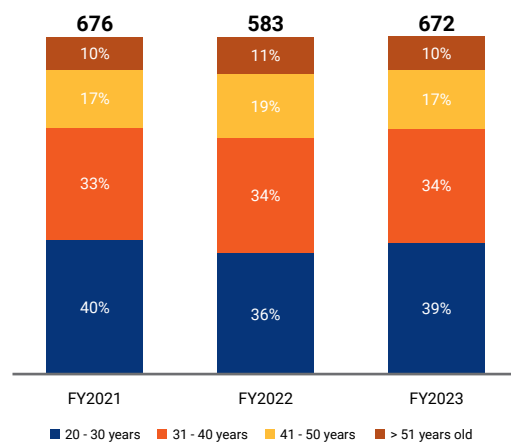
OUR PEOPLE (CONT'D)

Diversity and Equal Employment Opportunity (Cont'd)

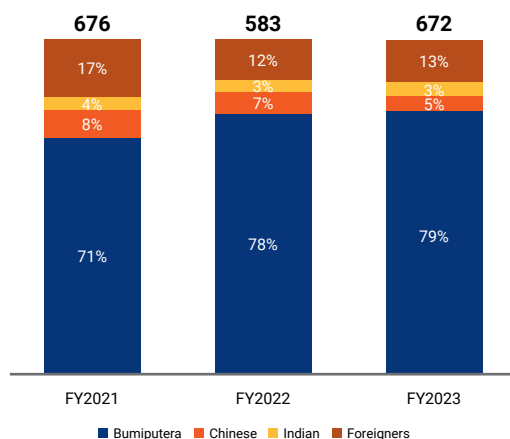
WORKFORCE BY GENDER



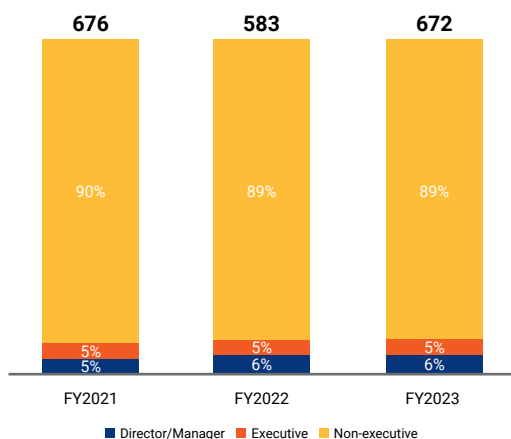
WORKFORCE BY AGE



WORKFORCE BY ETHNICITY



WORKFORCE BY EMPLOYMENT TYPE



We strongly uphold human rights principles at Xin Hwa as we believe all individuals have the right to be treated with dignity and respect, regardless of race, religion, age or gender, among others. We promote fair employment practices and ensure our employees' rights are protected. This includes ensuring equal pay for equal work, and safe working conditions, among others. Our commitment to moral and principled conduct is outlined in the Employee Handbook, which is distributed to all employees.

In FY2023, Xin Hwa complies with applicable labour standards, laws, and regulations, and received zero (0) reported discrimination and human rights violation cases.

SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL

OUR PEOPLE (CONT'D)

Talent Attraction and Retention

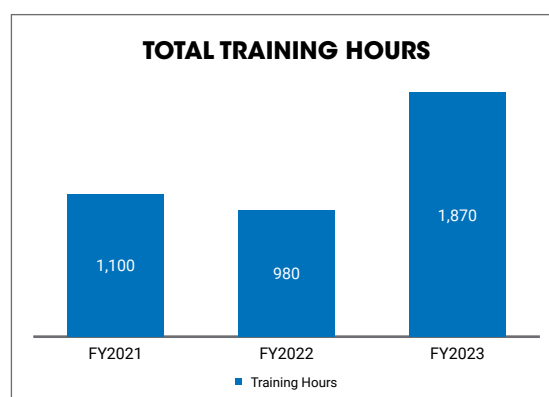
Our human capital strategy involves implementing recruitment strategies that focus on attracting talents with the right skills and cultural fit. We do this by leveraging various channels, including promoting job vacancies on online job portals, our corporate website, as well as through professional networks to reach a wide pool of potential candidates. We also provide opportunities for undergraduates to develop their skills and gain industry experience via internship programmes.

As part of our strategy, we offer competitive remuneration packages that are consistent with the industry and in compliance with the Employment (Amendment) Act 2022. The benefits we provide include annual leaves, medical benefits, and Group Personal Accident insurance coverage, to name a few.

Talent Development

We promote talent development through training programmes, as well as career advancement prospects. To ensure our employees receive the necessary support to excel in their positions, we identify training needs during the annual performance appraisal process. This enables us to tailor our training initiatives to address various aspects, such as technical skills, safety, leadership development, and personal growth.

We allocate resources for the upskilling of employees to empower them to contribute effectively to their roles and the Group as a whole. In FY2023, we invested approximately RM91,500 on workforce learning initiatives, and recorded a total of 1,870 hours of training hours.



OCCUPATIONAL SAFETY AND HEALTH

Occupational safety and health ("OSH") remain a pertinent matter at Xin Hwa, as workplace incidents can disrupt our business operations. As such, we prioritise the well-being and safety of our people by implementing robust safety policies and procedures in adherence to national regulatory safety standards, including the Occupational Safety and Health Act 1994.

Our goal is to achieve an injury-free work environment with the Group's Safety Policy serving as a guiding framework, outlining our pledge to prevent potential workplace hazards through continuous improvement of our OSH system. The policy is enforced through our Safety & Health Committee, which is led by a Chairman, and supported by a Secretary and members who are employees and employer representatives. The committee meets on a monthly basis to discuss safety concerns, review incident reports, and propose preventive measures. Additionally, to ensure enhancement of our OSH practices, we conduct an OSH survey and inspection every quarter.

The committee plays a vital role in driving safety-related initiatives throughout the Group. Safety training is provided to raise OSH awareness and empower our employees to actively participate in maintaining a safe work environment.

Our steadfastness to safety is reflected in two of our subsidiaries, namely Xin Hwa Trading & Transport Sdn. Bhd. and XH Universal Forwarding Sdn. Bhd., being certified with ISO 45001:2018 Occupational Health and Safety Management standards. These entities are guided by an Occupational Health, Safety, and Environment ("OHSE") Policy, that acts as a framework for strengthening our OSH systems in line with international standards.

SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL

OCCUPATIONAL SAFETY AND HEALTH (CONT'D)

While we believe all occupational and work-related injuries are preventable, we acknowledge that accidents can still occur. It is with regret that we experienced a fatality in FY2023, involving one of our drivers at Penang Port, while making an unauthorised turn, which resulted in an overturn accident. Following this, we performed thorough investigation and implemented further measures to enhance safety protocols to minimise risk of repeat occurrences. These include conducting comprehensive OSH briefings for all employees, emphasizing the importance of adhering to safety rules and regulations during work activities. We have also introduced regular awareness programs to continuously reinforce safety practices among our workforce. Additionally, we have proposed to the port's authorities to implement physical measures to improve traffic arrangement at the port.

As we move ahead, our commitment to OSH remains unwavering as we foster a safety-conscious culture to ensure a safe work environment for everyone.

COMMUNITY ENGAGEMENT AND DEVELOPMENT

At Xin Hwa, we recognise the significance of community engagement as an integral part of our commitment to sustainability. We strive to become a responsible corporate citizen, contributing to the development of local communities where we operate through the creation of job opportunities, as well as CSR activities.



87%
of our
workforce
are locals

Local Employment

We prioritise the hiring of local talents as it supports the economic resilience of the local communities, in addition to fostering stronger connections with the community. In FY2023, 87% of our personnel are Malaysians.

Corporate Social Responsibility ("CSR") Activities

Recognising our organisation's role in driving socio-economic growth, we aim to create shared benefits and strive to give back to the people around us. Keeping this in focus, we aspire to make a positive impact on local communities by engaging in CSR activities.

In FY2023, we contributed approximately RM37,000 for community engagement initiatives. We continued to pool our resources and people to organise several CSR activities for the community: -

- a) Charitable donation to Berkat Community Berhad, Johor Bahru
- b) Blood Donation Drive



SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL

COMMUNITY ENGAGEMENT AND DEVELOPMENT (CONT'D)

Corporate Social Responsibility ("CSR") Activities (Cont'd)

c) Financial assistance to welfare organisations

- Handicapped and Mentally Retarded Children Centre, Johor Bahru



- Pertubuhan Kebajikan Shan De, Johor Bahru



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Xin Hwa Holdings Berhad ("Board") recognizes the importance of good corporate governance in the conduct of the Company's and its subsidiaries' (collectively referred to as the "Group") affairs and is committed to implementing good corporate governance practices throughout the Group.

The Board fully supports the Malaysian Code on Corporate Governance ("MCCG" or "Code") Principles and Practices of Good Corporate Governance Practices (including the Intended Outcomes) in directing and managing the Group's business and affairs toward promoting business prosperity and corporate accountability as a fundamental goal of discharging its responsibilities to protect and enhance the interests of all stakeholders and financial performance.

The Board is pleased to present this overview statement which sets out a summary of the Group's corporate governance practices during the financial year ended 31 March 2023. This statement should be read in conjunction with the Company's Corporate Governance Report 2023 ("CG Report"), which is available on the Company's website at www.xinhwa.com.my. The CG Report describes how the Company has implemented each practice outlined in the Code. The CG Report contains explanations for departure practices.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board is responsible in providing oversight of the Group's strategic direction, managing business operations, and identifying critical risk factors that may have a substantial impact on the Group's operations and performance. In order to achieve these objectives, the Board conducts regular evaluations of the risk management and internal control systems to ensure their integrity and sufficiency in providing reasonable assurance of risk mitigation.

Principle Functions and Responsibilities of the Board

The principal functions and 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.

Board Committees

The Board has formed the following committees ("Board Committees") and delegated specific responsibilities to each of them in order to ensure the orderly and effective fulfilment of the Board's functions and obligations:-

- Audit & Risk Management Committee
- Nominating Committee
- Remuneration Committee

The Board Committees shall deal with matters within their respective terms of reference and authority delegated by the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

Board Meetings

The Board meets on a regular basis, at least once a quarter, to assess the Group's activities and approve quarterly and yearly financial statements. Additional meetings would be called as and when pressing situations arose that required attention. During the fiscal year ended 31 March 2023, six (6) Board meetings were held.

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

Name of Directors	Number of meetings attended
Tan Sri Dr. Suleiman Bin Mohamed	6/6
Ng Aik Chuan	6/6
Ng Yam Pin	5/6
Datuk Jory Leong Kam Weng	6/6
Liew Chek Leong	6/6
Kok Poh Fui	6/6
Teo Siok Kee (appointed on 29 May 2023)	N/A

Board Independence and Effectiveness

In order to create independence, the offices of Chairman and Managing Director are held by separate individuals with defined and distinct functions that are explicitly documented in the Company's Board Charter.

Currently, the Managing Director and the Executive Directors, who have vast years of experience and in-depth knowledge of the logistics business in Malaysia, lead the Group's overall strategic direction. They report to the Board on major strategic ideas and initiatives, as well as implement Board decisions.

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 Company's affairs are responsive to the Independent Non-Executive Chairman and Directors, who are committed to upholding the highest corporate governance standards. In carrying out their corporate governance obligations, the Independent Directors engage with management, internal and external auditors.

Policies

The Board has approved a Board Charter, which acts as a guide for both the Board and Management. The Board also enacted a Code of Conduct, which gives advice to Directors, Management, and workers on ethical and behavioural considerations and/or actions as they carry out their duties and obligations during their appointment.

Both the Board Charter and Code of Conduct were tabled for review at the Board Meeting held on 26 July 2023 and the latest updated version have been uploaded to the Company's website at www.xinhwa.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

Policies (Cont'd)

Additionally, the Company has also in place a Whistleblowing Policy and Procedure which clearly spelt out the procedures for reporting of any wrongful activities and wrongdoings within the Group.

In line with the new rule of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Board has on 28 June 2022 adopted the Directors' Fit & Proper Policy to ensure a formal and transparent process for the appointment and re-election of Directors of the Company and its subsidiaries. This policy shall be reviewed by the Board on an annual basis or at any time as it may deem necessary in accordance with the needs of the Company. The Directors' Fit & Proper Policy is accessible through the Company's website at www.xinhwa.com.my.

Further details pertaining to the Board Charter, Code of Conduct and Whistleblowing Policy and Procedure are set out in the CG Report.

Company Secretary

The Board is assisted by two (2) Company Secretaries who are sufficiently qualified, experienced, and competent. The Company Secretaries advise the Board and Board Committees on issues relating to compliance with laws, rules, procedures, and regulations affecting the Company and the Group, as well as best governance practices.

II. Board Composition

The Group is governed by an experienced Board comprised of high-calibre members from varied professional backgrounds who possess the necessary skills, competence, and experience. During the fiscal year, the Board consists of three (3) Executive Directors and three (3) Independent Non-Executive Directors with expertise in corporate strategy, finance, business management, and corporate law.

On 29 May 2023, Ms Teo Siok Kee joined the Board as an Executive Director. We are proud to announce the appointment of a highly accomplished female director to our leadership team, reinforcing our commitment to fostering diversity and gender balance in our corporate governance structure.

Annual Assessment of Board Members

The Board through the Nominating Committee, conducts annual assessment on effectiveness of the Board, the Board Committees and the individual Directors of the Company.

The effectiveness of the Board and Board Committees is measured in terms of board structure/mix, decision making and boardroom participation and activities, meeting administration and conducts, skill and competencies, and role and responsibilities, while the performance of individual Directors is measured in terms of contribution and interaction with peers, quality of the Director's input, understanding of the role, and etc.

The assessment's findings and recommendations would be presented to the Board for information and decision on areas for improvement. The yearly evaluation of the Board, the Board Committees, and individual Directors was satisfactory.

Details of the assessment process are set out in the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

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 and the criteria of the newly adopted fit & proper policy.

All appointments of new directors to the Board are made in accordance with an established and transparent method and in accordance with the relevant requirements of the relevant authorities. Any additional director will be appointed as and when the existing Board deems it necessary, taking into account the individual's educational and professional background, employment record, financial integrity, time management and commitment, whether the individual has any special experience in a relevant area, possession of the required skill and qualification, personal accomplishments, and 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).

Based on the standards outlined in the Listing Requirements, criteria have been established to examine the independence of candidates for directors and existing Directors. The Independent Directors will be asked to confirm their independence on a yearly basis by completing the independence checklist.

The Board takes cognisance of the Code's recommendation that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. As prescribed in the Constitution of the Company, if an Independent Director has served in that capacity for more than nine (9) years and the Board wishes to retain him/her as an Independent Director, annual re-appointment by members at AGM by way of an ordinary resolution is required.

Tan Sri Dr. Suleiman Bin Mohamed ("Tan Sri Suleiman") was appointed to the Board as Independent Non-Executive Chairman on 1 January 2015. As at the date of printing of this Annual Report, Tan Sri Suleiman has served on the Board for a cumulative period of 8 years and 6 months, and his term of full 9 years falls on 1 January 2024. The Board wishes to retain Tan Sri Suleiman as Independent Non-Executive Chairman after 1 January 2024 and is therefore seeking members' approval at the forthcoming AGM.

On the other hand, Datuk Jory Leong Kam Weng ("Datuk Jory") and Mr. Liew Chek Leong ("Mr. Liew") were appointed as Independent Directors on 1 December 2013 and their term of full 9 years falls on 1 December 2022. As approved at the AGM held on 26 August 2022, both of them has continued their office as Independent Non-Executive Director upon their full 9-year term. The Board wishes to continue to retain both of them as Independent Executive Directors and will seek for members' approval at the forthcoming AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

Directors' Appointment and Re-election (Cont'd)

The Board's justification for retaining Tan Sri Suleiman, Datuk Jory and Mr. Liew as Independent Directors are as follows:-

- i) They have fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements;
- ii) Datuk Jory and Mr. Liew are experienced Chartered Accountant and are members of the Malaysian Institute of Accountants ("MIA"). Additionally, Datuk Jory is a practicing Advocate and Solicitor. Their diverse range of experiences provide confidence to the Board as members of the ARMC (of which Datuk Jory is the ARMC Chairman) who oversees the periodic review of the financial results of the Group. As such, it is of the best interest of the Group to maintain their current office as Independent Director;
- iii) They have continuously demonstrated their independence, integrity and due care during Board meetings; and
- iv) They had not entered into any related party transactions with the Group.

Directors' Training

The Board recognises the need for them to attend training in order to perform their duties effectively. Individual directors would assess and recommend training needs for each other. In accordance with paragraph 15.08 of the Listing Requirements on Directors' Training, the Directors will continue to participate in relevant training programmes to continuously improve their knowledge.

The Company Secretary also keeps the Board up to date on the latest updates and important changes to the Listing Requirements, Companies Act 2016, and other regulatory requirements relevant to the discharge of the Directors' duties and responsibilities.

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

Name of Directors	Name of Seminars/Training programmes attended
Ng Aik Chuan	<ul style="list-style-type: none"> Dynamic Top Team Leadership & Integration AEO (Authorised Economic Operator) Certification
Ng Yam Pin	<ul style="list-style-type: none"> Dynamic Top Team Leadership & Integration AEO (Authorised Economic Operator) Certification
Kok Poh Fui	<ul style="list-style-type: none"> Dynamic Top Team Leadership & Integration AEO (Authorised Economic Operator) Certification Taxation on Foreign Source Income (FSI) Strategic Tax Consideration for Business Restructuring Understanding Tax Deductibility Expenses Business Tax for Beginner Taxation of Employment Income – The Law and Practice Based on Public Rulings A Legal and Practical Approach with Budget 2023 2023 Budget Seminar

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

Directors' Training (Cont'd)

The Directors have attended the following conferences, seminars and training programmes during the financial year under review (Cont'd):-

Name of Directors	Name of Seminars/Training programmes attended
Datuk Jory Leong Kam Weng	<ul style="list-style-type: none"> • Asia Pacific Board Leadership Centre webinar - 2022 Board and Audit Committee Priorities • Human Rights Risk Management for Malaysian Companies • Emerging Giants in Asia Pacific • Understanding the requirements in Bursa Malaysia's enhanced sustainability reporting framework • Audit Oversight Board's Conversation with Audit Committees • Sustainability Awareness for Board Members • Why ESG? A Governance Perspective • Rise of the Chatbots: Artificial Intelligence and the Future of Accounting
Liew Chek Leong	<ul style="list-style-type: none"> • Financial Fraud Awareness • Fraud and Financial Scandals: Trends, Red Flags, And Mitigations • Amazing Microsoft Excel Time Saving Workshop • Conversation with Audit Committees – Session 1

Tan Sri Dr. Suleiman Bin Mohamed could not attend any seminar or training during the financial year due to his other commitments.

Gender Diversity Policy & Target

The Board has established a gender diversity policy whereby the Company would endeavor to have woman participation on the Board. On 29 May 2023, Ms Teo Siok Kee was appointed as an Executive Director of the Company. Ms Teo's inclusion brings diversity in terms of gender, ensuring broader range of perspectives and experiences within the Board.

Further details pertaining to the Gender Diversity Policy & Target are set out in the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. Remuneration

Directors Remuneration Policy & Procedure

The Board believes in a remuneration scheme that adequately supports the Directors' obligations and fiduciary duties in leading the Group toward long-term goals and increasing shareholder value. The Remuneration Committee ("RC") is primarily responsible for recommending to the Board for approval the remuneration policy and reward framework for Executive Directors that are aligned with the Company's business strategy and long-term objectives while also being fairly guided by market norms and industry practices. The RC conducts an annual assessment of the remuneration packages of the Executive Directors, after which the recommendation is forwarded to the Board for approval. This annual assessment will ensure that the remuneration packages for Executive Directors remain attractive enough to recruit and retain them.

The RC comprised of the following members:-

Name & Designation	Directorship in the Board
Chairman Tan Sri Dr. Suleiman Bin Mohamed	Independent Non-Executive Chairman
Members Datuk Jory Leong Kam Weng Liew Chek Leong	Independent Non-Executive Director Independent Non-Executive Director

The Board has in place a Directors Remuneration Policy & Procedure to facilitate the RC in reviewing, considering and recommending to the Board on the remuneration packages for the Executive Directors, senior management and directors of the Company's subsidiaries.

The Directors Remuneration Policy & Procedure is to be reviewed from time to time to ensure its competitiveness in order to attract, develop and retain directors to provide the necessary skills and experience to commensurate with the responsibilities of an effective Board.

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 on yearly basis at annual general meeting.

The RC met during the financial year ended 31 March 2023 to review the proposed remuneration package of Executive Directors with such recommended remuneration packages submitted to the Board for approval. The RC also reviewed the salary increment and bonus for Executive Directors, senior management and directors of the Company's subsidiaries.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. Remuneration (Cont'd)

Directors' Remuneration

Details of the Directors' remuneration for the financial year ended 31 March 2023 are as follows:-

(a) Received from the Company

Directors	Fees RM	Salaries, other emoluments and statutory contribution RM	Allowances RM	Total RM
Tan Sri Dr. Suleiman Bin Mohamed	120,000	–	11,000	131,000
Datuk Jory Leong Kam Weng	102,000	–	10,000	112,000
Liew Chek Leong	78,000	–	7,500	85,500
Ng Aik Chuan	60,000	–	–	60,000
Ng Yam Pin	60,000	–	–	60,000
Kok Poh Fui	71,000	–	–	71,000
TOTAL	491,000	–	28,500	519,500

(b) Received from the Group

Directors	Fees RM	Salaries, other emoluments and statutory contribution RM	Bonuses RM	Allowances RM	Benefits -in-kind RM	Total RM
Tan Sri Dr. Suleiman Bin Mohamed	120,000	–	–	11,000	–	131,000
Datuk Jory Leong Kam Weng	102,000	–	–	10,000	–	112,000
Liew Chek Leong	78,000	–	–	7,500	–	85,500
Ng Aik Chuan	60,000	800,741	56,000	–	10,625	927,366
Ng Yam Pin	60,000	799,680	56,000	–	28,750	944,430
Kok Poh Fui	71,000	229,937	–	–	–	300,937
TOTAL	491,000	1,830,358	112,000	28,500	39,375	2,501,233

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. Remuneration (Cont'd)

Directors' Remuneration (Cont'd)

Top Senior Management's remuneration for the financial year ended 31 March 2023 (in the band of RM50,000) are as follows:-

Senior Management	Remuneration in the band of RM50,000
Ting Pik Hou	300,001 – 350,000
Mohd Yusoff Bin Rahmat	150,001 – 200,000

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit & Risk Management Committee

The Group's financial reporting, audit, risk management and internal control system are reviewed by the Audit & Risk Management Committee ("ARMC") which comprises 3 members, who are all Independent Non-Executive Directors. The ARMC is chaired by Datuk Jory Leong Kam Weng and the members are Tan Sri Dr. Suleiman Bin Mohamed and Mr. Liew Chek Leong.

The detailed roles, functions, responsibilities and summary of activities carried out by the ARMC during the financial year under review are as set out in the Audit & Risk Management Committee Report of this Annual Report.

II. Risk Management and Internal Control Framework

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.

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. A Comprehensive Enterprise-wide Risk Assessment process and an Executive Risk Management Committee were formed to identify key risks and monitor the Risk Register. The Risk Register is also subject to review by the ARMC on yearly basis.

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 year are as set out in the Audit & Risk Management Committee Report of this Annual Report.

During the course of the Independent Investigative Review, observations were made by the independent investigative auditors on certain internal control system weaknesses / deficiencies which required improvement and enhancement which steps had been / would be taken to mitigate the weaknesses / deficiencies highlighted.

The details of the risk management and internal control framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Engagement with Stakeholders

Communication with Shareholders

The Board cherishes discussion with investors and encourages them to contact the Company at any time with questions. The Company recognizes the value of effective communication between investors and the Board on topics ranging from strategic orientations to financial performance to various policies that help investors make informed decisions.

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

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

Corporate Disclosure Policy

The Group recognises the importance of information disclosure that is transparent, timely, and cohesive. Communication with the investing public and many stakeholders is continually on the Board's agenda for improvement. The Group follows and has developed a corporate disclosure policy based on disclosure requirements imposed by relevant regulatory agencies, Listing Requirements guidelines, and the Code's principles and suggestions. The Group makes public disclosures to the general public via Bursa and the Company's website after consulting with our designated Company Secretaries and/or other external professionals.

The Corporate Disclosure Policy will be tabled for review at the Board Meeting as and when is necessary.

II. Conduct of General Meetings

The AGM is the primary forum for communication and interaction with the Company's shareholders. The Company encourages shareholders to attend the AGM, which provides an opportunity for them to meet the Board and the Management team. The Board welcomes shareholders' feedback and encourages shareholders to actively engage in the question and answer session, which is available to all shareholders present at the AGM. The Board will ensure that each item of special business contained in the general meeting notice is supported by a thorough explanation of the implications of any proposed resolution.

The Board will present at the AGM and will be prepared to answer to concerns raised by our loyal shareholders who want to comprehend the Group's advancements. The Board will give clarification on issues and concerns highlighted by shareholders. External auditors are also present to provide clarifications, notably on the financial statements.

The Company has uploaded a policy on "Shareholders' Rights Relating to General Meeting" in its website at www.xinhwa.com.my for the information of the shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

ACCOUNTABILITY AND AUDIT

The Board is generally responsible for taking the required steps to protect and increase the value of the Company's shareholders. The Company maintains a proper and open connection with its external auditors.

The Board is responsible for providing shareholders with a balanced, concise, and thorough assessment of the Group's financial performance via quarterly reports and yearly financial statements. The Board and the ARMC must ensure that the financial statements are prepared in line with Malaysian regulations and accepted accounting standards.

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.

RESPONSIBILITY STATEMENT BY DIRECTORS

The Company's Directors are responsible for ensuring that the Group's and the Company's financial statements are properly prepared in accordance with Malaysian regulations and approved accounting standards in order to provide a true and fair view of the Group's and the Company's state of affairs as of the end of the fiscal period, as well as the Group's and the Company's results and cash flows for that period.

The Board is responsible for maintaining proper accounting records for the Group and the Company that disclose the financial position of the Group and the Company with reasonable accuracy and allow them to ensure the financial statements have complied with the applicable regulations and approved accounting standards in Malaysia.

The Directors are generally responsible for taking all reasonable actions to protect the Group's assets and to prevent and identify 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 69 of this Annual Report.

ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), the following information is provided:-

(1) Audit Fees

The amount of audit fees payable to the external auditors by the Company and by the Group for the financial year ended 31 March 2023 are RM42,000 and RM202,555 respectively.

(2) Non-Audit Fees

The amount of non-audit fees payable to the external auditors by the Company and by the Group for the financial year ended 31 March 2023 are RM47,000. The non-audit fees were for review of Statement on Risk Management & Internal Control and mobilization fee in relation to the acquisition of Micron Metal Engineering Sdn Bhd ("Micron").

(3) Material Contracts involving Directors and Major Shareholders' Interest

There were no material contracts entered into by the Company and its subsidiaries involving Directors' or major shareholders' interests that were still subsisting at the end of the financial year ended 31 March 2023.

(4) Sales and Leaseback

The Sales and Leaseback of leasehold land and buildings was deemed completed on 21 October 2021, and the status of utilisation of the proceeds of RM75 million as at 31 March 2023 is summarised as follows:-

Purpose	Proposed utilisation (RM)	Actual utilisation (RM)	Balance unutilised (RM)	Estimated timeframe for utilisation
Future viable investment	27,925,870	25,425,870	2,500,000	Within 12 months
Repayment of bank borrowings	33,900,000	33,900,000	–	–
Working capital	13,174,130	13,174,130	–	–
Total	75,000,000	72,500,000	2,500,000	

(5) Acquisition

On 26 July 2022, the Company completed the acquisition of 79% equity interest in Micron for the purchase consideration of RM19.8 million, which was satisfied via a combination of cash and issuance of new shares of the Company.

(6) Acquisition of Factories by Micron Metal Engineering Sdn Bhd

On 10 July 2023, the Company announced the acquisition by Micron, a 79% owned subsidiary of the Company, of two (2) units of one and a half storey detached factory located at Desa Cemerlang industrial estate at RM7 million per unit ("Property Acquisition"). The Property Acquisition was not subjected to approval of shareholders of the Company and any other relevant authorities.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), the following information is provided (Cont'd):-

(7) Employees' Share Option Scheme

The Employees' Share Option Scheme of the Company ("ESOS") was approved by shareholders on 22 June 2021. The ESOS is for a period of 5 years effective from 15 October 2021.

During the financial year, no options or shares were granted/issued by the Company.

(8) Recurrent Related Party Transaction

There was no recurrent related party transaction that needs to be disclosed in accordance with the MMLR.

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 financial year ended ("FYE") 31 March 2023.

COMPOSITION

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

Name & Designation	Directorship in the Board
Chairman Datuk Jory Leong Kam Weng *	Independent Non-Executive Director
Members Tan Sri Dr. Suleiman Bin Mohamed Liew Chek Leong *	Independent Non-Executive Chairman Independent Non-Executive Director

* A member of the Malaysian Institute of Accountants

MEETINGS

Five (5) ARMC Meetings were held during the FYE 31 March 2023 and the summary of attendance of each member is as follows:-

Name of Committee's members	Number of meetings attended
Datuk Jory Leong Kam Weng	5/5
Tan Sri Dr. Suleiman Bin Mohamed	5/5
Liew Chek Leong	5/5

The Managing Director, Executive Directors, internal as well as external auditors of the Company attended some of the meetings held during the aforesaid financial year by invitation of the Committee.

The external auditors were present at three (3) ARMC Meetings whereas the internal auditors were present at four (4) ARMC Meetings held during the financial year.

Minutes of each ARMC Meeting were recorded and tabled for confirmation at the next meeting and subsequently present to the Board of Directors ("Board") at Board Meeting for information.

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 FYE 31 March 2023 in discharging its functions and duties in accordance with 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 year and coverage on the activities of the Group. Audit areas were discussed and 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 / discussed 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.
- (5) Reviewed the performance of the external auditors and evaluated their suitability and independence before making recommendations to the Board on their re-appointment.
- (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 on the related party transactions/recurrent related party transactions undertaken by the Group.
- (8) Reviewed the Risk Register, on annual basis.
- (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 FYE 31 March 2023, the internal auditors attended four (4) ARMC Meetings to present their audit plan as well as 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 reviews conducted by the internal auditors during the financial year are on the following areas:-

Audit Entity	Audited Areas
Xin Hwa Trading & Transport Sdn. Bhd.	• Branch Operations Management (Shah Alam warehouse)
	• Customer Service Management, Planning/ Schedule Management, Delivery Management and Monitoring (Port Klang Haulage Division)
	• Overall Business Development & Marketing Plan & Strategy, Heavy-lift Business Development & Sales Pipeline Management, and Heavy-lift Sales Contract Management
	• Warehouse Utilisation. Receiving Management, Storage Management and Issuance Management (Shah Alam warehouse)

The costs incurred in maintaining the outsourced internal audit function for the FYE 31 March 2023 is RM 53,000.

OTHER INFORMATION

The Nominating Committee had at its meeting held on 26 July 2023 reviewed the term of office of the ARMC members and assessed the performance the Committee as a whole and each of its members through an annual Board Committees effectiveness assessment. The Nominating Committee is satisfied that the ARMC and its members discharged their functions, duties and responsibilities in accordance with the Terms of Reference of the ARMC. The assessment result was reported to the Board and the Board is in concurrence with the Nominating Committee on the performance of the ARMC and its members.

NOMINATING COMMITTEE REPORT

The Board of Directors of Xin Hwa Holdings Berhad ("Board") is pleased to present the Nominating Committee Report comprising information on composition and activities of the Nominating Committee ("NC" or "Committee") in discharging its duties for the financial year ended 31 March 2023.

COMPOSITION

The NC comprised the following members:-

Name & Designation	Directorship in the Board
Chairman Tan Sri Dr. Suleiman Bin Mohamed	Independent Non-Executive Chairman
Member Datuk Jory Leong Kam Weng	Independent Non-Executive Director

ACTIVITIES OF THE COMMITTEE

The summary of activities of the NC in discharging its duties for the financial year ended 31 March 2023 is as follows:-

(1) Review of the Performance and Effectiveness of the Board, Board Committees and Individual Director

Directors' Self Evaluation

The evaluation forms were circulated to each and every Director for completion. The Directors are required to assess his/her own performance by scoring in between 1 point to 5 points based on the questionnaire provided. The evaluation results were tabled at the NC Meeting for review by the NC. Based on the outcome of the evaluation conducted, the NC is satisfied with the performance of the individual Directors.

Evaluation on the effectiveness of the Board and Board Committees

The evaluation forms were completed by the members of the Board and the respective Board Committees. They are required to assess the performance of the Board / Committee as a whole based on the questionnaire provided. The evaluation results were tabled at the NC Meeting for review by the NC. Based on the outcome of the evaluation conducted (excluding evaluation of NC which was carried out by the Board as a whole), the NC is of the view that the Company had an effective Board and its current composition was well-balanced after taking into account the Board members' experience and exposure in various areas as well as their diverse skill and qualities.

Term of office and performance of the Audit & Risk Management Committee

The performance of the Audit & Risk Management Committee ("ARMC") and its members as assessed by each NC member (with the NC member who was also a member of the ARMC abstained from decision on their own self-evaluation), displayed commendable efforts and satisfactory and term of office of its members would remain status quo.

NOMINATING COMMITTEE REPORT (CONT'D)

ACTIVITIES OF THE COMMITTEE (CONT'D)

The summary of activities of the NC in discharging its duties for the financial year ended 31 March 2023 is as follows (Cont'd):-

(2) Annual Assessment on Board Independence

The NC has carried out an annual assessment of the independence of the independent directors during the financial year ended 31 March 2023. The criteria used in assessing the independence of the independent directors are based on the definition in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and whether they are able to provide objective and independent views on various issues dealt with at Board and Board Committee level.

The NC has reviewed confirmation letters from the Company's independent directors confirming their independence with the exercise of their independent judgement and ability to act in the best interest of the Company.

Based on the following assessment, the NC has reported to the Board that to the best of its knowledge, the independent directors were free from influence that could interfere with their ability to exercise impartial judgment on key deliberations and decisions:-

- All independent directors fulfilled the definition of 'independent director' as set out in the Listing Requirements;
- All independent directors had confirmed their independence by giving the Board a written confirmation of their independence; and
- All independent directors had acted independently on management and free from any business or other relationship.

(3) Evaluation of Directors Standing for Re-election

The NC is responsible for making recommendation to the Board on the eligibility of the Directors to stand for re-election at the Annual General Meeting ("AGM").

The NC has reviewed the directors who were subject to retirement by rotation under the Constitution of the Company and recommended them for re-election as Directors of the Company at the forthcoming AGM upon assessment of their skill, experience and qualities required by the Company.

(4) Fit and Proper Assessment

The NC has carried out an assessment on all directors of the Company and its subsidiaries ("Group") in accordance with the Directors' Fit & Proper Policy.

Based on the assessment done, the NC is of the view that the directors of the Group are fit and proper to continue their office.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors is pleased to present the Statement on Risk Management and Internal Control for the financial year ended 31 March 2023, issued in compliance with Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), Principle B of the Malaysian Code on Corporate Governance, with guidance from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

The risk management and internal control system have been in place for the financial year under review and up to the date of approval of this statement.

Responsibility

The Board acknowledges its overall responsibility in establishing a sound risk management framework and internal control system as well as reviewing its adequacy and effectiveness. The Board is of the view that the risk management framework and internal control system are designed to manage the Group's risks within the acceptable risk appetite, rather than to eliminate the risk of failure to achieve the business goals and objectives. It can therefore only provide reasonable, rather than absolute assurance against material misstatement, fraud or loss.

The Board has established appropriate control structure and process for identifying, evaluating, monitoring, managing and responding to significant risks faced by the Group in its achievement of the business goals and objectives. The control structure and process which have been instituted throughout the Group are reviewed and updated from time to time in response to the changes in the business environment, and this on-going process has been in place for the whole financial year under review and up to the date of approval of the Statement on Risk Management & Internal Control for inclusion in the Annual Report.

Management is responsible for implementing the Group's policies and procedures on risk management and internal controls by identifying and evaluating risks faced and monitoring the achievement of business goals and objectives within the risk appetite parameters. Its roles include:-

- Identifying and evaluating the risks faced, and the achievement of business objectives and strategies;
- Formulating relevant policies and procedures to manage these risks;
- Designing, implementing and monitoring the effective implementation of risk management framework and internal control system;
- Implementing the policies approved by the Board; and
- Reporting in a timely manner to the Board any changes to the risks and the corrective actions taken.

Risk Management

Risk Management Framework

The Group has put in place Risk Management Framework which outlines the Group's risks and the on-going process for identifying, evaluating, managing, monitoring and communicating the risks faced by the Group throughout the financial year under review up to date of approval of the Statement of Risk Management and Internal Control. The framework also categorises the risks in relation to strategic, operational, financial and compliance matters based on the Group business objectives.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTRODUCTION (CONT'D)

Risk Management (Cont'd)

Risk Management Oversight

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through Audit and Risk Management Committee ("ARMC"). ARMC has delegated the oversight risk management to the Executive Directors and Senior Management of the Group. They support the Board in monitoring our risk exposures, the design and operating effectiveness of the underlying risk management and internal control systems. The Executive Directors and Senior Management of the Group assist the Board, to oversee the following processes:-

- (i) periodic reviews of the principal business risk, and control measures to mitigate or reduce such risks, the strengths and weaknesses of the overall internal controls system and action plans to address the weaknesses or to improve the assessment process;
- (ii) periodic reviews of the business process and operations reported by the internal audit, including action plans to address the identified control weaknesses and status update and monitor in implementing its recommendations; and
- (iii) reports by the external auditors of any control issues identified in the course of their audit related and non-audit related work and the discussion with the external auditors of the scope of their respective review and findings.

The ARMC will then update the Board with the issues raised during the ARMC meetings.

The Board considers the works and findings of the ARMC in forming its own view on the effectiveness of the system.

With the increasingly dynamic and complex business environment, it is crucial that we understand the link between risk, internal controls, strategy and value. This link is formalized through an alignment of our strategy, risk and internal processes, which support fulfillment of our strategic priorities, thereby delivering value for all shareholders. The Group's risk and opportunities strategy was part of the assessment requirement for ISO 9001:2015 certification.

Significant or Principal Risks

The Group has identified the following risks that are significant to the business operations.

Market Risks

- Loss of key customers

Loss of key customers is due to macroeconomic downturn, other market conditions and stiff competition. The Group has various measures in place, amongst others, allocating key personnel to manage and maintain good relationship with key customers.

- Escalating cost of services including crude oil prices fluctuation

The price of diesel is subject to market volatility which in turn affects the Group's profitability. In addition, other related cost of services may also be indirectly affected by the fluctuation in crude oil prices. We model our business plans across a broad range of market and economic scenarios and take account of alternative economic outlooks within our overall business strategy.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTRODUCTION (CONT'D)

Significant or Principal Risks (Cont'd)

The Group has identified the following risks that are significant to the business operations. (Cont'd)

Operational Risks

- Warehouses and assets management

The Group has a number of material sized business premises and warehouses which are vital to the business operations. The risk of fire, natural disasters such as flood and civil or labour unrest may result in significant losses to the Group. The Group addresses the risk by periodic review on the adequacy of the fire insurance coverage, including business interruption cover. On-going safety trainings and audits are conducted from time to time.

Business Diversification Risks

- Diversify Risks in difference business segment

The Group is exposed to a new business segment which are not familiar with, the performance of the new business segment may be affected by inefficiency of management and market sensitivity.

Financial Risks

- Credit risk

The Group is exposed to financial risk arising from the inability to recover debts which may affect the Group's profitability, cash flow and funding.

Whistleblowing Policy

- The Group has put in place a whistleblowing policy which allows supports and encourages its employees and third parties to report and disclose any improper or illegal activities within the Group.

Internal Audit Function

The Group has outsourced the Internal Audit Function to an independent professional firm, CGRM Infocomm Sdn Bhd ("CGRM") which reports directly to the ARMC on the adequacy and effectiveness of the Group's risk management and internal controls. The ARMC reviews annually on the adequacy of the scope, function, competency and resources of internal auditors to ensure that they are able to fully discharge their responsibilities. The internal auditors declared their independence to the ARMC and are free from conflict of interest and any matters which could impair their objectivity and independence.

The internal auditors conduct its internal audit duties in accordance with an annual internal audit plan developed based on a risk-based approach. The internal audit work is based on the standards and best practices set out by professional bodies, primarily consistent with the International Professional Practices Framework issued by the Institute of Internal Auditors and where applicable, reference is made to the standards and statements issued by international accounting bodies. The internal audit plan and any subsequent amendments are reviewed and approved by the ARMC prior to their execution.

The internal auditors review the Group's operations and business processes according to the approved annual internal audit plan, examine and evaluate the adequacy and effectiveness of financial and operating controls. The internal auditors highlight the significant risks and non-compliances that may impact the Group to the ARMC and Management. Recommendations on improvements were given on the overall effectiveness of risk management, control and governance processes.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTRODUCTION (CONT'D)

Internal Audit Function (Cont'd)

A matrix which covers the overall audit ratings, nature of work and scope, and audit issues and its priorities have been developed as a template to guide the conduct of the follow up audit. For the financial year under review, the internal auditors conducted four internal audits, the areas covered for this audits relating to:-

- Branch Operations Management (Shah Alam warehouse)
- Customer Service Management, Planning/ Schedule Management, Delivery management and Monitoring (Port Klang Haulage Division)
- Overall Business Development, Marketing Plan and Strategy
- Heavy-lift Business Development and Sales Pipeline Management
- Heavy-lift Sales Contract Management
- Warehouse Utilisation, Receiving, Storage and Issuance Management (Shah Alam warehouse)

And follow up on the status of the Management's implementation of recommendation raised in the previous reports. Included in the reports are recommended corrective measures on risks identified, if any, for implementation by Management. The internal auditor also conducts subsequent follow-up work to check that Management has dealt with the recommendations satisfactorily. These internal audit reports together with follow-up reports were tabled at the quarterly ARMC meetings for deliberation.

The internal audit reviews during the financial year had identified some weaknesses in internal control. These weaknesses have neither materially impacted the business or operations of the Group nor caused any material losses to the Group. Management has either taken the necessary measures to address these weaknesses or is in the process of addressing them.

The other key elements of the procedures established by the Board that provides effective internal control 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 organizational structure that is aligned with the business and operational requirement, with clearly defined lines of responsibility and authority levels;
- 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;
- A structured recruitment process, a performance appraisal system and a wide variety of training and development programs are in place to maintain staff competency;
- Periodic internal quality inspection to monitor compliance with ISO requirements;
- Annual budgeting process is in place and performance is monitored on an ongoing basis;
- Monthly management meeting to address budgets, operational and financial performance, business planning, control environment and other key issues;
- Close and active involvement of the Executive Directors on the day-to-day business operations of the Group;
- Health, Safety and Environmental Committee has been established in order to review and ensure compliance with occupational safety and health policies and procedures on a continual basis.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTRODUCTION (CONT'D)

Conclusion

The Board believes that the Group's risk management and internal control systems provide reasonable, but not absolute, assurance that weaknesses or deficiencies are identified on a timely basis and dealt with appropriately. Further, The Board has received reasonable assurance from the Managing Director that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

The Board is of the view that the risk management and internal control system are adequate to safeguard shareholders' investments and the Group's assets and have not resulted in any material losses that would require disclosure in the Annual Report for the year ended 31 March 2023.

The Board is committed towards maintaining a sound system of internal control and effective risk management throughout the Group and reaffirms its commitment to take measures to preserve, protect and strengthen the risk management and internal control environment.

The Review of the Statement by the External Auditors

The external auditors have reviewed this Statement of Risk Management and Internal Control as required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad for the financial year ended 31 March 2023. Their review was performed under a limited assurance engagement in accordance with Audit and Assurance Practice Guide ("AAPG") 3: Guidance for Auditors on Engagements to Report on the Statement of Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on the engagement performed, the external auditors have reported to the Board that nothing had come to their attention that had caused them to believe that this Statement on Risk Management and Internal Control is inconsistent with their understanding of the processes the Board has adopted in the review of the adequacy and integrity of the risk management and internal control systems of the Group.

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

page. 61	Directors' Report
page. 69	Statement by Directors
page. 69	Statutory Declaration
page. 70	Independent Auditors' Report
page. 75	Statements of Financial Position
page. 77	Statements of Profit or Loss and Other Comprehensive Income
page. 79	Statements of Changes in Equity
page. 82	Statements of Cash Flows
page. 85	Notes to the Financial Statements

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2023.

PRINCIPAL ACTIVITIES

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

RESULTS

	The Group RM	The Company RM
Loss after taxation for the financial year	(15,709,376)	(56,222)
Attributable to:-		
Owners of the Company	(16,050,169)	(56,222)
Non-controlling interests	340,793	-
	(15,709,376)	(56,222)

DIVIDENDS

No dividend was recommended by the directors for the financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) the Company increased its issued and paid-up share capital from RM117,904,774 to RM120,904,774 by way of issuance of 10,507,881 new ordinary shares at RM0.2855 per share to acquire a subsidiary as disclosed in Note 31.1 to the financial statements.

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

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

DIRECTORS' REPORT (CONT'D)

WARRANTS

As at the end of the financial year, the Company has the following outstanding warrants:-

Warrants	Exercise price per ordinary share	Expiry date	Number of warrants outstanding as at 31.3.2023
Warrants 2021/2024	RM0.33	12 January 2024	110,699,999

Warrants 2021/2024 were issued on 15 January 2021 pursuant to the bonus issue of 110,699,999 free warrants in the Company on the basis of one free warrant for every two existing ordinary shares in the Company. The warrants entitle the holders to subscribe for new ordinary shares in the Company on the basis of one new ordinary share for every warrant held at an exercise price of RM0.33 per ordinary share within 3 years from the date of the issue of the warrants. The exercise price of the warrants is subject to adjustment from time to time in accordance with the conditions stipulated in the Deed Poll created on 29 December 2020.

EMPLOYEE SHARE OPTION SCHEME

The Employee Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 22 June 2021. The ESOS is to be in force for a period of 5 years effective from 15 October 2021.

The main features of the ESOS are as follows:-

- (a) Eligible persons are employees and/or directors of the Group, save for companies which are dormant, who have been confirmed in the employment of the Group and have served for at least 1 year before the date of the offer.
- (b) The maximum number of new ordinary shares of the Company, which may be available under the scheme, shall not exceed in aggregate 15%, or any such amount or percentage as may be permitted by the relevant authorities of the issued and paid-up share capital of the Company at any one time during the existence of the ESOS.
- (c) The allocation to any individual eligible person, who either individually or collectively, through persons connected with him or her, holds 20% or more of the issued and paid-up share capital of the Company, must not exceed 10% of the total number of new ordinary shares of the Company to be issued under the ESOS.
- (d) The option price shall be determined by the Option Committee based on the 5-day weighted average market price of ordinary shares of the Company immediately preceding the offer date of the option, with a discount of not more than 10%.
- (e) Not more than 50% of the total number of ordinary shares of the Company to be issued under the ESOS shall be allocated, in aggregate, to the directors and senior management of the Group (excluding dormant subsidiaries) who are eligible persons.
- (f) The option may be exercised by the grantee by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new ordinary shares of the Company comprised in the ESOS.
- (g) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to date of allotment and issuance of the new ordinary shares.

During the financial year, no share options under the ESOS was granted by the Company.

DIRECTORS' REPORT (CONT'D)

OPTIONS GRANTED OVER UNISSUED SHARES

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

BAD AND DOUBTFUL DEBTS

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

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

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.

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

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

DIRECTORS' REPORT (CONT'D)

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 year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Ng Aik Chuan
Ng Yam Pin
Kok Poh Fui
Tan Sri Dr. Suleiman Bin Mohamed
Datuk Leong Kam Weng
Liew Chek Leong
Teo Siok Kee (Appointed on 29.05.2023)

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Eng Peng Lam @ Ng Peng Lam
Kosiin
Md Zaliszan Bin Ahmad Kusaini
Mohd Azar Bin Rahmat (Resigned on 25.08.2022)
Mohd Johari Bin Mohamed Ripin (Resigned on 30.08.2022)
Mohd Yusoff Bin Rahmat (Appointed on 27.12.2022)
Ng Yun Ting
Soo Boon Meng
Samsulrazi Bin Hassan (Resigned on 30.08.2022)
Peter Low Wei Liang
Hoon Eel An
Chia Ming How (Resigned on 10.08.2022)

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 year in shares of the Company and its related corporations during the financial year are as follows:-

	<----- Number of Ordinary Shares ----->			
	At 1.4.2022	Bought	Sold	At 31.3.2023
The Company				
<i>Direct Interests</i>				
Kok Poh Fui	182,400	—	—	182,400
Tan Sri Dr. Suleiman Bin Mohamed	120,000	—	—	120,000
Datuk Leong Kam Weng	120,000	—	—	120,000
Liew Chek Leong	120,000	—	—	120,000
Ng Aik Chuan	4,647,600	—	—	4,647,600
<i>Indirect Interests</i>				
Kok Poh Fui *	270,080	—	—	270,080
Ng Aik Chuan * #	137,172,537	—	—	137,172,537
Ng Yam Pin #	137,052,537	—	—	137,052,537
Holding Company				
NF Capital Management Sdn. Bhd.				
<i>Direct Interests</i>				
Ng Aik Chuan	153,000	—	—	153,000
Ng Yam Pin	153,000	—	—	153,000
<i>Indirect Interests</i>				
Ng Aik Chuan ^	204,000	—	—	204,000
Ng Yam Pin ^	204,000	—	—	204,000

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

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

	----- Number of Warrant 2021/2024 ----->			
	At 1.4.2022	Allotment	Sold	At 31.3.2023
The Company				
<i>Direct Interests</i>				
Kok Poh Fui	91,200	—	—	91,200
Tan Sri Dr. Suleiman Bin Mohamed	60,000	—	—	60,000
Datuk Leong Kam Weng	60,000	—	—	60,000
Liew Chek Leong	60,000	—	—	60,000
<i>Indirect Interests</i>				
Kok Poh Fui *	135,040	—	—	135,040
Ng Aik Chuan * #	60,000	—	—	60,000

* Deemed interested through spouse's shareholding in the Company.

^ Deemed interested through parent's shareholding in NF Capital Management Sdn. Bhd.

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in "Directors' Remuneration" of this report) 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 34(b) to the financial statements.

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

DIRECTORS' REPORT (CONT'D)

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are as follow:-

	The Group RM	The Company RM
Fees	491,000	491,000
Salaries, bonuses and other benefits	1,759,298	28,500
Defined contribution benefits	211,560	–
	2,461,858	519,500

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the Company were RM39,375 (2022 – RM42,500).

INDEMNITY AND INSURANCE COST

The Company maintains a Directors' and Officers' Liability Insurance Policy on a group basis. During the financial year, the amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Group were RM3,000,000 and RM7,000 respectively.

There was no indemnity given to or professional indemnity insurance effected for the auditors of the Company.

SUBSIDIARIES

The details of the subsidiary name, place of incorporation, principal activities and percentage of issued share capital held by the Company in each subsidiary are disclosed in Note 6 to the financial statements.

The available auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 31.1 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 38 to the financial statements.

HOLDING COMPANY

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

DIRECTORS' REPORT (CONT'D)

AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration for the financial year are as follows:-

	The Group RM	The Company RM
Audit fees	202,555	42,000
Non-audit fees	47,000	47,000
	249,555	89,000

Signed in accordance with a resolution of the directors dated 26 July 2023.

Ng Aik Chuan

Ng Yam Pin

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Ng Aik Chuan and Ng Yam Pin, being two of the directors of Xin Hwa Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 75 to 158 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 2023 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 26 July 2023.

Ng Aik Chuan

Ng Yam Pin

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Kok Poh Fui, MIA Membership Number: 15062, being the director primarily responsible for the financial management of Xin Hwa Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 75 to 158 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned Kok Poh Fui
at Johor Bahru
in the State of Johor
on this 26 July 2023.

Kok Poh Fui

Before me

Nur Amreeta Kaur Gubachen Singh (No. J276)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF XIN HWA HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) REGISTRATION NO: 201301002265 (1032102-P)

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 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 75 to 158.

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 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 year. 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 (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Recoverability of Trade Receivables Refer to Note 12 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
<p>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> <p>At the end of the financial year, the carrying amount of the trade receivables of the Group is RM28.7 million which is net of the accumulated impairment losses of RM13.0 million.</p>	<p>Our audit procedures included, amongst others:-</p> <ul style="list-style-type: none"> Reviewed the Group's credit risk policies on impairment losses for trade receivables; Tested the reliability and accuracy of ageing report; Performed recoverability review on trade receivables; Evaluated the reasonableness on the calculation of expected credit losses provided or reversed in accordance with the Group's credit risk policies; and Assessed the adequacy of disclosures in the notes to the financial statements.

Impairment assessment on Property, Plant and Equipment ("PPE") and Right-of-Use Assets ("ROU") of a subsidiary's transportation and warehouse services operation ("Transportation and Warehouse CGU") Refer to Notes 7 & 8 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The carrying amount of PPE and ROU dedicated to the subsidiary's Transportation and Warehouse CGU amounted to RM231.9 million and RM68.8 million respectively which represented 79% of the Group's total assets as at 31 March 2023;</p> <p>The subsidiary's Transportation and Warehouse CGU has reported loss after taxation of RM1.7 million and RM16.4 million for the financial years ended 31 March 2022 and 2023 respectively;</p> <p>Hence, the subsidiary has performed an impairment review of the Transportation and Warehouse CGU PPE and ROU by estimating their recoverable amount based on value-in-use ("VIU") calculations. The VIU is determined based on projected future cash flows expected to be generated from utilisation of the PPE and ROU over their expected remaining useful lives and applying a discount rate on the estimated future cash flows; and</p> <p>The subsidiary has assessed the impairment of PPE and ROU of the Transportation and Warehouse CGU and concluded that no impairment is required as the VIU is more than their carrying amount as at 31 March 2023.</p> <p>This is a key audit matter due to the degree of judgement involved in our evaluation of the appropriateness of the Director's assessment on impairment of PPE and ROU of the Transportation and Warehouse CGU.</p>	<p>Our audit procedure included, amongst others:-</p> <ul style="list-style-type: none"> Obtained the future cash flow projections and the assumptions used by the management for the purpose of these projections together with the calculations for deriving the VIU of Transportation and Warehouse CGU PPE and ROU; Evaluated the key assumptions applied in the projections such as revenue growth, projected sales volume and profit margins compared to those in the previous financial years; and Assessed whether the discount rate used to determine the present value of the future cash flows reflects the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile comparable to those that the entity expects to derive.

INDEPENDENT AUDITORS' REPORT (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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.

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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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 (Cont'd):-

- 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, actions taken to eliminate threats or safeguards applied.

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 year 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 6 to the financial statements.

INDEPENDENT AUDITORS' REPORT (CONT'D)

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 Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Johor Bahru
26 July 2023

Piong Yew Peng
03070/06/2025 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2023

		The Group		The Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	–	–	96,237,278	76,487,278
Property, plant and equipment	7	243,453,182	233,688,337	–	–
Right-of-use assets	8	68,837,337	42,479,618	–	–
Amount owing by subsidiaries	9	–	–	24,560,943	26,652,998
Goodwill	10	4,878,803	–	–	–
Prepayments	13	–	27,065,017	–	–
		317,169,322	303,232,972	120,798,221	103,140,276
CURRENT ASSETS					
Inventories	11	8,492,904	370,159	–	–
Trade receivables	12	28,669,190	25,402,252	–	–
Other receivables, deposits and prepayments	13	6,810,358	7,342,808	212,500	212,500
Current tax assets		2,926,274	2,353,122	–	4,496
Fixed deposits with licensed banks	14	7,191,482	10,162,312	–	–
Cash and bank balances		10,083,014	31,094,795	231,379	15,464,963
		64,173,222	76,725,448	443,879	15,681,959
TOTAL ASSETS		381,342,544	379,958,420	121,242,100	118,822,235

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)

		The Group		The Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	120,904,774	117,904,774	120,904,774	117,904,774
Reserves	16	67,513,651	83,509,154	(1,469,972)	(1,413,750)
Equity attributable to owners of the Company		188,418,425	201,413,928	119,434,802	116,491,024
Non-controlling interests	6(c)	5,848,167	1,554,271	–	–
TOTAL EQUITY		194,266,592	202,968,199	119,434,802	116,491,024
NON-CURRENT LIABILITIES					
Lease liabilities	17	39,947,882	41,438,071	–	–
Hire purchase payables	18	3,033,153	699,343	–	–
Term loans	19	75,924,604	84,135,324	–	–
Deferred tax liabilities	20	6,148,746	5,250,662	–	–
		125,054,385	131,523,400	–	–
CURRENT LIABILITIES					
Trade payables	21	12,000,332	6,898,716	–	–
Other payables and accruals	22	13,129,853	17,138,741	177,063	279,307
Amount owing to subsidiaries	9	–	–	1,610,360	2,051,904
Lease liabilities	17	5,241,825	4,708,088	–	–
Hire purchase payables	18	567,384	258,601	–	–
Term loans	19	12,389,725	11,715,918	–	–
Bankers' acceptances	23	2,660,000	2,660,000	–	–
Bank overdrafts	24	15,787,972	1,868,539	–	–
Current tax liabilities		244,476	218,218	19,875	–
		62,021,567	45,466,821	1,807,298	2,331,211
TOTAL LIABILITIES		187,075,952	176,990,221	1,807,298	2,331,211
TOTAL EQUITY AND LIABILITIES		381,342,544	379,958,420	121,242,100	118,822,235

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

		The Group		The Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
REVENUE	25	118,281,507	105,421,433	–	–
COST OF SALES		(90,701,049)	(77,213,201)	–	–
GROSS PROFIT		27,580,458	28,208,232	–	–
OTHER INCOME		979,427	4,076,316	1,302,496	1,326,964
ADMINISTRATIVE EXPENSES		28,559,885 (32,444,200)	32,284,548 (24,883,821)	1,302,496 (1,170,741)	1,326,964 (1,505,937)
SELLING AND DISTRIBUTION EXPENSES		(1,047,006)	(821,032)	–	–
FINANCE COSTS		(6,313,377)	(3,868,602)	(5,240)	(31,056)
NET IMPAIRMENT ON FINANCIAL ASSET	26	(3,338,805)	(2,315,370)	–	–
(LOSS)/PROFIT BEFORE TAXATION	27	(14,583,503)	395,723	126,515	(210,029)
TAX (EXPENSE)/INCOME	28	(1,125,873)	4,011,564	(182,737)	(13,621)
(LOSS)/PROFIT AFTER TAXATION		(15,709,376)	4,407,287	(56,222)	(223,650)
OTHER COMPREHENSIVE INCOME	29				
<u>Item that Will Not be Reclassified Subsequently to Profit or Loss</u>					
Remeasurement of deferred tax on revalued properties due to exemption on real property gain tax ("RPGT")		–	3,855,400	–	–
<u>Item that Will be Reclassified Subsequently to Profit or Loss</u>					
Foreign currency translation differences		54,666	(2,766)	–	–
TOTAL OTHER COMPREHENSIVE INCOME		54,666	3,852,634	–	–
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE FINANCIAL YEAR		(15,654,710)	8,259,921	(56,222)	(223,650)

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

	Note	The Group		The Company	
		2023	2022	2023	2022
		RM	RM	RM	RM
(LOSS)/PROFIT					
AFTER TAXATION					
ATTRIBUTABLE TO:-					
Owners of the Company		(16,050,169)	4,617,289	(56,222)	(223,650)
Non-controlling interests		340,793	(210,002)	–	–
		(15,709,376)	4,407,287	(56,222)	(223,650)
TOTAL COMPREHENSIVE					
(EXPENSES)/INCOME					
ATTRIBUTABLE TO:-					
Owners of the Company		(15,995,503)	8,428,973	(56,222)	(223,650)
Non-controlling interests		340,793	(169,052)	–	–
		(15,654,710)	8,259,921	(56,222)	(223,650)
(LOSS)/EARNINGS					
PER SHARE (SEN)					
	30				
Basic		(6.36)	1.94		
Diluted		(6.36)	1.90		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

The Group	Note	Non-Distributable ----->					Distributable		Attributable to Owners of the Company RM	Non-controlling Interests RM	Total Equity RM
		Share Capital RM	Merger Deficit RM	Foreign Exchange Translation Reserve RM	Revaluation Reserve RM	Retained Profits RM					
Balance at 1.4.2022		117,904,774	(68,978,997)	(2,367)	37,329,926	115,160,592			201,413,928	1,554,271	202,968,199
Loss after taxation for the financial year		-	-	-	-	(16,050,169)			(16,050,169)	340,793	(15,709,376)
Other comprehensive income for the financial year:-	29										
- Foreign currency translation differences		-	-	54,666	-	-			54,666	-	54,666
Total comprehensive expenses for the financial year		-	-	54,666	-	(16,050,169)			(15,995,503)	340,793	(15,654,710)
Issuance of ordinary shares	15	3,000,000	-	-	-	-			3,000,000	-	3,000,000
Acquisition of a subsidiary	31.1	-	-	-	-	-			-	3,953,103	3,953,103
Balance at 31.3.2023		120,904,774	(68,978,997)	52,299	37,329,926	99,110,423			188,418,425	5,848,167	194,266,592

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Non-Distributable ----->					Attributable to Owners of the Company RM	Non-controlling Interests RM	Total Equity RM
		Share Capital RM	Merger Deficit RM	Foreign Exchange Translation Reserve RM	Revaluation Reserve RM	Retained Profits RM			
The Group									
Balance at 1.4.2021		109,457,999	(68,978,997)	41,349	49,538,618	94,782,419	184,841,388	2,607,667	187,449,055
Profit after taxation for the financial year		-	-	-	-	4,617,289	4,617,289	(210,002)	4,407,287
Other comprehensive income for the financial year:-	29								
- Remeasurement of deferred tax on properties due to exemption on RPGT		-	-	-	3,855,400	-	3,855,400	-	3,855,400
- Foreign currency translation differences		-	-	(43,716)	-	-	(43,716)	40,950	(2,766)
Total comprehensive income for the financial year		-	-	(43,716)	3,855,400	4,617,289	8,428,973	(169,052)	8,259,921
Issuance of ordinary shares	15	8,446,775	-	-	-	-	8,446,775	-	8,446,775
Acquisition of non-controlling interests		-	-	-	-	(303,208)	(303,208)	(2,235,892)	(2,539,100)
Issuance of ordinary shares to non-controlling interests		-	-	-	-	-	-	1,867,875	1,867,875
Dissolution of a subsidiary		-	-	-	-	-	-	(516,327)	(516,327)
Total contributions by and distributions to owners		8,446,775	-	-	-	(303,208)	8,143,567	(884,344)	7,259,223
Realisation of revaluation reserve upon disposal of leasehold land		-	-	-	(16,064,092)	16,064,092	-	-	-
Balance at 31.3.2022		117,904,774	(68,978,997)	(2,367)	37,329,926	115,160,592	201,413,928	1,554,271	202,968,199

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Share Capital RM	Accumulated Losses RM	Total Equity RM
The Company				
Balance at 1.4.2021		109,457,999	(1,190,100)	108,267,899
Loss after taxation/Total comprehensive expenses for the financial year		–	(223,650)	(223,650)
Issuance of ordinary shares	15	8,446,775	–	8,446,775
Balance at 31.3.2022/1.4.2022		117,904,774	(1,413,750)	116,491,024
Loss after taxation/Total comprehensive expenses for the financial year		–	(56,222)	(56,222)
Issuance of ordinary shares	15	3,000,000	–	3,000,000
Balance at 31.3.2023		120,904,774	(1,469,972)	119,434,802

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

Note	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
(Loss)/Profit before taxation	(14,583,503)	395,723	126,515	(210,029)
Adjustments for:-				
Allowance for impairment loss on trade receivables	3,338,805	2,315,370	-	-
Allowance for impairment loss on deposits and prepayments	442,024	-	-	-
Depreciation of property, plant and equipment	11,228,231	10,295,717	-	-
Depreciation of right-of-use assets	5,919,210	2,832,830	-	-
Gain on lease termination	(20,008)	-	-	-
Goodwill written off	-	345,405	-	-
Impairment loss on property, plant and equipment	1,481,241	-	-	-
Interest expense on lease liabilities	1,468,760	620,160	-	-
Other interest expenses	4,637,646	3,121,555	5,240	31,056
Property, plant and equipment written off	60	4,333	-	-
Unrealised loss on foreign exchange	83,156	-	-	-
Gain on disposal of property, plant and equipment and right-of-use assets	-	(3,610,009)	-	-
Interest income	(349,527)	(179,993)	(1,104,455)	(1,281,632)
Operating profit/(loss) before working capital changes	13,646,095	16,141,091	(972,700)	(1,460,605)
(Increase)/Decrease in inventories	(5,521,475)	1,144,203	-	-
Increase in trade and other receivables	(2,912,004)	(3,216,324)	-	(210,000)
Increase/(Decrease) in trade and other payables	5,355,870	509,906	(102,244)	15,602
CASH FROM/(FOR) OPERATIONS	10,568,486	14,578,876	(1,074,944)	(1,655,003)
Income tax paid	(1,677,811)	(1,390,213)	(158,366)	(174,908)
Income tax refunded	11,324	105,595	-	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES	8,901,999	13,294,258	(1,233,310)	(1,829,911)

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

STATEMENTS OF CASH FLOWS (CONT'D)

		The Group		The Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Acquisition of subsidiary, net of cash and cash equivalents acquired	31.1	(13,072,291)	–	(16,750,000)	–
Acquisition of non-controlling interests	31.2	–	(2,739,100)	–	(2,518,600)
Additional investments in an existing subsidiary		–	–	–	(1,794,625)
Addition to right-of-use assets	32(a)	(1,099,628)	(2,469)	–	–
Capital repayment to non-controlling interests		–	(516,327)	–	–
Interest income received		349,527	179,993	80,147	23,073
Proceed from disposal of investment in a subsidiary	31.2	–	200,000	–	200,000
Proceeds from disposal of property, plant and equipment		–	47,368,981	–	–
Proceeds from disposal of right-of-use assets		–	31,000,000	–	–
Purchase of property, plant and equipment	32(a)	(12,072,541)	(12,056,251)	–	–
Repayment from subsidiaries		–	–	3,116,363	11,865,616
Withdrawal/(Additions) of fixed deposits with tenure more than 3 months		11,719,118	(10,004,411)	–	–
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(14,175,815)	53,430,416	(13,553,490)	7,775,464

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

STATEMENTS OF CASH FLOWS (CONT'D)

		The Group		The Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
CASH FLOWS (FOR)/FROM					
FINANCING ACTIVITIES					
Repayment from/(to) a subsidiary	32(d)	–	–	(446,784)	1,018,326
Drawdown of bankers' acceptances	32(d)	19,978,000	29,272,000	–	–
Drawdown of term loans	32(d)	81,261	4,989,573	–	–
Interest paid	32(d)	(6,106,406)	(5,406,130)	–	–
Proceed from issuance of ordinary shares to non-controlling interest		–	1,867,875	–	–
Proceeds from issuance of ordinary shares		–	8,446,775	–	8,446,775
Repayment of bankers' acceptances	32(d)	(19,978,000)	(30,762,000)	–	–
Repayment of hire purchase obligations	32(d)	(310,457)	(222,823)	–	–
Repayment of lease liabilities	32(d)	(5,048,024)	(2,366,011)	–	–
Repayment of term loans	32(d)	(13,500,520)	(35,425,048)	–	–
Additions to pledged fixed deposits		(2,950)	–	–	–
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(24,887,096)	(29,605,789)	(446,784)	9,465,101
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(30,160,912)	37,118,885	(15,233,584)	15,410,654
EFFECT OF FOREIGN EXCHANGE TRANSLATION		(6,708)	(101,421)	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		29,235,105	(7,782,359)	15,464,963	54,309
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	32(c)	(932,515)	29,235,105	231,379	15,464,963

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in 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 26 July 2023.

2. HOLDING COMPANY

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

3. PRINCIPAL ACTIVITIES

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

4. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

MFRSs (Including The Consequential Amendments)

Amendments to MFRS 3: Reference to the Conceptual Framework

Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use

Annual Improvements to MFRS Standards 2018 – 2020

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. BASIS OF PREPARATION (CONT'D)

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

MFRSs (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 112: International Tax Reform – Pillar Two Model Rules	1 January 2023

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

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment and Right-of-Use Assets

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment and certain right-of-use assets 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 and certain right-of-use assets 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. The carrying amounts of property, plant and equipment and right-of-use assets as at the reporting date are disclosed in Notes 7 and 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(b) Property, Plant and Equipment and Right-of-Use Assets under Revaluation

Freehold land, leasehold land, certain buildings and warehouses of the Group are reported at revalued amounts which are based on valuations performed by independent professional valuers based on market comparison approach and depreciated replacement cost approach for land components and building components respectively.

The value of land components was arrived at by reference to the selling prices of recent transactions and asking prices of similar properties of nearby location and where necessary, adjusting for tenure, location, size, market trends and others.

The value of buildings components was arrived at by reference to the building replacement cost and adjustment for economic, physical and functional obsolescence.

Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuations. The carrying amounts of property, plant and equipment and right-of-use assets measured at revaluation as at the reporting date are disclosed in Notes 7 and 8 to the financial statements.

(c) Impairment of Goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 10 to the financial statements.

(d) Impairment of Property, Plant and Equipment and Right-of-Use Assets

The Group determines whether its property, plant and equipment and right-of-use assets are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of property, plant and equipment and right-of-use assets as at the reporting date are disclosed in Notes 7 and 8 to the financial statements.

(e) 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. The carrying amount of inventories as at the reporting date is disclosed in Note 11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(f) Impairment of Trade Receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 12 to the financial statements.

(g) 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 period in which such determination is made. The carrying amount of current tax assets and liabilities as at the reporting date are RM2,926,274 and RM244,476 (2022 – RM2,353,122 and RM218,218) respectively.

(h) Purchase Price Allocation

Purchase prices related to business combinations are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value required the Group to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts the Group's reported assets (including goodwill) and liabilities, future net earnings due to the impact on future depreciation and amortisation expense and impairment tests. The fair values of the assets acquired and liabilities assumed under the business combinations made during the current financial year are disclosed in Note 31.1 to the financial statements.

(l) Discount Rates used in Leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non- cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

5.2 BASIS OF CONSOLIDATION

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

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

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

Intragroup 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 BASIS OF CONSOLIDATION (CONT'D)

(b) Non-controlling Interests

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

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

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

(d) Loss of Control

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

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

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 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

5.3 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 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 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.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 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.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). 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

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

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), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(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. The changes in fair value of these financial liabilities are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities (Cont'd)

(ii) Other Financial Liabilities

Other financial liabilities are 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 (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 liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently. Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 FINANCIAL INSTRUMENTS (CONT'D)

(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 Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

5.6 INVESTMENTS IN SUBSIDIARIES

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

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

5.7 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, buildings and warehouses, are stated at cost less accumulated depreciation and any impairment losses.

Freehold land is stated at valuation less impairment losses recognised after the date of the revaluation. Buildings and warehouses are stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation.

Freehold 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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 a 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%
Trucks, low loaders, prime movers, trailers and forklifts	10%
Motor vehicles	20%
Plant and machinery	10%
Renovation	10%

Assets under construction 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.

5.8 LEASES

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.8 LEASES (CONT'D)

The right-of-use assets, other than leasehold land, are subsequently measured at cost less accumulated depreciation and any impairment losses and adjusted for any remeasurement of the lease liability.

Leasehold land is stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation.

Leasehold land is 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.

The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

5.9 INVENTORIES

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances and demand deposits 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.

5.11 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on Malaysia's average cumulative default rate and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 IMPAIRMENT (CONT'D)

(b) Impairment of Non-financial Assets (Cont'd)

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.

5.12 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.

5.13 INCOME TAXES

(a) Current Tax

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

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).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.13 INCOME TAXES (CONT'D)

(b) Deferred Tax

Deferred tax is 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.

5.14 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.

5.15 EARNINGS PER ORDINARY SHARE

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.16 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.

5.17 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. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. 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.

The fair value for measurement and disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions (MFRS 2), leasing transactions (MFRS 16) and measurement that have some similarities to fair value but are not fair value, such as net realisable value (MFRS 102) or value in use (MFRS 136).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.18 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Rendering of Services

Revenue from providing transportation and warehousing services is recognised over time in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. As a practical expedient, the Group recognises revenue on a straight-line method over the period of service.

(b) Sale of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5.19 REVENUE FROM OTHER SOURCES AND OTHER OPERATING INCOME

(a) Interest Income

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

(b) Rental Income

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2023	2022
	RM	RM
Unquoted shares, at cost:-		
At 1 April	78,097,402	73,984,177
Add: investments in subsidiary	19,750,000	4,313,225
Less: dissolution in subsidiaries	–	(200,000)
At 31 March	97,847,402	78,097,402
Accumulated impairment losses:-		
At 1 April/31 March	(1,610,124)	(1,610,124)
	96,237,278	76,487,278

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
		2023 %	2022 %	
Subsidiaries of the Company				
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") ^{(a) (c)}	Malaysia	30	30	Provision of freight forwarding, custom brokerage services, cargo transportation services and rental of prime movers, trailers and trucks
Xin Hwa Integrated Logistics Pte. Ltd. ("XHIL") *	Singapore	100	100	Provision of freight forwarding and customs brokerage services

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (Cont'd):-

Name of Subsidiaries	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2023 %	2022 %	
Subsidiaries of the Company (Cont'd)				
Yiwugou Ecommerce Sdn. Bhd. ("YESB") ^(c)	Malaysia	50.01	50.01	Provision of e-commercial and e-business transactions conducted electronically on the internet
Global Tank Solution Sdn. Bhd. ("GTS") ^(c)	Malaysia	80	80	Provision of transport, logistics and carriers of oil and gas industry as well as rental of tanks
Micron Metal Engineering Sdn. Bhd. ("MME") ^{(b) (c) (d)}	Malaysia	79	–	Manufacturing of precision metal components and parts
PT. Xtra Heavy Logistik ("PTXHL") *	Indonesia	100	100	Provision of freight forwarding, customs brokerage services, cargo transportation services and rental of prime movers, trailers and trucks

* The subsidiary was audited by other firm of chartered accountants.

- (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 year, the Company acquired 79% equity interests in MME. The details of the acquisition are disclosed in Note 31.1 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	Effective Equity Interest		The Group	
	2023 %	2022 %	2023 RM	2022 RM
XHUF	70.00	70.00	1,710,574	1,630,796
YESB	49.99	49.99	(277,510)	(272,250)
GTS	20.00	20.00	213,801	195,725
MME	21.00	–	4,201,302	–
			5,848,167	1,554,271

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

	Micron Metal Engineering Sdn. Bhd. 2023 RM
At 31 March	
Non-current assets	9,251,490
Current assets	14,866,343
Non-current liabilities	(792,166)
Current liabilities	(2,319,461)
Net assets	21,006,206
<u>Financial Period from 1 August 2022 to 31 March 2023</u>	
Revenue	12,057,168
Profit for the financial year/Total comprehensive income	1,181,906
Total comprehensive income attributable to non-controlling interests	248,200
Net cash flows from operating activities	571,343
Net cash flows for investing activities	(15,234)
Net cash flows for financing activities	(692,209)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.4.2022 RM	Additions (Note 32(a)) RM	Reclassification RM	Acquisition of A Subsidiary (Note 31.1) RM	Impairment Loss (Note 27) RM	Write Off (Note 27) RM	Foreign Exchange Difference RM	Depreciation Charges (Note 27) RM	At 31.3.2023 RM
<i>Carrying Amount</i>									
Freehold land	82,700,000	-	-	2,592,360	-	-	-	-	85,292,360
Buildings and warehouses	110,295,194	2,966,869	-	2,407,640	-	-	-	(2,420,487)	113,249,216
Furniture, fittings and equipment	1,868,248	617,622	45,070	25,979	-	(17)	546	(522,351)	2,035,097
Trucks, low loaders, prime movers, trailers and forklifts	35,718,157	5,556,312	1,128,088	-	(1,481,241)	-	3,793	(7,394,958)	33,530,151
Motor vehicles	535,247	-	-	184,085	-	-	-	(269,773)	449,559
Plant and machinery	4,066	1,284,297	-	3,490,992	-	(43)	-	(506,894)	4,272,418
Renovation	455,338	-	-	17,449	-	-	-	(113,768)	359,019
Assets under construction	2,112,087	3,326,433	(1,173,158)	-	-	-	-	-	4,265,362
	233,688,337	13,751,533	-	8,718,505	(1,481,241)	(60)	4,339	(11,228,231)	243,453,182

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

The Group	At 1.4.2021 RM	Additions (Note 32(a)) RM	Reclassification RM	Disposals RM	Write Off (Note 27) RM	Foreign Exchange Difference RM	Depreciation Charges (Note 27) RM	At 31.3.2022 RM
<i>Carrying Amount</i>								
Freehold land	82,700,000	-	-	-	-	-	-	82,700,000
Buildings and warehouses	77,063,845	8,391,241	72,067,564	(45,640,289)	-	-	(1,587,167)	110,295,194
Furniture, fittings and equipment	2,317,562	86,917	3,517	(463)	(4,333)	2,465	(537,417)	1,868,248
Trucks, low loaders, prime movers, trailers and forklifts	41,833,392	2,911,281	589,915	(1,999,949)	-	94,417	(7,710,899)	35,718,157
Motor vehicles	631,234	249,000	61	-	-	-	(345,048)	535,247
Plant and machinery	13,004	4,101	-	-	-	-	(13,039)	4,066
Renovation	370,647	138,768	48,070	-	-	-	(102,147)	455,338
Assets under construction	70,804,326	4,079,588	(72,709,127)	(62,700)	-	-	-	2,112,087
	275,734,010	15,860,896	-	(47,703,401)	(4,333)	96,882	(10,295,717)	233,688,337

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	At Cost RM	At Valuation RM	Accumulated Depreciation RM	Accumulated Impairment Losses RM	Carrying Amount RM
The Group					
2023					
Freehold land	2,592,360	82,700,000	–	–	85,292,360
Buildings and warehouses	86,305,885	32,542,726	(5,599,395)	–	113,249,216
Furniture, fittings and equipment	8,887,639	–	(6,805,035)	(47,507)	2,035,097
Trucks, low loaders, prime movers, trailers and forklifts	111,295,216	–	(76,283,824)	(1,481,241)	33,530,151
Motor vehicles	5,989,132	–	(5,539,573)	–	449,559
Plant and machinery	11,849,629	–	(7,577,211)	–	4,272,418
Renovation	1,458,778	–	(1,092,549)	(7,210)	359,019
Assets under construction	4,265,362	–	–	–	4,265,362
	232,644,001	115,242,726	(102,897,587)	(1,535,958)	243,453,182
2022					
Freehold land	–	82,700,000	–	–	82,700,000
Buildings and warehouses	80,458,805	32,542,726	(2,706,337)	–	110,295,194
Furniture, fittings and equipment	8,055,265	–	(6,139,510)	(47,507)	1,868,248
Trucks, low loaders, prime movers, trailers and forklifts	104,607,850	–	(68,889,693)	–	35,718,157
Motor vehicles	5,317,251	–	(4,782,004)	–	535,247
Plant and machinery	216,150	–	(212,084)	–	4,066
Renovation	1,146,688	–	(684,140)	(7,210)	455,338
Assets under construction	2,112,087	–	–	–	2,112,087
	201,914,096	115,242,726	(83,413,768)	(54,717)	233,688,337

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

- (a) 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 19, 23 and 24 to the financial statements are as follows:-

	The Group 2023 RM	2022 RM
<i>Net carrying amount</i>		
Freehold land	82,700,000	82,700,000
Buildings and warehouses	108,216,145	107,601,821
Trucks, low loaders, prime movers, trailers and forklifts	8,646,359	10,650,587
	199,562,504	200,952,408

- (b) Included in the property, plant and equipment of the Group were motor vehicles and prime mover with a total carrying amount of RM1,427,445 (2022 – RM1,024,391) held under hire purchase agreements. These assets have been pledged as security for the hire purchase payables of the Group as disclosed in Note 18 to the financial statements.
- (c) During the financial year ended 31 March 2019, the Group's freehold land, buildings and warehouses were revalued by independent professional valuers. The surpluses arising from the revaluations, net of deferred taxation, have been 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:-

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
The Group				
2023				
Freehold land	–	82,700,000	–	82,700,000
Buildings and warehouses	–	27,424,237	–	27,424,237
	–	110,124,237	–	110,124,237
2022				
Freehold land	–	82,700,000	–	82,700,000
Buildings and warehouses	–	28,168,638	–	28,168,638
	–	110,868,638	–	110,868,638

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

- (d) The level 2 fair values have been determined based on the market comparison approach and depreciated replacement cost approach for land components and buildings components respectively.

The market comparison approach reflects recent transaction prices for similar properties and the most significant input into this valuation approach is price per square foot of comparable properties. The depreciated replacement cost approach reflects the estimated replacement cost for the building and adjustment for economic, physical and functional obsolescence. The most significant input into depreciated replacement cost approach is the replacement cost for the properties based on the current condition. There has been no change to the valuation technique during the financial year.

There were no transfer between level 1, level 2 and level 3 during the financial year.

The fair value measurements of the freehold land and buildings are based on the highest and best use which does not differ from their actual use.

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

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
The Group			
2023			
Freehold land	46,630,851	–	46,630,851
Buildings and warehouses	28,232,072	(6,717,925)	21,514,147
	74,862,923	(6,717,925)	68,144,998
2022			
Freehold land	46,630,851	–	46,630,851
Buildings and warehouses	28,232,072	(6,153,283)	22,078,789
	74,862,923	(6,153,283)	68,709,640

- (f) In the previous financial year, the Company capitalised borrowing cost for the construction of buildings and warehouses amounting to RM1,664,415.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. RIGHT-OF-USE ASSETS

The Group							
2023							
Carrying Amount							
Leasehold land	–	28,164,645	(205,664)	–	–	–	27,958,981
Warehouse	41,696,479	5,223,369	(5,114,977)	–	(1,774,908)	704	40,030,667
Parking yards	522,037	–	(409,476)	545,159	–	–	657,720
Offices	261,102	–	(189,093)	117,960	–	–	189,969
	42,479,618	33,388,014	(5,919,210)	663,119	(1,774,908)	704	68,837,337
	At 1.4.2021 RM	Additions (Note 32(a)) RM	Depreciation Charges (Note 27) RM	Disposal RM	Foreign Exchange Difference RM	At 31.3.2022 RM	
The Group							
2022							
Carrying Amount							
Leasehold land	23,825,715	–	(194,967)	(23,630,748)	–	–	–
Warehouse	48,538	43,687,515	(2,041,347)	–	1,773	41,696,479	
Parking yards	895,600	–	(373,563)	–	–	522,037	
Offices	484,055	–	(222,953)	–	–	261,102	
	25,253,908	43,687,515	(2,832,830)	(23,630,748)	1,773	42,479,618	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. RIGHT-OF-USE ASSETS (CONT'D)

	The Group	
	2023 RM	2022 RM
Analysed by:-		
At cost	78,920,048	47,130,967
Accumulated depreciation	(10,082,711)	(4,651,349)
	68,837,337	42,479,618

- (a) The leasehold land have been pledged to licensed banks as securities for the banking facilities granted to the Group as disclosed in Notes 19, 23 and 24 to the financial statements.
- (b) During the financial year ended 31 March 2019, the Group's leasehold land were revalued by independent professional valuers. The surpluses arising from the revaluations, net of deferred taxation, have been accumulated in equity under the revaluation reserve.
- (c) The Group leases certain pieces of leasehold land, warehouse, parking yards and offices of which the leasing activities are summarised below:-
- (i) Leasehold land During the current financial year, the Group has entered into 2 (2022 – NIL) non-cancellable operating lease agreements for the use of land. The leases are for a period of 60 (2022 – NIL) years with no renewal or purchase option included in the agreements.
- (ii) Warehouse, parking yards, and offices The Group has leased certain warehouse, parking yards and offices that run between 2 and 9 (2022 – 2 and 10) years, with an option to renew the lease after that date.

9. AMOUNT OWING BY/(TO) SUBSIDIARIES

	The Company	
	2023 RM	2022 RM
Amount Owing by Subsidiaries		
<u>Non-current</u>		
Non-trade balances	24,560,943	26,652,998
Amount Owing to Subsidiaries		
<u>Current</u>		
Non-trade balances	(1,610,360)	(2,051,904)

The non-trade balances owing by/(to) subsidiaries represent unsecured advances bore effective interest rate ranging from 3.56% to 5.19% (2022 – 3.40% to 3.48%) per annum. The amount owing by subsidiaries is not expected to be repaid in the next 12 months and is to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. GOODWILL

	The Group	
	2023 RM	2022 RM
Cost:-		
At 1 April	987,177	1,332,582
Write off due to dissolution of a subsidiary	–	(345,405)
Acquisition of a subsidiary (Note 31.1)	4,878,803	–
At 31 March	5,865,980	987,177
Accumulated impairment losses:-		
At 1 April/31 March	(987,177)	(987,177)
	4,878,803	–

- (a) The Group has assessed the recoverable amounts of goodwill allocated and determined that no additional impairment is required. The recoverable amount of the cash-generating unit is 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 4 years. The key assumptions used in the determination of the recoverable amounts are as follows:-

	Gross Margin		Growth Rate		Discount Rate	
	2023	2022	2023	2022	2023	2022
Micron Metal Engineering Sdn. Bhd.	18.1% - 21.0%	–	3.4%	–	6.5%	–

- | | | |
|-------|-------------------------|--|
| (i) | Budgeted gross margin | Forecasted gross margin after considering local requirement and operating costs. |
| (ii) | Growth rate | Based on the expected projection of manufacturing industry. |
| (iii) | Discount rate (pre-tax) | The rate reflects 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. INVENTORIES

	The Group	
	2023 RM	2022 RM
Consumable goods	68,795	68,795
Raw materials	795,779	273,364
Work-in-progress	1,338,239	–
Finished goods	6,087,464	28,000
Goods-in-transit	202,627	–
	8,492,904	370,159
Recognised in profit or loss:-		
Inventories recognised as cost of sales	24,699,155	6,484,359

12. TRADE RECEIVABLES

	The Group	
	2023 RM	2022 RM
Trade receivables	41,654,327	35,047,057
Allowance for impairment losses	(12,985,137)	(9,644,805)
	28,669,190	25,402,252
Allowance for impairment losses:-		
At 1 April	9,644,805	7,323,334
Addition during the financial year (Note 26)	3,338,805	2,315,370
Translation differences	1,527	6,101
At 31 March	12,985,137	9,644,805

The Group's normal trade credit terms range from 30 to 120 (2022 – 30 to 120) days.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
<u>Non-current</u>				
Prepayment for purchase of leasehold land	–	27,065,017	–	–
<u>Current</u>				
Other receivables:-				
Third parties	757,623	1,369,148	200,000	200,000
Goods and services tax recoverable	143,446	114,445	–	–
	901,069	1,483,593	200,000	200,000
Deposits	3,631,569	4,559,353	2,500	2,500
Prepayments	2,719,744	1,299,862	10,000	10,000
	7,252,382	7,342,808	212,500	212,500
Less: Allowance for impairment losses on deposits and prepayments (Note 27)	(442,024)	–	–	–
	6,810,358	7,342,808	212,500	212,500

14. FIXED DEPOSITS WITH LICENSED BANKS

- (a) The fixed deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates ranging from 1.45% to 2.70% (2022 – 1.45% to 1.85%) per annum. The fixed deposits have maturity periods ranging from 30 to 365 (2022 – 30 to 365) days.
- (b) Included in the fixed deposits with licensed banks of the Group at the end of the reporting period was an amount of RM311,315 (2022 – RM135,025) which has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Notes 19 and 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. SHARE CAPITAL

	2023	The Group/The Company		2022
	Number of Shares	2022	2023	2022
			RM	RM
Issued and Fully Paid-Up				
Ordinary Shares				
At 1 April	245,149,998	221,399,998	117,904,774	109,457,999
Issuance of new shares for cash	–	23,750,000	–	8,446,775
Issuance of new shares for acquisition of a subsidiary (Note 31.1)	10,507,881	–	3,000,000	–
At 31 March	255,657,879	245,149,998	120,904,774	117,904,774

- (a) 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. The ordinary shares have no par value.
- (b) During the financial year, the Company increased its issued and paid-up share capital from RM117,904,774 to RM120,904,774 by way of issuance of 10,507,881 new ordinary shares at RM0.2855 each to acquire a subsidiary.
- (c) In the previous financial year, the Company increased its issued and paid-up share capital from RM109,457,999 to RM117,904,774 by way of:-
- (i) issuance of 6,750,000 new ordinary shares at RM0.3717 each for a cash consideration of RM2,508,975 via private placement.
 - (ii) issuance of 5,000,000 new ordinary shares at RM0.4018 each for a cash consideration of RM2,009,000 via private placement.
 - (iii) issuance of 12,000,000 new ordinary shares at RM0.3274 each for a cash consideration of RM3,928,800 via private placement.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. RESERVES

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
<u>Distributable</u>				
Retained earnings/(Accumulated losses)	99,110,423	115,160,592	(1,469,972)	(1,413,750)
<u>Non-distributable</u>				
Merger deficit	(68,978,997)	(68,978,997)	–	–
Revaluation reserve	37,329,926	37,329,926	–	–
Foreign exchange translation reserve	52,299	(2,367)	–	–
	(31,596,772)	(31,651,438)	–	–
	67,513,651	83,509,154	(1,469,972)	(1,413,750)

(a) 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.

(b) Revaluation Reserve

	The Group	
	2023 RM	2022 RM
At 1 April	37,329,926	49,538,618
Add: Remeasurement of deferred tax on revalued properties due to exemption on RPGT	–	3,855,400
Less: Realisation of revaluation reserve upon disposal of leasehold land	–	(16,064,092)
At 31 March	37,329,926	37,329,926

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 and right-of-use assets.

(c) Foreign Exchange Translation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. LEASE LIABILITIES

	The Group	
	2023 RM	2022 RM
At 1 April	46,146,159	1,402,301
Additions (Note 32(d))	5,223,369	47,109,869
Interest expense recognised in profit or loss (Note 27)	1,468,760	620,160
Changes due to lease modification	663,119	–
Termination of lease	(1,794,916)	–
Repayment of principal (Note 32(b))	(5,048,024)	(2,366,011)
Repayment of interest expense (Note 32(b))	(1,468,760)	(620,160)
At 31 March	45,189,707	46,146,159
Analysed by:-		
Current liabilities	5,241,825	4,708,088
Non-current liabilities	39,947,882	41,438,071
	45,189,707	46,146,159

18. HIRE PURCHASE PAYABLES

	The Group	
	2023 RM	2022 RM
Minimum hire purchase payments:-		
- not later than 1 year	776,925	298,082
- later than 1 year and not later than 5 years	2,791,775	758,407
- later than 5 years	793,989	–
	4,362,689	1,056,489
Less: Future finance charges	(762,152)	(98,545)
Present value of hire purchase payables	3,600,537	957,944
Analysed by:-		
Current liabilities	567,384	258,601
Non-current liabilities	3,033,153	699,343
	3,600,537	957,944

The hire purchase payables of the Group are secured by the Group's motor vehicles and prime mover under the hire purchase arrangements as disclosed in Note 7(b) to the financial statements. The hire purchase agreements are expiring from 1 to 7 (2022 – 1 to 5) years and bear effective interest rates ranging from 3.82% to 7.51% (2022 – 3.82% to 6.04%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. TERM LOANS

	The Group	
	2023 RM	2022 RM
Current liabilities	12,389,725	11,715,918
Non-current liabilities	75,924,604	84,135,324
	88,314,329	95,851,242

(a) The term loans are secured by:-

- (i) legal charges over the landed properties of the Group as disclosed in Notes 7(a) and 8(a) to the financial statements;
- (ii) legal charge over a property owned by certain directors of the Group and a sibling of the directors of the Group;
- (iii) legal charge over a property owned by a director of the Group and spouse of the director;
- (iv) specific debentures over certain trailers as disclosed in Note 7(a) to the financial statements;
- (v) corporate guarantee executed by the Company and a subsidiary;
- (vi) joint or several guarantees by certain directors of the Group; and
- (vii) fixed deposits with a licensed bank.

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

	Effective Interest Rate %	The Group	
		2023 RM	2022 RM
Floating rate term loans	4.07 - 6.60	88,314,329	95,851,242

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. DEFERRED TAX LIABILITIES

The Group

2023

Deferred Tax Liabilities

Property, plant and equipment	13,319,700	(814,400)	724,500	–	13,229,800
Right-of-use assets	10,174,292	(367,835)	–	(635)	9,805,822
Revaluation surplus	5,199,800	–	144,666	–	5,344,466
Unrealised gain on foreign exchange	–	5,000	100	–	5,100
	28,693,792	(1,177,235)	869,266	(635)	28,385,188

Deferred Tax Assets

Accrued commission	(40,111)	40,111	–	–	–
Allowance for impairment losses on trade receivables	(2,303,810)	(791,036)	–	–	(3,094,846)
Lease liabilities	(11,060,200)	222,500	–	–	(10,837,700)
Provision	–	(8,400)	(44,100)	–	(52,500)
Unabsorbed capital allowances	(62,009)	(930,387)	–	–	(992,396)
Unabsorbed industrial building allowances	(394,900)	(502,900)	–	–	(897,800)
Unabsorbed investment tax allowances	(9,569,700)	3,208,500	–	–	(6,361,200)
Unused tax losses	(12,400)	12,400	–	–	–
	(23,443,130)	1,250,788	(44,100)	–	(22,236,442)
	5,250,662	73,553	825,166	(635)	6,148,746

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. DEFERRED TAX LIABILITIES (CONT'D)

	At 1.4.2021 RM	Recognised in Profit or Loss (Note 28(a)) RM	Recognised in Other Comprehensive Income (Note 29) RM	At 31.3.2022 RM
The Group				
2022				
<i>Deferred Tax Liabilities</i>				
Property, plant and equipment	13,093,800	225,900	–	13,319,700
Right-of-use assets	331,100	9,843,192	–	10,174,292
Revaluation surplus	9,055,200	–	(3,855,400)	5,199,800
	22,480,100	10,069,092	(3,855,400)	28,693,792
<i>Deferred Tax Assets</i>				
Accrued commission	–	(40,111)	–	(40,111)
Allowance for impairment losses on trade receivables	(1,699,000)	(604,810)	–	(2,303,810)
Lease liabilities	(336,600)	(10,723,600)	–	(11,060,200)
Unabsorbed capital allowances	(113,400)	51,391	–	(62,009)
Unabsorbed industrial building allowances	–	(394,900)	–	(394,900)
Unabsorbed investment tax allowances	(6,554,800)	(3,014,900)	–	(9,569,700)
Unused tax losses	(12,300)	(100)	–	(12,400)
	(8,716,100)	(14,727,030)	–	(23,443,130)
	13,764,000	(4,657,938)	(3,855,400)	5,250,662

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. DEFERRED TAX LIABILITIES (CONT'D)

At the end of the reporting period, the amounts of deferred tax assets not recognised (stated at gross) due to uncertainty of their realisation are as follows:-

	The Group	
	2023 RM	2022 * RM
Unused tax losses:-		
- expires year of assessment 2028	559,000	559,000
- expires year of assessment 2029	404,000	404,000
- expires year of assessment 2030	48,000	48,000
- expires year of assessment 2031	6,000	6,000
- expires year of assessment 2033	1,641,000	–
Unabsorbed capital allowances	50,000	50,000
Unabsorbed investment tax allowances	35,889,000	19,005,000
	38,597,000	20,072,000

* Certain comparative figures have been restated to reflect the revised unabsorbed capital allowances and unabsorbed investment tax allowances to the Group.

Based on the current legislation, the unused tax losses up to the year of assessment 2018 can be carried forward until the year of assessment 2028 and the unused tax losses for 2019 onwards are allowed to be utilised for 10 consecutive years of assessment immediately following that year of assessment; whereas, the unabsorbed capital allowances and unabsorbed investment tax allowances are allowed to be carried forward indefinitely.

21. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 120 (2022 – 30 to 120) days.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Other payables:-				
Third parties:-				
- Purchase of property, plant and equipment	3,653,701	12,205,524	-	-
- Others	3,043,733	1,492,628	89,063	196,307
Sales and service tax payable	62,140	9,489	-	-
	6,759,574	13,707,641	89,063	196,307
Deposit received	7,036	7,036	-	-
Advances from customers	1,849,849	-	-	-
Accruals	711,820	677,957	88,000	83,000
Payroll liabilities	3,582,974	2,746,107	-	-
Provisions	218,600	-	-	-
	13,129,853	17,138,741	177,063	279,307

23. BANKERS' ACCEPTANCES

- The bankers' acceptances of the Group at the end of the reporting period are drawn for a period of up to 66 (2022 – 58) days and bore effective interest rates of 4.64% to 4.97% (2022 – 3.31%) per annum.
- The bankers' acceptances of the Group are secured in the same manner as the term loans disclosed in Note 19(a) to the financial statements.

24. BANK OVERDRAFTS

- The bank overdrafts of the Group at the end of the reporting period bore floating interest rates of 5.97% to 7.40% (2022 – 4.97%) per annum.
- The bank overdrafts of the Group are secured in the same manner as the term loans disclosed in Note 19(a) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. REVENUE

	The Group	
	2023 RM	2022 RM
Revenue from Contracts with Customers:-		
<u>Recognised over time</u>		
Sales of services		
- Land transport	74,875,889	89,489,047
- Warehousing and distribution	21,881,834	15,689,474
- Others	1,176,423	225,915
<u>Recognised at a point in time</u>		
Sales of goods		
- Assembly of trailers	7,756,525	-
- Manufacturing of precision machining components and parts	12,057,168	-
- Others	533,668	16,997
	118,281,507	105,421,433

The information on the disaggregation of revenue by geographical market is disclosed in Note 35.2 to the financial statements.

26. NET IMPAIRMENT ON FINANCIAL ASSET

	The Group	
	2023 RM	2022 RM
Impairment losses:-		
- trade receivables (Note 12)	3,338,805	2,315,370

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. (LOSS)/PROFIT BEFORE TAXATION

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
(Loss)/Profit before taxation is arrived at after charging:-				
Auditors' remuneration:-				
- audit fees:-				
- current financial year	202,555	140,000	42,000	38,000
- overprovision in the previous financial year	(1,500)	-	-	-
- non-audit fees	47,000	34,150	47,000	34,150
Allowance for impairment loss on deposits and prepayments (Note 13)	442,024	-	-	-
Depreciation:-				
- property, plant and equipment (Note 7)	11,228,231	10,295,717	-	-
- right-of-use assets (Note 8)	5,919,210	2,832,830	-	-
Directors' fees	511,000	480,000	491,000	480,000
Directors' non-fee emoluments:-				
- salaries, bonuses and allowances	2,458,440	2,193,619	28,500	33,000
- defined contribution benefits	253,383	232,964	-	-
Impairment loss on property, plant and equipment (Note 7)	1,481,241	-	-	-
Goodwill written off	-	345,405	-	-
Interest expense on financial liabilities measured at amortised costs	4,637,646	3,121,555	5,240	31,056
Interest expense on lease liabilities (Note 17)	1,468,760	620,160	-	-
Loss on foreign exchange				
- unrealised	83,156	-	-	-
Property, plant and equipment written off (Note 7)	60	4,333	-	-
Lease expenses:-				
- short term leases	2,149,561	2,283,797	-	-
- low value assets	55,630	42,435	-	-
Staff costs (including other key management personnel as disclosed in Note 33):-				
- short-term employee benefits	26,824,499	20,711,661	-	-
- defined contribution benefits	2,078,744	1,785,719	-	-
(Loss)/Profit before taxation is arrived at after crediting:-				
Gain on disposal of property, plant and equipment and right-of-use assets	-	3,610,009	-	-
Gain on foreign exchange - realised	290,582	113,461	198,041	-
Gain on lease termination	20,008	-	-	-
Interest income on financial assets measured at amortised costs	349,527	179,993	1,104,455	1,281,632
Rental income	27,890	49,080	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. TAX EXPENSE/(INCOME)

(a) Tax Expense /(Income) Recognised In Profit or Loss

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Income tax:-				
- current financial year	968,958	787,278	174,500	168,700
- under/(over)provision in the previous financial year	83,362	(140,904)	8,237	(155,079)
	1,052,320	646,374	182,737	13,621
Deferred taxes (Note 20):-				
- origination and reversal of temporary differences	77,053	(5,076,338)	-	-
- (over)/underprovision in the previous financial year	(3,500)	418,400	-	-
	73,553	(4,657,938)	-	-
	1,125,873	(4,011,564)	182,737	13,621

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

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
(Loss)/Profit before taxation	(14,583,503)	395,723	126,515	(210,029)
Tax at the statutory tax rate of 24% (2022 - 24%)	(3,500,041)	94,973	30,364	(50,407)
Tax effects of:-				
Non-taxable income	(42,545)	(1,737,370)	-	-
Non-deductible expenses	871,141	699,103	144,136	219,107
Tax incentive	(728,844)	(3,345,766)	-	-
Deferred tax assets not recognised during the financial year	4,446,300	-	-	-
Under/(Over)provision of income tax in the previous financial year	83,362	(140,904)	8,237	(155,079)
(Over)/underprovision of deferred tax in the previous financial year	(3,500)	418,400	-	-
Tax expense/(income) for the financial year	1,125,873	(4,011,564)	182,737	13,621

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. TAX EXPENSE/(INCOME) (CONT'D)

(a) Tax Expense/(Income) Recognised In Profit or Loss (Cont'd)

- (i) Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2022 – 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdiction is calculated at the rates prevailing in the respective jurisdiction.
- (ii) A subsidiary of the Group has been granted Investment Tax Allowance ("ITA") to have an allowance of 60% on the qualifying capital expenditure incurred for a period of five years from 19 January 2018 until 18 January 2023. The subsidiary can offset the allowance against 70% of its statutory income in the year of assessment. Any unutilised ITA can be carried forward to subsequent years until fully utilised.

(b) Tax Expense/(Income) Recognised In Other Comprehensive Income

	The Group	
	2023	2022
	RM	RM
Revaluation of property, plant and equipment:- remeasurement on deferred tax of revalued properties due to exemption on RPGT (Note 29)	–	3,855,400

In accordance with Real Property Gains Tax (Exemption) (No.4) Order 2003, the Minister exempts any person from the payment of RPGT in respect of chargeable gains accruing on the disposal of any chargeable assets to a Real Estate Investment Trust (REIT) which is approved by the Securities Commission.

29. OTHER COMPREHENSIVE INCOME

	The Group	
	2023	2022
	RM	RM
Item that Will Not be Reclassified Subsequently to Profit or Loss		
Remeasurement on deferred tax of revalued properties, due to exemption on RPGT (Notes 20 & 28(b))	–	3,855,400
Item that Will be Reclassified Subsequently to Profit or Loss		
Foreign currency translation:- - changes during the financial year	54,666	(2,766)
	54,666	3,852,634

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. (LOSS)/EARNINGS PER SHARE

	The Group	
	2023	2022
(Loss)/Profit after taxation attributable to owners of the Company (RM)	(16,050,169)	4,617,289
Weighted average number of ordinary shares in issue (Basic)	252,318,388	237,597,259
Shares deemed to be issued for no consideration:- - warrants	–	5,602,595
Weighted average number of ordinary shares in issue (Diluted)	252,318,388	243,199,854
Basic (loss)/earnings per share (sen)	(6.36)	1.94
Diluted (loss)/earnings per share (sen)	(6.36)	1.90

The effects of potential ordinary shares arising from the conversion of warrants is anti-dilutive at the end of financial year and accordingly, it has been ignored in the calculation of dilutive earnings per share. As a result, the diluted earnings per ordinary share is the same as basic earnings per share.

31. ACQUISITIONS OF A SUBSIDIARY AND NON-CONTROLLING INTERESTS

31.1 ACQUISITION OF A SUBSIDIARY

On 10 May 2022, the Company had entered into a conditional share sales agreement with shareholder of MME for acquisition of 355,500 ordinary shares, representing 79% equity interest in MME for a purchase consideration of RM19,750,000, to be satisfied via a combination of cash payment of RM16,750,000 and issuance of 10,507,881 ordinary shares in the Company at an issue price of RM0.2855 per share amounting to RM3,000,000, with a put option granted by the Company to the Vendors for the sales of the remaining 94,500 ordinary shares in MME, representing 21% equity interest in MME, for a cash consideration of RM5,250,000.

On 5 July 2022, the shareholders of the Company had approved the resolution for the above acquisition at the Extraordinary General Meeting.

The acquisition was completed on 26 July 2022.

The acquisition of this subsidiary is to enable the Group to diversify its operations and enter new industry.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. ACQUISITIONS OF A SUBSIDIARY AND NON-CONTROLLING INTERESTS (CONT'D)

31.1 ACQUISITION OF A SUBSIDIARY (CONT'D)

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 2023 RM
Property, plant and equipment (Note 7)	8,718,505
Inventories	2,601,270
Trade receivables	3,319,498
Other receivables, deposits and prepayments	277,078
Cash and bank balances	3,677,709
Fixed deposits	3,981,743
Trade payables	(1,707,389)
Other payables and accruals	(981,131)
Term loan	(192,209)
Deferred tax liabilities	(825,166)
Provision of taxation	(45,608)
Net identifiable assets acquired	18,824,300
Less: Non-controlling interests, measured at the proportionate share of the fair value of the net identifiable assets	(3,953,103)
Add: Goodwill on acquisition (Note 10)	4,878,803
Total purchase consideration	19,750,000
Less: purchase consideration settled by issuance 10,507,881 of ordinary share at RM0.2855 per share (Note 15)	(3,000,000)
Purchase consideration to be settled by cash	16,750,000
Less: Cash and cash equivalents of subsidiary acquired	(3,677,709)
Net cash outflow from the acquisition of a subsidiary	13,072,291

- (a) The goodwill is attributable mainly to the control premium paid. 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 subsidiary has contributed revenue of RM12,057,168 and profit after taxation of RM1,181,906 to the Group since the date of acquisition.

If the acquisition was effective at the beginning of the current financial year, the Group's revenue and loss after taxation for the current financial year would have been RM130,415,044 and RM14,403,346 respectively.

There were no acquisitions of new subsidiaries in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. ACQUISITIONS OF A SUBSIDIARY AND NON-CONTROLLING INTERESTS (CONT'D)

31.2 ACQUISITION OF A NON-CONTROLLING INTERESTS

- (a) On 14 January 2022, the Company acquired an additional 49% equity interests in GTS for RM490,000 in cash, increasing its ownership from 51% to 100%. The carrying amount of GTS's net assets in the Group's financial statements on that date was RM978,627. The Group recognised a decrease in non-controlling interests of RM479,524 and a decrease in retained profits of RM10,476.

On 14 February 2022, the Company disposed 20% equity interest in GTS for a cash consideration of RM200,000. The Group recognised an increase in non-controlling interests of RM195,724 and an increase in retained profits of RM4,276.

The following summarises the effect of changes in the equity interests in GTS that is attributable to the owners of the Company:-

	The Group 2022 RM
Equity interest at 1 April	491,967
Effect of increase in the Company's ownership interest	479,524
Effect of decrease in the Company's ownership interest	(195,724)
Share of post acquisition profits	7,134
Equity interest at 31 March	782,901

- (b) On 2 August 2021, the Company subscribed an additional 6,125 units of ordinary shares of PTXHL for a cash consideration of RM1,794,625 and no changes in equity interest in PTXHL.

On 7 December 2021, the Company and XHTT acquired an additional 46% and 5% equity interests in PTXHL for RM2,028,600 and RM220,500 in cash, increasing its ownership from 49% to 100%. The carrying amount of PTXHL's net assets in the Group's financial statements on that date was RM3,831,783. The Group recognised a decrease in non-controlling interests of RM1,952,092 and a decrease in retained profits of RM297,008.

The following summarises the effect of changes in the equity interests in PTXHL that is attributable to the owners of the Company:-

	The Group 2022 RM
Equity interest at 1 April	327,322
Subscription of additional ordinary shares	1,794,625
Effect of increase in the Company's ownership interest	1,952,092
Share of pre acquisition losses	(277,412)
Share of post acquisition profits	1,595,592
Equity interest at 31 March	5,392,219

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. CASH FLOW INFORMATION

- (a) The cash disbursed for the purchase of property, plant and equipment and the addition of right-of-use assets is as follows:-

	The Group	
	2023	2022
	RM	RM
Property, plant and equipment		
Cost of property, plant and equipment purchased (Note 7)	13,751,533	15,860,896
Less: Amount financed through term loans (Note (d) below)	(5,690,137)	(6,714,545)
Less: Amount financed through hire purchases arrangement (Note (d) below)	(2,953,050)	(843,000)
Less: Amount owing to other payables	(551,508)	(7,507,989)
Less: Capitalisation of interest expenses (Note (d) below)	–	(1,664,415)
Add: Payment in respect of previous financial year's purchases	7,515,703	12,925,304
	12,072,541	12,056,251
Right-of-use assets		
Cost of right-of-use assets acquired (Note 8)	33,388,014	43,687,515
Less: Addition of new lease liabilities (Note (d) below)	(5,223,369)	(47,109,869)
Less: Prepayments made in previous financial year	(27,065,017)	–
Add: Effect from sales and leaseback transaction	–	3,424,823
	1,099,628	2,469

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. CASH FLOW INFORMATION (CONT'D)

(b) The total cash outflows for leases as a lessee are as follows:-

	The Group	
	2023 RM	2022 RM
Payment of short-term leases	2,149,561	2,283,797
Payment of low value assets	55,630	42,435
Interest paid on lease liabilities (Note 17)	1,468,760	620,160
Payment of lease liabilities (Note 17)	5,048,024	2,366,011
	8,721,975	5,312,403

(c) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Cash and bank balances	10,083,014	31,094,795	231,379	15,464,963
Fixed deposits with licensed banks	7,191,482	10,162,312	–	–
Bank overdrafts	(15,787,972)	(1,868,539)	–	–
	1,486,524	39,388,568	231,379	15,464,963
Less: Fixed deposits pledged to licensed banks (Note 14(b))	(311,315)	(135,025)	–	–
Less: Fixed deposits with tenure of more than 3 months	(2,107,724)	(10,018,438)	–	–
	(932,515)	29,235,105	231,379	15,464,963

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. CASH FLOW INFORMATION (CONT'D)

(d) The reconciliations of liabilities arising from financing activities are as follows:-

The Group	Bank Overdrafts RM	Bankers' Acceptances RM	Term Loans RM	Hire Purchases Payables RM	Lease Liabilities RM	Total RM
2023						
At 1 April	*	2,660,000	95,851,242	957,944	46,146,159	145,615,345
<u>Changes in Financing Cash Flows</u>						
Proceeds from drawdown	*	19,978,000	81,261	-	-	20,059,261
Repayment of principal	*	(19,978,000)	(13,500,520)	(310,457)	(5,048,024)	(38,837,001)
Repayment of interests	(534,916)	(119,194)	(3,939,390)	(44,146)	(1,468,760)	(6,106,406)
	(534,916)	(119,194)	(17,358,649)	(354,603)	(6,516,784)	(24,884,146)
<u>Other Changes</u>						
Acquisition of a subsidiary (Note 31.1)	-	-	192,209	-	-	192,209
Acquisition of new leases (Notes 17 & 32(a))	-	-	-	-	5,223,369	5,223,369
Acquisition of property, plant and equipment (Note 32(a))	-	-	5,690,137	2,953,050	-	8,643,187
Interest expense recognised in profit or loss	534,916	119,194	3,939,390	44,146	1,468,760	6,106,406
Changes due to lease modification	-	-	-	-	663,119	663,119
Termination of lease	-	-	-	-	(1,794,916)	(1,794,916)
	534,916	119,194	9,821,736	2,997,196	5,560,332	19,033,374
At 31 March	*	2,660,000	88,314,329	3,600,537	45,189,707	139,764,573

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. CASH FLOW INFORMATION (CONT'D)

(d) The reconciliations of liabilities arising from financing activities are as follow (Cont'd):-

The Group	Bank Overdrafts RM	Bankers' Acceptances RM	Term Loans RM	Hire Purchases Payables RM	Lease Liabilities RM	Total RM
2022						
At 1 April	*	4,150,000	119,572,172	337,767	1,402,301	125,462,240
<u>Changes in Financing Cash Flows</u>						
Proceeds from drawdown	*	29,272,000	4,989,573	-	-	34,261,573
Repayment of principal	*	(30,762,000)	(35,425,048)	(222,823)	(2,366,011)	(68,775,882)
Repayment of interests	(487,869)	(259,319)	(4,023,079)	(15,703)	(620,160)	(5,406,130)
	(487,869)	(1,749,319)	(34,458,554)	(238,526)	(2,986,171)	(39,920,439)
<u>Other Changes</u>						
Acquisition of new leases (Notes 17 & 32(a))	-	-	-	-	47,109,869	47,109,869
Acquisition of property, plant and equipment (Note 32(a))	-	-	6,714,545	843,000	-	7,557,545
Interest expense recognised in profit or loss	487,869	259,319	2,358,664	15,703	620,160	3,741,715
Interest expense capitalised in assets under construction (Note 32(a))	-	-	1,664,415	-	-	1,664,415
	487,869	259,319	10,737,624	858,703	47,730,029	60,073,544
At 31 March	*	2,660,000	95,851,242	957,944	46,146,159	145,615,345

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. CASH FLOW INFORMATION (CONT'D)

(d) The reconciliations of liabilities arising from financing activities are as follow (Cont'd):-

	The Company	
	2023 RM	2022 RM
Amount owing to subsidiaries		
At 1 April	2,051,904	1,002,522
<u>Changes in Financing Cash Flows</u> (Repayment)/Advances	(446,784)	1,018,326
<u>Other Changes</u>	1,605,120	2,020,848
Interest expense recognised in profit or loss	5,240	31,056
At 31 March	1,610,360	2,051,904

* Bank overdrafts form part of the cash and cash equivalents, therefore, no movement is presented.

33. 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.

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

(a) Directors

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
<u>Directors of the Company</u>				
<u>Executive Directors</u>				
Short-term employee benefits:-				
- fees	191,000	180,000	191,000	180,000
- salaries, bonuses and other benefits	1,730,798	1,664,747	-	-
	1,921,798	1,844,747	191,000	180,000
Defined contribution benefits	211,560	204,623	-	-
	2,133,358	2,049,370	191,000	180,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

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

(a) Directors (Cont'd)

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
<u>Directors of the Company (Cont'd)</u>				
<u>Non-Executive Directors</u>				
Short-term employee benefits:-				
- fees	300,000	300,000	300,000	300,000
- other benefits	28,500	33,000	28,500	33,000
	328,500	333,000	328,500	333,000
	2,461,858	2,382,370	519,500	513,000
<u>Directors of the Subsidiaries</u>				
<u>Executive Directors</u>				
Short-term employee benefits:-				
- fees	20,000	-	-	-
- salaries, bonuses and other benefits	699,142	495,872	-	-
Defined contribution benefits	41,823	28,341	-	-
	760,965	524,213	-	-
Total directors' remuneration (Note 27)	3,222,823	2,906,583	519,500	513,000

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the Company were RM39,375 (2022 – RM42,500).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

(b) Other Key Management Personnel

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Short-term employee benefits	432,141	469,332	–	–
Defined contribution benefits	38,912	44,004	–	–
Total compensation for other key management personnel	471,053	513,336	–	–

34. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

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

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

(b) Significant Related Party Transactions and Balances

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

	The Group	
	2023 RM	2022 RM
Rental of vacant land paid/payable to certain directors	132,000	132,000

	The Company	
	2023 RM	2022 RM
Interest received/receivable from subsidiaries	1,024,308	1,258,629

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Managing Director 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. In addition, the businesses are also considered from a geographical perspective.

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

- Land Transport, Warehousing and Distribution Segment – involved in the cargo transportation services, container haulage services, provision of warehousing services and distribution services.
- Manufacturing of Precision Machining Components and Parts Segment – involved in the manufacturing of precision metal components and parts.
- Others – involved in the manufacturing and fabrication of trailers, trading of goods, provision of management services and provision of e-commercial and e-business transactions.

- (a) The Managing Director 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 (CONT'D)

35. OPERATING SEGMENTS (CONT'D)

35.1 BUSINESS SEGMENTS

	Land Transport, Warehousing and Distribution Segment RM	Manufacturing of Precision Machining Components and Parts Segment RM	Others RM	The Group RM
2023				
Revenue				
External revenue	96,757,723	12,057,168	9,466,616	118,281,507
Inter-segment revenue	1,110,864	–	1,454,408	2,565,272
	97,868,587	12,057,168	10,921,024	120,846,779
Consolidation adjustments				(2,565,272)
Consolidated revenue				118,281,507
Results				
Segments loss before interest and taxation	(8,362,545)	1,537,462	(274,302)	(7,099,385)
Finance costs				(6,313,377)
Unallocated expenses				(1,170,741)
Consolidated loss before taxation				(14,583,503)
Other information:-				
Depreciation of property, plant and equipment	(10,518,097)	(555,005)	(155,129)	(11,228,231)
Depreciation of right-of-use assets	(5,902,358)	–	(16,852)	(5,919,210)
Gain on lease termination	20,008	–	–	20,008
Gain on foreign exchange				
- Realised	22,043	70,498	198,041	290,582
Impairment loss:-				
- trade receivables	(3,338,805)	–	–	(3,338,805)
- deposits and prepayments	(442,024)	–	–	(442,024)
Loss on foreign exchange				
- Unrealised	(103,999)	20,843	–	(83,156)
Lease expenses:-				
- short term leases	(2,083,851)	(25,520)	(40,190)	(2,149,561)
- low value assets	(55,630)	–	–	(55,630)
Property, plant and equipment written off	–	(60)	–	(60)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. OPERATING SEGMENTS (CONT'D)

35.1 BUSINESS SEGMENTS (CONT'D)

	Land Transport, Warehousing and Distribution Segment RM	Manufacturing of Precision Machining Components and Parts Segment RM	Others RM	The Group RM
2023				
Assets				
Segment assets	341,715,446	47,746,637	121,825,458	511,287,541
Unallocated assets:-				
- current tax assets				2,926,274
Consolidation adjustments				(132,871,271)
Consolidated total assets				381,342,544
 Additions to non-current assets other than financial instruments:-				
Property, plant and equipment	13,608,927	88,050	54,556	13,751,533
Right-of-use assets	33,388,014	–	–	33,388,014
Liabilities				
Segment liabilities	99,764,818	2,179,353	6,478,557	108,422,728
Unallocated liabilities:-				
- current tax liabilities				244,476
- deferred tax liabilities				6,148,746
- hire purchase payables				3,600,537
- term loans				88,314,329
- bankers' acceptances				2,660,000
- bank overdrafts				15,787,972
Consolidation adjustments				(38,102,836)
Consolidated total liabilities				187,075,952

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. OPERATING SEGMENTS (CONT'D)

35.1 BUSINESS SEGMENTS (CONT'D)

	Land Transport, Warehousing and Distribution Segment RM	Others RM	The Group RM
2022			
Revenue			
External revenue	105,178,521	242,912	105,421,433
Inter-segment revenue	1,080,114	2,945,946	4,026,060
	106,258,635	3,188,858	109,447,493
Consolidation adjustments			(4,026,060)
Consolidated revenue			105,421,433
Results			
Segments profit before interest and taxation	5,713,631	56,631	5,770,262
Finance costs			(3,868,602)
Unallocated expenses			(1,505,937)
Consolidated profit before taxation			395,723
Other information:-			
Depreciation of property, plant and equipment	(10,279,824)	(15,893)	(10,295,717)
Depreciation of right-of-use assets	(2,832,316)	(514)	(2,832,830)
Gain on disposal of property, plant and equipment and right-of-use assets	3,610,009	-	3,610,009
Gain on foreign exchange	113,461	-	113,461
Impairment loss of trade receivables	(2,315,370)	-	(2,315,370)
Lease expenses:-			
- short term leases	(2,283,797)	-	(2,283,797)
- low value assets	(42,435)	-	(42,435)
Property, plant and equipment written off	(4,333)	-	(4,333)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. OPERATING SEGMENTS (CONT'D)

35.1 BUSINESS SEGMENTS (CONT'D)

	Land Transport, Warehousing and Distribution Segment RM	Others RM	The Group RM
2022			
Assets			
Segment assets	385,223,475	106,630,922	491,854,397
Unallocated assets:-			
- current tax assets			2,353,122
Consolidation adjustments			(114,249,099)
Consolidated total assets			379,958,420
 Additions to non-current assets other than financial instruments:-			
Property, plant and equipment	15,860,376	520	15,860,896
Right-of-use assets	43,687,515	-	43,687,515
 Liabilities			
Segment liabilities	98,347,186	11,083,213	109,430,399
Unallocated liabilities:-			
- current tax liabilities			218,218
- deferred tax liabilities			5,250,662
- hire purchase payables			957,944
- term loans			95,851,242
- bankers' acceptances			2,660,000
- bank overdrafts			1,868,539
Consolidation adjustments			(39,246,783)
Consolidated total liabilities			176,990,221

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. OPERATING SEGMENTS (CONT'D)

35.2 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	
	2023 RM	2022 RM	2023 RM	2022 RM
The Group				
Malaysia	105,999,705	79,370,142	315,968,992	302,163,119
Singapore	9,820,140	17,678,130	–	–
Indonesia	2,418,975	8,373,161	1,200,330	1,069,853
Others	42,687	–	–	–
	118,281,507	105,421,433	317,169,322	303,232,972

35.3 MAJOR CUSTOMERS

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

36. CAPITAL COMMITMENTS

	The Group	
	2023 RM	2022 RM
Purchase of property, plant and equipment	1,297,007	2,541,489

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. 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.

37.1 FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD") and 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) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

	USD RM	SGD RM
The Group		
2023		
<u>Financial Assets</u>		
Trade receivables	856,944	484,694
Cash and bank balances	1,360,511	585,080
	2,217,455	1,069,774
<u>Financial Liability</u>		
Trade payables	(770,959)	(95,388)
Currency Exposure	1,446,496	974,386

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

	USD RM	SGD RM
The Group		
2022		
<u>Financial Assets</u>		
Trade receivables	–	2,490,850
Cash and bank balances	103,271	1,457,824
	103,271	3,948,674
<u>Financial Liability</u>		
Trade payables	(9,428)	(18,109)
Currency Exposure	93,843	3,930,565

Foreign Currency Risk Sensitivity Analysis

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the respective functional currencies of the entities within the Group does not have material impact on the (loss)/profit after taxation and other comprehensive income and equity 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 and by maintaining a balanced portfolio 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 in MFRS 7 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 19, 23 and 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

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	
	2023 RM	2022 RM
Effects On (Loss)/Profit After Taxation		
Increase of 100 (2022 - 75) basis points	(715,468)	(485,895)
Decrease of 100 (2022 - 75) basis points	715,468	485,895

There is no impact on the Group's equity.

(iii) Equity Price Risk

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

(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 Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from financial guarantee given 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.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amount owing by 1 (2022 - 1) customer which constituted approximately 12% (2022 - 23%) of its trade receivables at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(ii) Maximum 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).

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:-

- Significant financial difficulty of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty;
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full or is more than 12 months past due.

Trade Receivables

The Group applies the simplified approach to measuring expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

The expected loss rates are based on the Group's historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts. The Group has identified the Gross Domestic Product (GDP) and Overnight Policy Rate (OPR) as the key macroeconomic factors of the forward-looking information.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

Allowance for Impairment Losses

	Gross Amount RM	Individual/ Collective Impairment RM	Carrying Amount RM
The Group			
2023			
Current (not past due)	12,748,364	(52,890)	12,695,474
1 to 30 days past due	7,734,521	(40,459)	7,694,062
31 to 60 days past due	4,086,640	(119,223)	3,967,417
61 to 90 days past due	2,079,658	(169,420)	1,910,238
91 to 180 days past due	2,648,297	(650,798)	1,997,499
181 to 365 days past due	2,096,043	(1,697,948)	398,095
More than 365 days past due	10,231,445	(10,225,040)	6,405
	41,624,968	(12,955,778)	28,669,190
2022			
Current (not past due)	7,467,700	(27,133)	7,440,567
1 to 30 days past due	5,108,248	(18,615)	5,089,633
31 to 60 days past due	3,300,721	(54,314)	3,246,407
61 to 90 days past due	1,975,903	(44,561)	1,931,342
91 to 180 days past due	3,449,174	(155,400)	3,293,774
181 to 365 days past due	3,273,377	(694,956)	2,578,421
More than 365 days past due	10,471,934	(8,649,826)	1,822,108
	35,047,057	(9,644,805)	25,402,252

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

Allowance for Impairment Losses (Cont'd)

The movement in the loss allowances in respect of trade receivables is disclosed in Note 12 to the financial statements.

The Company

The Company believes that no impairment allowance is necessary in respect of its trade receivables because they are subsidiaries with positive financial position.

Other Receivables

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

Allowance for Impairment Losses

No expected credit loss is recognised on other receivables as it is negligible.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers the licensed banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Amount Owing by Subsidiaries (Non-trade Balances)

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. The Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly.

The Company measures the expected credit losses on individual basis, which is aligned with its credit risk management practices on the inter-company balances.

For loans and advances that are repayable on demand, impairment loss is assessed based on the assumption that repayment of the outstanding balances is demanded at the reporting date. If the subsidiary does not have sufficient highly liquid resources when the loans and advances are demanded, the Company will consider the expected manner of recovery to measure the impairment loss; the recovery manner could be either through 'repayable over time' or a fire sale of less liquid assets by the subsidiary.

For loans and advances that are not repayable on demand, impairment loss is measured using techniques that are similar for estimating the impairment losses of other receivables as disclosed above.

Allowance for Impairment Losses

At the end of the reporting period, there was no indication that the amount owing is not recoverable other than those which had already impaired in the previous financial year.

Financial Guarantee Contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(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.

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):-

	Contractual Interest Rates %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
The Group						
2023						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	12,000,332	12,000,332	12,000,332	-	-
Other payables and accruals	-	10,992,228	10,992,228	10,992,228	-	-
Bankers' acceptances	4.64 - 4.97	2,660,000	2,660,000	2,660,000	-	-
Bank overdrafts	5.97 - 7.40	15,787,972	15,787,972	15,787,972	-	-
Lease liabilities	2.97 - 6.04	45,189,707	51,110,424	6,521,092	24,945,531	19,643,801
Hire purchase payables	3.82 - 7.51	3,600,537	4,362,689	776,925	2,791,775	793,989
Term loans	4.07 - 6.60	88,314,329	101,731,693	15,585,343	55,199,317	30,947,033
		178,545,105	198,645,338	64,323,892	82,936,623	51,384,823

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 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 Group	Contractual Interest Rates %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
2022						
Non-derivative Financial Liabilities						
Trade payables	-	6,898,716	6,898,716	6,898,716	-	-
Other payables and accruals	-	17,122,216	17,122,216	17,122,216	-	-
Bankers' acceptances	3.31	2,660,000	2,660,000	2,660,000	-	-
Bank overdrafts	4.97	1,868,539	1,868,539	1,868,539	-	-
Lease liabilities	2.97 - 3.37	46,146,159	50,878,717	5,406,268	25,828,648	19,643,801
Hire purchase payables	3.82 - 6.04	957,944	1,056,489	298,082	758,407	-
Term loans	3.00 - 5.60	95,851,242	111,813,041	14,988,759	59,290,092	37,534,190
		171,504,816	192,297,718	49,242,580	85,877,147	57,177,991

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 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):-

	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM
The Company			
2023			
<u>Non-derivative Financial Liabilities</u>			
Other payables and accruals	177,063	177,063	177,063
Amount owing to subsidiaries	1,610,360	1,610,360	1,610,360
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	–	106,817,454	106,817,454
	1,787,423	108,604,877	108,604,877
2022			
<u>Non-derivative Financial Liabilities</u>			
Other payables and accruals	279,307	279,307	279,307
Amount owing to subsidiaries	2,051,904	2,051,904	2,051,904
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	–	101,997,127	101,997,127
	2,331,211	104,328,338	104,328,338

The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

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

	The Group	
	2023 RM	2022 RM
Hire purchase payables (Note 18)	3,600,537	957,944
Term loans (Note 19)	88,314,329	95,851,242
Bankers' acceptances (Note 23)	2,660,000	2,660,000
Bank overdrafts (Note 24)	15,787,972	1,868,539
	110,362,838	101,337,725
Less: Fixed deposits with licensed banks (Note 14)	(7,191,482)	(10,162,312)
Less: Cash and bank balances	(10,083,014)	(31,094,795)
Net debt	93,088,342	60,080,618
Total equity	194,266,592	202,968,199
Debt-to-equity ratio	47.92%	29.60%

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

37.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group	
	2023	2022
	RM	RM
Financial Assets		
<u>Amortised Cost</u>		
Trade receivables (Note 12)	28,669,190	25,402,252
Other receivables (Note 13)	2,315,789	1,369,148
Fixed deposits with licensed banks (Note 14)	7,191,482	10,162,312
Cash and bank balances	10,083,014	31,094,795
	48,259,475	68,028,507

Financial Liabilities

<u>Amortised Cost</u>		
Trade payables (Note 21)	12,000,332	6,898,716
Other payables and accruals (Note 22)	10,992,228	17,122,216
Hire purchase payables (Note 18)	3,600,537	957,944
Term loans (Note 19)	88,314,329	95,851,242
Bankers' acceptances (Note 23)	2,660,000	2,660,000
Bank overdrafts (Note 24)	15,787,972	1,868,539
	133,355,398	125,358,657

	The Company	
	2023	2022
	RM	RM
Financial Assets		
<u>Amortised Cost</u>		
Other receivables (Note 13)	200,000	200,000
Amount owing by subsidiaries (Note 9)	24,560,943	26,652,998
Cash and bank balances	231,379	15,464,963
	24,992,322	42,317,961

Financial Liabilities

<u>Amortised Cost</u>		
Other payables and accruals (Note 22)	177,063	279,307
Amount owing to subsidiaries (Note 9)	1,610,360	2,051,904
	1,787,423	2,331,211

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

37.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	The Group	
	2023 RM	2022 RM
Financial Assets		
<u>Amortised Cost</u>		
Net losses recognised in profit or loss	(2,852,530)	(2,065,255)
Financial Liabilities		
<u>Amortised Cost</u>		
Net losses recognised in profit or loss	(4,571,738)	(3,698,376)
	The Company	
	2023 RM	2022 RM
Financial Assets		
<u>Amortised Cost</u>		
Net gains recognised in profit or loss	1,302,496	1,326,964
Financial Liabilities		
<u>Amortised Cost</u>		
Net losses recognised in profit or loss	(5,240)	(31,056)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

37.5 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.

As the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM		
The Group					
2023					
<u>Financial Liabilities</u>					
Hire purchase payables	–	3,605,763	–	3,605,763	3,600,537
Term loans	–	88,314,329	–	88,314,329	88,314,329
<hr/>					
2022					
<u>Financial Liabilities</u>					
Hire purchase payables	–	957,759	–	957,759	957,944
Term loans	–	95,851,242	–	95,851,242	95,851,242
<hr/>					
The Company					
2023					
<u>Financial Asset</u>					
Amount owing by subsidiaries	–	–	24,560,943	24,560,943	24,560,943
<hr/>					
2022					
<u>Financial Asset</u>					
Amount owing by subsidiaries	–	–	26,652,998	26,652,998	26,652,998

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. FINANCIAL INSTRUMENTS (CONT'D)

37.5 FAIR VALUE INFORMATION (CONT'D)

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

- (i) The fair values 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) The fair value of hire purchase payables that carry fixed interest rates are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period.
- (iii) The fair value of amounts owing by subsidiaries (non-current) is calculated based on the present value of the projected repayment of loans.

38. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 10 July 2023, MME entered into Sale and Purchase Agreements with a third party to acquire two units of one and a half storey detached factory at RM7,000,000 per unit, for a total cash consideration of RM14,000,000.

LIST OF PROPERTIES

AS AT 31 MARCH 2023

No.	Location	Description	Existing use	Tenure	Land area/ Gross floor area sq. ft.	Net book value as at 31 March 2023 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	47,764	14 years	31-Mar-19
2	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	18,161	9 years	31-Mar-19
3	GM 586, Lot 1823, Mukim of Tebrau, District of Johor Bahru, State of Johor	A piece of agricultural land	Vacant	Freehold	137,780	7,200	-	31-Mar-19
4	GM 1694, Lot 1822, Mukim of Tebrau, District of Johor Bahru, State of Johor	A piece of agricultural land	Vacant	Freehold	134,764	7,000	-	31-Mar-19
5	No. 1, Persiaran Jubli Perak, Taman Perindustrian Subang, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan	A three- storey warehouse and seven- storey office	Branch office and warehouse	Freehold	190,769/ 300,000	110,792	2 years	31-Mar-19
6	PL0859, Zone 12B, Phase 3, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor Darul Takzim	A piece of industrial land	Vacant	Leasehold (60 years)	931,487	13,503	-	31-Dec-19
7	PL0860, Zone 12B, Phase 3, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor Darul Takzim	A piece of industrial land	Vacant	Leasehold (60 years)	987,418	14,456	-	31-Dec-19
8	No. 16, Jalan Gemilang 3, Taman Perindustrian Cemerlang, 81800, Ulu Tiram, Johor	Industrial Semi Detached Factory	Manufacturing of Precision Machining Components and Parts	Freehold	14,402	2,440	9 years	26-Jul-22
9	No. 18, Jalan Gemilang 3, Taman Perindustrian Cemerlang, 81800, Ulu Tiram, Johor	Industrial Semi Detached Factory	Manufacturing of Precision Machining Components and Parts	Freehold	14,402	2,560	9 years	26-Jul-22

ANALYSIS OF SHAREHOLDINGS

AS AT 30 JUNE 2023

Issued Share Capital : RM120,904,774 represented by 255,657,879 shares
 Class of shares : Ordinary Shares
 Voting Rights : One vote per shareholder on a show of hands or one vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDINGS AS AT 30 JUNE 2023

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	31	1.38	1,172	0.00
100 - 1,000	239	10.62	121,737	0.05
1,001 - 10,000	951	42.27	5,848,052	2.29
10,001 - 100,000	869	38.62	31,104,060	12.16
100,001 - 12,782,892	156	6.93	98,143,318	38.39
12,782,893 and above	4	0.18	120,439,540	47.11
Total	2,250	100.00	255,657,879	100.00

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 30 JUNE 2023

	Direct		Indirect	
	No. of Shares Held	% of Issued Share Capital	No. of Shares Held	% of Issued Share Capital
NF Capital Management Sdn. Bhd.	137,052,537	53.61	–	–
Eng Peng Lam @ Ng Peng Lam	–	–	137,052,537 ⁽¹⁾	53.61
Ng Aik Chuan	4,647,600	1.82	137,052,537 ⁽¹⁾	53.61
Ng Yam Pin	–	–	137,052,537 ⁽¹⁾	53.61

Notes:-

- (1) 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 (CONT'D)

DIRECTORS' SHAREHOLDINGS

AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 30 JUNE 2023

	Direct		Indirect	
	No. of Shares Held	% of Issued Share Capital	No. of Shares Held	% of Issued Share Capital
Tan Sri Dr. Sulaiman Bin Mohamed	120,000	0.05	–	–
Ng Aik Chuan	4,647,600	1.82	137,052,537 ⁽¹⁾	53.61
Ng Yam Pin	–	–	137,052,537 ⁽¹⁾	53.61
Datuk Jory Leong Kam Weng	120,000	0.05	–	–
Liew Chek Leong	120,000	0.05	–	–
Kok Poh Fui	182,400	0.07	270,080 ⁽²⁾	0.11
Teo Siok Kee (Appointed on 29.05.2023)	120,000	0.05	–	–

Notes:-

- (1) Deemed interested by virtue of his shareholding in NF Capital Management Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
- (2) Deemed interested by virtue of interest of his spouse, Siau Chiew Peng, pursuant to Section 59 of the Companies Act 2016.

DIRECTORS' SHAREHOLDING IN RELATED CORPORATION

AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 30 JUNE 2023

	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	153,000	30.00	204,000 ⁽¹⁾	40.00
Ng Yam Pin	153,000	30.00	204,000 ⁽¹⁾	40.00

Notes:-

- (1) Deemed interested by virtue of their father's shareholding pursuant to Section 59 of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS (CONT'D)

THIRTY LARGEST SHAREHOLDERS AS AT 30 JUNE 2023

No	Name	Number of shares held	%
1	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NF CAPITAL MANAGEMENT SDN BHD (MGN-NAC0004M)	55,000,000	21.51%
2	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NF CAPITAL MANAGEMENT SDN BHD	27,039,540	10.58%
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NF CAPITAL MANAGEMENT SDN BHD (PB)	21,600,000	8.45%
4	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR AHAM ASSET MANAGEMENT BERHAD (TSTAC/CLNTT)	16,800,000	6.57%
5	NF CAPITAL MANAGEMENT SDN BHD	8,612,997	3.37%
6	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NF CAPITAL MANAGEMENT SDN BHD (E-TSA)	8,000,000	3.13%
7	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG AIK CHUAN (MGN-NAC0004M)	4,647,600	1.82%
8	SUNTHER A/L ANNAMALAI	3,700,000	1.45%
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM PANG KIAM (8085241)	3,655,200	1.43%
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH TECK WAH (8090542)	3,530,800	1.38%
11	CHIA MING HOW	3,502,627	1.37%
12	HOON EEL AN	3,502,627	1.37%
13	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR ONG SIEW ENG @ ONG CHAI (M04)	3,357,400	1.31%
14	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH YONG HUAT	2,679,200	1.05%
15	RHB NOMINEES (TEMPATAN) SDN BHD TAN CHOON PIEW	2,500,000	0.98%
16	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD MAHATHIR BIN YACOB (7002350)	1,980,000	0.77%
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG SIEW ENG @ ONG CHAI (8040800)	1,972,300	0.77%
18	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LOH TECK WAH	1,885,400	0.74%
19	SEE KAI MUN	1,751,314	0.69%
20	SEE MEE KENG	1,751,313	0.69%

ANALYSIS OF SHAREHOLDINGS (CONT'D)

THIRTY LARGEST SHAREHOLDERS (CONT'D) AS AT 30 JUNE 2023

No	Name	Number of shares held	%
21	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUNTHER A/L ANNAMALAI (7002307)	1,543,200	0.60%
22	HOH DING WEI	1,336,000	0.52%
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD MAHATHIR BIN YACOB (E-TSA)	900,000	0.35%
24	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	882,500	0.35%
25	LAU CHER LIANG	801,900	0.31%
26	TEN LI YING	771,600	0.30%
27	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD LAW KOK LIM	757,800	0.30%
28	TAN CHEE KEONG	735,000	0.29%
29	DOLPHIN ASSETS SDN. BHD.	717,200	0.28%
30	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH TECK WAH	700,000	0.27%

ANALYSIS OF WARRANT HOLDINGS

AS AT 30 JUNE 2023

Number of Unexercised Warrants : 110,699,996
 Exercise Price : RM0.33 per warrant
 Warrants Issue Date : 15 January 2021
 Expiry Date : 12 January 2024
 Number of Warrant Holders : 1,278

DISTRIBUTION OF WARRANT HOLDINGS AS AT 30 JUNE 2023

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	152	11.89	6,926	0.01
100 - 1,000	152	11.90	79,340	0.07
1,001 - 10,000	452	35.37	2,196,470	1.98
10,001 - 100,000	364	28.48	15,559,980	14.06
100,001 - 5,534,998	157	12.28	83,978,080	75.86
5,534,999 and above	1	0.08	8,879,200	8.02
Total	1,278	100.00	110,699,996	100.00

ANALYSIS OF WARRANT HOLDINGS (CONT'D)

DIRECTORS' WARRANT HOLDINGS

AS PER THE REGISTER OF DIRECTORS' WARRANT HOLDINGS AS AT 30 JUNE 2023

	Direct		Indirect	
	No. of Warrants Held	% of Issued Warrants	No. of Warrants Held	% of Issued Warrants
Tan Sri Dr. Sulaiman Bin Mohamed	60,000	0.05	–	–
Ng Aik Chuan	–	–	–	–
Ng Yam Pin	–	–	–	–
Datuk Jory Leong Kam Weng	60,000	0.05	–	–
Liew Chek Leong	60,000	0.05	–	–
Kok Poh Fui	–	–	40 ⁽¹⁾	0.00
Teo Siok Kee (Appointed on 29.05.2023)	60,000	0.05	–	–

Notes:-

- (1) Deemed interested by virtue of interest of his spouse, Siau Chiew Peng, pursuant to Section 59 of the Companies Act 2016.

THIRTY LARGEST WARRANTHOLDERS AS AT 30 JUNE 2023

No	Name	Number of shares held	%
1	GOH TEN FOOK	8,879,200	8.02%
2	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEE YUEN SANG (MY2105)	5,412,000	4.89%
3	GV ASIA FUND LIMITED	2,779,400	2.51%
4	POH SENG HEE	2,504,100	2.26%
5	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH TECK WAH (MY3390)	2,500,000	2.26%
6	TENG CHUEN SHERN	2,500,000	2.26%
7	YAP KAH CHIN	2,500,000	2.26%
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POH SENG HEE (8073193)	2,300,000	2.08%
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM PANG KIAM (8085241)	2,179,700	1.97%
10	MOHD HAFZAN BIN SARDI	2,031,000	1.83%

ANALYSIS OF WARRANT HOLDINGS (CONT'D)

THIRTY LARGEST WARRANTHOLDERS (CONT'D) AS AT 30 JUNE 2023

No	Name	Number of shares held	%
11	SUNTHER A/L ANNAMALAI	1,850,000	1.67%
12	MARGARTE YUEN	1,800,000	1.63%
13	LOH KOK CHIN	1,500,000	1.36%
14	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH YONG HUAT	1,425,700	1.29%
15	LOW WOEI CHANG	1,418,100	1.28%
16	LOKE SOON WAH	1,300,000	1.17%
17	MOHD AZMI BIN MD YUSOF	1,250,100	1.13%
18	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH TECK WAH (8090542)	1,228,800	1.11%
19	PUN KWEE HIONG	1,145,000	1.03%
20	APEX NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR GV ASIA FUND LIMITED (STA 1)	1,117,600	1.01%
21	AHMAD AMIRUDDIN BIN ABD WAHAB	1,058,900	0.96%
22	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LOH TECK WAH	1,000,000	0.90%
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD UKASHAH BIN MD ZUBI	1,000,000	0.90%
24	TAN PANG HONG	981,100	0.89%
25	I DE BUILDER SDN BHD	977,500	0.88%
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOO KIAN KWONG (E-BPJ)	900,000	0.81%
27	KEE BOOK HUA	863,900	0.78%
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD MOHD YUSOF BIN ABU BAKAR	800,000	0.72%
29	SIAH BOON PAH	755,600	0.68%
30	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW WOEI CHEN (M55053)	730,000	0.66%

NOTICE OF THE TENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of the Company will be held on a virtual basis at a venue in Malaysia where the Chairman is present via online meeting platform provided by Tricor Investor & Issuing House Services Sdn. Bhd. at <https://tiijh.online> on Wednesday, 30 August 2023 at 11.00 a.m. and at any adjournment thereof to transact the following businesses:-

AGENDA

As Ordinary Business:-

1. To receive the Audited Financial Statements for the financial year ended 31 March 2023 together with the Reports of Directors and Auditors thereon. *(Please refer to Note 1)*
2. To approve the payment of Directors' fees to Non-Executive Directors up to an amount of RM400,000 from 31 August 2023 until the next annual general meeting of the Company. *Ordinary Resolution 1*
3. To approve the payment of Directors' benefits to Non-Executive Directors up to an amount of RM60,000 from 31 August 2023 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 Constitution of the Company:-
 - (a) Mr Ng Aik Chuan under Article 107(1)(b) *Ordinary Resolution 3*
 - (b) Datuk Leong Kam Weng under Article 107(1)(b) *Ordinary Resolution 4*
 - (c) Ms Teo Siok Kee under Article 107(1)(a) *Ordinary Resolution 5*
5. To appoint Crowe Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. *Ordinary Resolution 6*

As Special Business:-

6. To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:-

PROPOSED RETENTION OF TAN SRI DR. SULEIMAN BIN MOHAMED AS INDEPENDENT DIRECTOR

Ordinary Resolution 7

"THAT Tan Sri Dr. Suleiman Bin Mohamed be and is hereby retained as Independent Non-Executive Chairman of the Company and he shall continue to act as an independent director upon reaching his cumulative term of nine (9) years on 1 January 2024."

PROPOSED RETENTION OF DATUK LEONG KAM WENG AS INDEPENDENT DIRECTOR

Ordinary Resolution 8

"THAT Datuk Leong Kam Weng be and is hereby retained as Independent Non-Executive Director of the Company and he shall continue to act as an independent director notwithstanding that he has been on the Board of Directors of the Company for a cumulative term of more than nine (9) years."

NOTICE OF THE TENTH ANNUAL GENERAL MEETING (CONT'D)

PROPOSED RETENTION OF LIEW CHEK LEONG AS INDEPENDENT DIRECTOR

Ordinary Resolution 9

"THAT Mr Liew Chek Leong be and is hereby retained as Independent Non-Executive Director of the Company and he shall continue to act as an independent director notwithstanding that he has been on the Board of Directors of the Company for a cumulative term of more than nine (9) years."

AUTHORITY TO ALLOT SHARES PURSUANT TO THE COMPANIES ACT 2016

Ordinary Resolution 10

"THAT subject always to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorised pursuant to Section 75 of the Companies Act 2016 to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be allotted pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being.

AND THAT pursuant to Article 56 of the Constitution, direction to the contrary of pre-emptive rights under Section 85 of the Companies Act 2016 be and is hereby given for the Directors to offer and issue new shares of the Company ranking equally to the existing shares of the Company pursuant to the aforesaid authority, to such persons for such consideration as the Directors deem fit and in the best interest of the Company."

7. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

SEOW FEI SAN (SSM PC No. 201908002299)

MOK MEE KEE (SSM PC No. 201908002288)

Secretaries

Petaling Jaya

31 July 2023

NOTES TO THE NOTICE OF THE TENTH ANNUAL GENERAL MEETING:-

1. The members' 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 2023 shall be regarded as members and entitled to attend, speak and vote at the Tenth Annual General Meeting ("**Meeting**" or "**10th AGM**").
3. A member entitled to attend 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.

NOTICE OF THE TENTH ANNUAL GENERAL MEETING (CONT'D)

NOTES TO THE NOTICE OF THE TENTH ANNUAL GENERAL MEETING (CONT'D):-

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 / her 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 or in some other manner approved by directors.
8. The instrument appointing a proxy must be deposited physically 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 or alternatively, the Customer Service Centre at Unit G3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, or by electronic means via TIH Online website at <https://tiih.online>, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
9. Explanatory Notes:-

Ordinary Resolutions 1 and 2

Directors' fees and benefits payable to Non-Executive Directors

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 members' approval shall be sought at the 10th AGM on the Directors' fees and benefits in two (2) resolutions as follows:-

- Ordinary Resolution 1 on payment of Directors' fees from 31 August 2023 until the next Annual General Meeting ("**AGM**")

The total amount of Directors' fees payable to the Non-Executive Directors from 31 August 2023 until the next AGM tabled for the members' approval is RM400,000. The figure is calculated with the assumption that there is no adjustment to the Directors' fees and no change in the Board size during the aforesaid period.

- Ordinary Resolution 2 on payment of Directors' benefits from 31 August 2023 until the next AGM

The Directors' benefits (excluding Directors' fees) payable to the Non-Executive Directors are essentially the meeting allowance for attendance of meetings of the Board, Board Committees and general meetings. The Directors' benefits from 31 August 2023 until the conclusion of next AGM is estimated not to exceed RM60,000.

In the event the amount of Directors' fees and benefits is insufficient due to an increase in Board size and/or number of meetings during the aforesaid period, the Board will seek members' approval at the next AGM.

NOTICE OF THE TENTH ANNUAL GENERAL MEETING (CONT'D)

NOTES TO THE NOTICE OF THE TENTH ANNUAL GENERAL MEETING (CONT'D):-

9. Explanatory Notes (Cont'd):-

Ordinary Resolution 7

Proposed Retention of Independent Non-Executive Chairman

The proposed Ordinary Resolution 7 is proposed pursuant to Article 107(2)(a) of the Company's Constitution and if passed, will allow Tan Sri Dr. Suleiman Bin Mohamed ("**Tan Sri Suleiman**") to be retained and continue to act as Independent Non-Executive Chairman of the Company.

Tan Sri Suleiman was appointed to the Board as Independent Non-Executive Chairman on 1 January 2015. As at the date of printing of this Annual Report, Tan Sri Suleiman has served on the Board for a cumulative period of 8 years and 6 months, and his term of full 9 years falls on 1 January 2024. The Board wishes to retain Tan Sri Suleiman as Independent Non-Executive Chairman after 1 January 2024 and is therefore seeking members' approval at the 10th AGM, in view that the next AGM is expected to be held in August/September 2024.

Should the members' approval is obtained at the 10th AGM, Tan Sri Suleiman will continue to be the Independent Non-Executive Chairman of the Company on 1 January 2024 and will be subject to annual re-appointment by members at the subsequent AGMs.

Full details of the Board's justifications for the retention of Tan Sri Suleiman as Independent Non-Executive Chairman are set out in the Corporate Governance Overview Statement as contained in the Annual Report 2023.

Ordinary Resolutions 8 and 9

Proposed Retention of Independent Non-Executive Directors

The proposed Ordinary Resolutions 8 and 9 are proposed pursuant to Article 107(2)(a) of the Company's Constitution and if passed, will allow Datuk Leong Kam Weng ("**Datuk Jory**") and Mr Liew Chek Leong ("**Mr Liew**") to be retained and continue to act as Independent Non-Executive Directors of the Company.

During the 9th AGM held on 26 August 2022, the members have granted approval for both Datuk Jory and Mr Liew to continue as Independent Non-Executive Directors of the Company upon their full 9-year term on 1 December 2022.

As at the date of printing of this Annual Report, they have served on the Board for a cumulative period of 9 years and 7 months. The Board wishes to retain both of them as Independent Non-Executive Directors and is therefore seeking members' approval at the 10th AGM.

Should the members' approval is obtained at the 10th AGM, Datuk Jory and Mr Liew will continue to be the Independent Non-Executive Directors of the Company and will be subject to annual re-appointment by members at the subsequent AGMs.

Full details of the Board's justifications for the retention of Datuk Jory and Mr Liew as Independent Non-Executive Directors are set out in the Corporate Governance Overview Statement as contained in the Annual Report 2023.

NOTICE OF THE TENTH ANNUAL GENERAL MEETING (CONT'D)

NOTES TO THE NOTICE OF THE TENTH ANNUAL GENERAL MEETING (CONT'D):-

9. Explanatory Notes (Cont'd):-

Ordinary Resolution 10

Authority to Allot Shares Pursuant to the Companies Act 2016

The proposed Ordinary Resolution 10, if passed, will:-

- *empower the Directors of the Company to allot and issue not more than 10% of the total number of issued shares of the Company subject to the approvals of all the relevant governmental and/or other regulatory bodies and for such purposes as the Directors consider would be in the interest of the Company; and*
- *give direction to the Directors of the Company to offer and issue new shares pursuant to the authority granted under Ordinary Resolution 10 to any such persons without first to offer the new shares to the existing members of the Company in proportion to their shareholding.*

This authorisation will, unless revoked or varied by the Company in a general meeting, expire at the next AGM of the Company.

The authority, if granted, 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, repayment of bank borrowings and/or acquisitions.

As at the date of printing of the Annual Report, no new share was issued by the Company pursuant to the authority granted to the Directors at the 9th AGM held on 26 August 2022 and the said authority will lapse at the conclusion of the 10th AGM.

10TH ANNUAL GENERAL MEETING ADMINISTRATIVE GUIDE

Date : Wednesday, 30th August 2023

Time : 11.00 a.m.

Meeting Platform : TIIH Online website at <https://tiih.online>

MODE OF MEETING

The 10th Annual General Meeting ("10th AGM") will be conducted on a **virtual basis through live streaming online remote voting** via Remote Participation and Voting ("RPV") facilities. This is in line with the Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia (including any amendment that may be made from time to time).

RPV FACILITIES

Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the 10th AGM using RPV facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its **TIIH Online** website at <https://tiih.online>. Please refer to the Procedures for RPV facilities.

Shareholders who appoint proxy(ies) to participate via RPV facilities in the 10th AGM must ensure that the duly executed Proxy Form are deposited in hard copy form or by electronic means to Tricor not later than **Monday, 28 August 2023 at 11.00 a.m.**

Authorised representatives of corporate members must deposit their **original or duly certified** certificate of appointment of authorised representative to Tricor to participate in the 10th AGM via RPV.

Attorneys appointed by the power of attorney are to deposit their power of attorney with Tricor's Office not later than **Monday, 28 August 2023 at 11.00 a.m.** to participate the 10th AGM via RPV facilities.

A shareholder who has appointed a proxy(ies) or attorney(s) or authorised representative(s) to participate at this 10th AGM via RPV facilities must request his/her proxy(ies) or attorney(s) or authorised representative(s) to register himself/herself for RPV at TIIH Online website at <https://tiih.online>.

As the 10th AGM is a virtual 10th AGM, shareholders who are unable to participate in this 10th AGM may appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form.

10TH ANNUAL GENERAL MEETING ADMINISTRATIVE GUIDE (CONT'D)

PROCEDURES FOR RPV

Shareholder/proxies/attorneys/authorised representatives who wish to participate in the 10th AGM remotely using the RPV are to follow the requirements and procedures as summarised below:-

	Procedure	Action
BEFORE THE 10TH AGM DAY		
(a)	Register as a user with TIIH Online	<ul style="list-style-type: none"> Using your computer, access the website at https://tiih.online. Register as a user under the "e-Services" by selecting "Create Account by Individual Holder". Refer to the tutorial guide posted on the homepage for assistance. Registration as a user will be approved within one working day and you will be notified via email. If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.
(b)	Submit your registration for RPV	<ul style="list-style-type: none"> Registration is open from Friday, 28 July 2023 until the day of 10th AGM on Wednesday, 30th August 2023. Shareholder/proxies/attorneys/authorised representatives are required to pre-register their attendance for the 10th AGM to ascertain their eligibility to participate the 10th AGM using the RPV. Login with your user ID and password and select the corporate event: "(REGISTRATION) XIN HWA HOLDINGS 10th AGM". Read and agree to the Terms & Conditions and confirm the Declaration. Select "Register for Remote Participation and Voting". Review your registration and proceed to register. System will send an e-mail to notify that your registration for remote participation is received and will be verified. After verification of your registration against the General Meeting Record of Depositors as at 23 August 2023, the system will send you an e-mail to approve your registration for remote participation and the procedures to use the RPV facilities are detailed therein. In the event your registration is not approved, you will also be notified via email. <p><i>Note: Please ensure to allow sufficient time required for the approval as a new user of TIIH Online as well as the registration for RPV facilities, in order for you to login to TIIH Online and participate the 10th AGM remotely.</i></p>

10TH ANNUAL GENERAL MEETING ADMINISTRATIVE GUIDE (CONT'D)

PROCEDURES FOR RPV (CONT'D)

Shareholder/proxies/attorneys/authorised representatives who wish to participate in the 10th AGM remotely using the RPV are to follow the requirements and procedures as summarised below (Cont'd):-

	Procedure	Action
ON THE DAY OF THE 10th AGM		
(c)	Login to TIIH Online website	<ul style="list-style-type: none"> Login with your user ID and password for remote participation at the 10th AGM at any time from 10.00 a.m. i.e. 1 hour before the commencement of the 10th AGM on Wednesday, 30th August 2023 at 11.00 a.m.
(d)	Participate through Live Streaming	<ul style="list-style-type: none"> Select the corporate event: "(LIVE STREAM MEETING) XIN HWA HOLDINGS 10th AGM 2023" to engage in the proceedings of the 10th AGM remotely. If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will endeavor to respond to questions submitted by remote participants during the 10th AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.
(e)	Online Remote Voting	<ul style="list-style-type: none"> Voting session commences from 11.00 a.m. on Wednesday, 30th August 2023 until a time when the Chairman announces the completion of the voting session. Select the corporate event: "(REMOTE VOTING) XIN HWA HOLDINGS 10th AGM 2023" or if you are on the live stream meeting page, you can select "GO TO REMOTE VOTING PAGE" button below the Query Box. Read and agree to the Terms & Conditions and confirm the Declaration. Select the CDS account that represents your shareholdings. Indicate your votes for the resolutions that are tabled for voting. Confirm and submit your votes.
(f)	End of remote participation	<ul style="list-style-type: none"> Upon the announcement by the Chairman on the closure of the 10th AGM, the live streaming will end.

Note to users of the RPV facilities:-

- Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
- The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011- 40803169 / 011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

10TH ANNUAL GENERAL MEETING ADMINISTRATIVE GUIDE (CONT'D)

PROCEDURE FOR ELECTRONIC LODGEMENT OF PROXY FORM

The procedures to submit your Proxy Form electronically via Tricor's TIH Online website are summarised below:-

	Procedure	Action
1. Steps for Individual Shareholders		
(a)	Register as a User with TIH Online	<ul style="list-style-type: none"> Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services" by selecting "Create Account by Individual Holder". Please do refer to the tutorial guide posted on the homepage for assistance. If you are already a user with TIH Online, you are not required to register again.
(b)	Proceed with submission of Proxy Form	<ul style="list-style-type: none"> After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. Select the corporate event: "XIN HWA HOLDINGS 10th AGM 2023- SUBMISSION OF PROXY FORM". Read and agree to the Terms and Conditions and confirm the Declaration. Insert your CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf. Appoint your proxy(ies) and insert the required details of your proxy(ies) or appoint Chairman as your proxy. Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote. Review and confirm your proxy(ies) appointment. Print the Proxy Form for your record.
2. Steps for Corporation or Institutional Shareholders		
(a)	Register as a User with TIH Online	<ul style="list-style-type: none"> Access TIH Online at https://tiih.online. Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects "Create Account by Representative of Corporate Holder". Complete the registration form and upload the required documents. Registration will be verified, and you will be notified by email within 1 to 2 working days. Proceed to activate your account with the temporary password given in the email and re-set your own password. <p><i>Note: The representative of a corporation or institutional shareholder must register as a user first in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.</i></p>
(b)	Proceed with submission of Proxy Form	<ul style="list-style-type: none"> Login to TIH Online at https://tiih.online. Select the corporate event: "XIN HWA HOLDINGS 10th AGM 2023- SUBMISSION OF PROXY FORM" Read and agree to the Terms and Conditions and confirm the Declaration. Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein. Prepare the file for the appointment of proxies by inserting the required data. Proceed to upload the duly completed proxy appointment file. Select "Submit" to complete your submission. Print the confirmation report of your submission for your record.

10TH ANNUAL GENERAL MEETING ADMINISTRATIVE GUIDE (CONT'D)

POLL VOTING

The voting at the 10th AGM will be conducted by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting (e-voting).

Shareholder/proxies/attorneys/authorised representatives can proceed to vote on the resolutions at any time from **11.00 a.m. on Wednesday, 30th August 2023** but before the end of the voting session which will be announced by the Chairman of the meeting. Kindly refer to item (e) of the above Procedures for RPV for guidance on how to vote remotely from TIIH Online website at <https://tiih.online>.

Upon completion of the voting session for the 10th AGM, the Scrutineers will verify the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

PRE-MEETING SUBMISSION OF QUESTION TO THE BOARD OF DIRECTORS

Shareholders may submit questions for the Board in advance of the 10th AGM via Tricor's TIIH Online website at <https://tiih.online> by selecting "e-Services" to login, pose questions and submit electronically not later than **Monday, 28 August 2023 at 11.00 a.m.** The Board will endeavor to answer the questions received at the 10th AGM.

DOOR GIFT/FOOD VOUCHER

There will be no door gifts or food vouchers for the 10th AGM since the meeting is being conducted on a virtual basis.

NO RECORDING OR PHOTOGRAPHY

Unauthorised recording or photography is strictly prohibited at the 10th AGM of the Company.

ENQUIRY

If you have any enquiries on the above, please contact Tricor during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):-

Tricor Investor & Issuing House Services Sdn Bhd Registration No. 197101000970 (11324-H) Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3 Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia	Telephone Number	
	General Line	603-2783 9299
	Fax Number	603-2783 9222
	Email	Is.enquiry@my.tricorglobal.com

**XIN HWA HOLDINGS BERHAD**

Registration No. 201301002265 (1032102-P)

FORM OF PROXY

CDS Account No.	No. of Shares Held

I/We (BLOCK LETTERS)

NRIC No. /Company No. of

being (a) Member(s) of **XIN HWA HOLDINGS BERHAD (Registration No. 201301002265 (1032102-P))** hereby appoint the following person(s):-Name & NRIC No. of proxyNo. of shares to be represented by proxy

1.

.....

2.

.....

and 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 Tenth Annual General Meeting of the Company to be held on a virtual basis at a venue in Malaysia where the Chairman is present via online meeting platform provided by Tricor Investor & Issuing House Services Sdn. Bhd. at <https://tiih.online> on Wednesday, 30 August 2023 at 11.00 a.m. to and at any adjournment thereof and to vote as indicated below:-

ORDINARY RESOLUTION NO.		FOR	AGAINST
1	Payment of Directors' Fees		
2	Payment of Directors' Benefits		
3	Re-election of Mr Ng Aik Chuan as Director		
4	Re-election of Datuk Leong Kam Weng as Director		
5	Re-election of Ms Teo Siok Kee as Director		
6	Appointment of Crowe Malaysia PLT as Auditors		
7	Retention of Tan Sri Dr. Suleiman Bin Mohamed as Independent Director		
8	Retention of Datuk Leong Kam Weng as Independent Director		
9	Retention of Mr Liew Chek Leong as Independent Director		
10	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, 2023

.....
Signature / Seal of Member**Notes:-**

- The members' 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 2023 shall be regarded as members and entitled to attend, speak and vote at the Tenth Annual General Meeting ("Meeting").
- A member entitled to attend 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 / her 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 or in some other manner approved by directors.
- The instrument appointing a proxy must be deposited physically 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 or alternatively, the Customer Service Centre at Unit G3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, or by electronic means via TIH Online website at <https://tiih.online>, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

Xin Hwa Holdings Berhad
c/o Tricor Investor & Issuing House Services Sdn. Bhd.

Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur
Malaysia

1st fold here



XIN HWA HOLDINGS BERHAD

Registration No. 201301002265 (1032102-P)

No. 2, Jalan Permatang 2, Kempas Baru, 81200 Johor Bahru, Johor Darul Takzim

Tel : (+607) 231 6999 **Fax :** (+607) 231 6900