NEW HOONG FATT HOLDINGS BERHAD

(425709-K)

Annual Report 2016

Mission

We provide a wide range of quality automotive parts to our customers through an integrated supply chain system.

Cover Rationale

With the recent extensive investments in capital expenditure, NHF is optimistic in driving the Group through tough roads to strengthen the Group's core business. Equipped with the state-of-the-art technology, NHF is capable to strive through any uphill challenges head on. NHF is committed to be the leading automotive parts solution provider in Asia, by delivering a wide range of quality products to ensure stakeholders' satisfaction.

20TH

ANNUAL GENERAL MEETING

Banyan & Casuarina Rooms
Ground Floor
Sime Darby Convention Centre
1A Jalan Bukit Kiara 1
60000 Kuala Lumpur

Thursday, 1 June 2017 at 10.00 a.m

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CORPORATE INFORMATION

BOARD OF DIRECTORS

KAM FOONG KENG
Executive Chairman

CHIN JIT SIN
Managing Director

KAM FOONG SIM
Executive Director

WONG YOKE NYEN
Independent Non-Executive Director

DANNY NG SIEW L'LEONG
Independent Non-Executive Director

DATUK DR. ANIS BIN AHMAD
Independent Non-Executive Director

AUDIT COMMITTEE

Wong Yoke Nyen (Chairman)
Danny Ng Siew L'Leong
Datuk Dr. Anis bin Ahmad

NOMINATION COMMITTEE

Danny Ng Siew L'Leong (Chairman)
Datuk Dr. Anis bin Ahmad
Wong Yoke Nyen

REMUNERATION COMMITTEE

Datuk Dr. Anis bin Ahmad (Chairman)
Danny Ng Siew L'Leong
Wong Yoke Nyen
Kam Foong Keng

SECRETARIES

Tai Yit Chan (MAICSA 7009143)
Choong Lee Wah (MAICSA 7019418)

AUDITORS

BDO (AF: 0206)
Chartered Accountants

PRINCIPAL BANKERS

Citibank Berhad
Hong Leong Bank Berhad
Industrial and Commercial Bank of China (Malaysia) Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad

BUSINESS ADDRESS

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Jalan Teratai, Meru
41050 Klang, Selangor
Tel: (603) 3392 6818
Fax: (603) 3392 6808

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Bandar Utama
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Tel: (603) 7720 1188
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REGISTRAR

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Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel: (603) 2783 9299
Fax: (603) 2783 9222

STOCK EXCHANGE LISTING

Main Market, Bursa Malaysia Securities Berhad
Stock Name: NHFATT
Stock Code: 7060
Sector: Consumer Products

LETTER TO SHAREHOLDERS

Dear Valued Shareholders,

On behalf of the Board of Directors (“the Board”), I am pleased to present the Annual Report and Audited Financial Statements of New Hoong Fatt Holdings Berhad (“NHF”) and its subsidiaries (“the Group”) for the financial year ended 31 December 2016 (“FY2016”).

GROUP PERFORMANCE OVERVIEW

I am pleased to report that the Group finished the FY2016 with an all-time high results in terms of revenue and profit.

During the FY2016, the Group’s revenue jumped to RM231.9 million from RM207.2 million in the financial year ended 31 December 2015 and profit before tax improved to RM36.8 million from RM26.6 million previously. The Group’s net profit increased by 55.4% from a year earlier to RM30.0 million on the back of the top line growth, higher production efficiency and productivity during the year as well as favourable impact from foreign exchange rate.

Revenue for the domestic as well as overseas markets had shown very encouraging growth in FY2016 compared to the preceding year, mainly driven by wider range of products, penetration into new markets as well as expanding into the existing markets. The Group had benefitted from the stronger US Dollar which had partially contributed to the stronger top line growth but it had also adversely impacted the cost of imported raw materials and trading parts for the domestic market.

During the FY2016, the Group had carried out various continuous improvement activities and cost efficiency programs such as Lean Production Systems and Kaizen in the factory and these will be the key drivers to further optimise the manufacturing costs in order to increase the Group’s competitiveness moving forward.

DIVIDENDS

The Board is pleased to recommend a final single tier dividend of 8 sen per ordinary share and a special final single tier dividend of 3 sen per ordinary share in respect of FY2016 amounting to RM8,267,226 for the approval of shareholders at the forthcoming Annual General Meeting and if approved, it will be paid on 7 July 2017.

LETTER TO SHAREHOLDERS (continued)

The Board had earlier declared a first interim single tier dividend of 3 sen per ordinary share which amounted to RM2,254,698 and was paid to shareholders on 16 December 2016. This brings the total dividend declared and recommended for FY2016 to 14 sen per share, an increase of 3 sen from the 11 sen in the previous financial year. These dividend payments are in accordance with the Group's policy to return value to shareholders whilst conserving sufficient reserves to cater to future expansions.

FUTURE OUTLOOK

The global economy will continue to remain challenging in 2017 with all the uncertainties surrounding the commodities' prices, potential changes to the policies under the new President of the United States of America ("USA"), British's imminent exit from the European Union, further interest rate hikes by the Federal Reserve of USA and the volatility of exchange rates around the globe, amongst the few more pronounced economic risks.

Nonetheless, the Group remains cautiously optimistic on the outlook of the automotive industry in 2017 particularly in the after sales market. ASEAN market will continue to be the main focus in the coming years, especially in Indonesia where there is still a huge potential for growth in vehicle ownership per capita. We are also looking at expanding our global reach and have set our sights on achieving 70 percent of revenue being derived from overseas markets by the year 2021.

We acknowledge the importance to keep abreast on the latest developments in this fast-changing industry to stay relevant and remain competitive, especially with the looming threat of autonomous cars that could potentially dampen our ability to grow the business further. As we move ahead, we aim to explore new potential business, either directly or indirectly related to our business in order to diversify our income streams. While we explore on new business opportunities, our top priority will be to continue to strengthen our existing core business and continue to be prudent in our spending and business expansion strategy.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt appreciation to all our shareholders, customers, suppliers, business partners, financiers and other stakeholders for your continuous support to the Group throughout the years. I would also like to express my deepest gratitude to my fellow Board members, for your invaluable guidance, support and direction to the Management. To all employees, I would like to thank you for your valued contributions and dedications in driving the Group forward. Let us continue to work together and strive further to deliver greater values to all stakeholders.

KAM FOONG KENG
Executive Chairman

SURAT KEPADA PEMEGANG SAHAM

Para Pemegang Saham sekalian,

Bagi pihak Lembaga Pengarah ("Lembaga"), saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit New Hoong Fatt Holdings Berhad ("NHF") dan anak-anak syarikatnya ("Kumpulan") bagi tahun kewangan berakhir 31 Disember 2016 ("TK2016").

TINJAUAN PRESTASI KUMPULAN

Saya dengan sukacitanya melaporkan bahawa Kumpulan telah mengakhiri TK2016 dengan pencapaian tertinggi dari segi hasil pendapatan dan keuntungan.

Dalam TK2016, hasil pendapatan Kumpulan telah meningkat kepada RM231.9 juta daripada RM207.2 juta yang direkodkan pada tahun kewangan berakhir 31 Disember 2015 dan keuntungan sebelum cukai meningkat kepada RM36.8 juta daripada RM26.6 juta sebelumnya. Keuntungan bersih Kumpulan meningkat sebanyak 55.4% kepada RM30.0 juta berbanding dengan tahun sebelumnya berikutan peningkatan pendapatan, kecekapan pengeluaran dan produktiviti yang lebih tinggi sepanjang tahun kewangan serta kesan yang menggalakkan daripada kadar pertukaran asing.

Hasil pendapatan daripada pasaran domestik dan luar negara telah menunjukkan pertumbuhan yang memberangsangkan dalam TK2016 berbanding dengan tahun sebelumnya, sebahagian besarnya didorong oleh kepelbagaian produk, penembusan pasaran baru serta pengembangan pasaran sedia ada. Kumpulan telah memperoleh manfaat daripada kenaikan Dolar Amerika Syarikat yang sebahagiannya telah menyumbang kepada hasil pendapatan yang lebih kukuh, tetapi pada masa yang sama juga memberi kesan kepada kos bahan mentah yang diimport serta barang dagangan untuk pasaran domestik.

Dalam TK2016, Kumpulan telah menjalankan pelbagai aktiviti penambahbaikan secara berterusan dan program kecekapan kos seperti Lean Production Systems dan Kaizen di bahagian pengeluaran justeru menjadi pemacu utama untuk terus mengoptimumkan kos pembuatan bagi meningkatkan daya saing Kumpulan pada masa akan datang.

Dividen-dividen

Lembaga dengan sukacitanya mencadangkan dividen akhir satu peringkat sebanyak 8 sen bagi setiap saham biasa dan dividen akhir satu peringkat khas sebanyak 3 sen bagi setiap saham biasa bagi TK2016 yang berjumlah RM8,267,226 untuk kelulusan pemegang saham pada Mesyuarat Agung Tahunan yang akan datang dan jika diluluskan, akan dibayar pada 7 Julai 2017.

SURAT KEPADA PEMEGANG SAHAM (sambungan)

Lembaga sebelum ini telah mengisytiharkan dividen interim satu peringkat pertama sebanyak 3 sen bagi setiap saham biasa yang berjumlah RM2,254,698 dan telah dibayar kepada pemegang saham pada 16 Disember 2016. Ini menjadikan jumlah dividen yang diisytiharkan dan dicadangkan bagi TK2016 kepada 14 sen sesaham, peningkatan sebanyak 3 sen daripada 11 sen pada tahun kewangan sebelumnya. Pembayaran dividen-dividen ini adalah selaras dengan dasar Kumpulan untuk mengembalikan nilai kepada para pemegang saham disamping memperuntukkan rizab yang mencukupi bagi menampung pertumbuhan masa depan.

PANDANGAN MASA HADAPAN

Ekonomi global akan terus kekal mencabar pada tahun 2017 hasil daripada pelbagai ketidaktentuan berkaitan harga barangan, potensi perubahan kepada dasar-dasar dibawah Presiden baru Amerika Syarikat, penarikan diri British daripada Kesatuan Eropah, kenaikan kadar faedah oleh Rizab Persekutuan Amerika Syarikat dan turun naik kadar pertukaran di seluruh dunia, antara beberapa risiko ekonomi yang ketara.

Namun begitu, Kumpulan kekal optimistik dengan prospek industri automotif pada tahun 2017 terutamanya dalam pasaran selepas jualan. Pasaran ASEAN akan terus menjadi fokus utama Kumpulan untuk tahun-tahun akan datang, terutamanya di Indonesia dimana masih terdapat potensi besar bagi pertumbuhan pemilikan kenderaan per kapita. Kami juga sedang meninjau untuk mengembangkan jangkauan global dan telah menetapkan matlamat untuk mencapai 70 peratus hasil pendapatan daripada pasaran luar negara menjelang tahun 2021.

Kami mengakui kepentingan untuk terus mengikuti perkembangan terkini dalam industri yang dinamik ini untuk kekal relevan dan berdaya saing, terutamanya dengan kebangkitan ancaman kereta autonomi yang berpotensi menjejaskan keupayaan kami untuk mengembangkan lagi perniagaan. Dalam kami melangkah ke hadapan, kami menyasarkan untuk meneroka peluang perniagaan baru yang berpotensi, sama ada yang berkaitan secara langsung atau tidak langsung dengan perniagaan kami untuk mempelbagaikan aliran pendapatan. Dalam kami meneroka peluang-peluang perniagaan baru, keutamaan kami adalah untuk terus mengukuhkan perniagaan utama yang sedia ada dan terus berhati-hati dalam strategi pengembangan perbelanjaan dan perniagaan kami.

PENGHARGAAN

Bagi pihak Lembaga, saya ingin merakamkan penghargaan tulus ikhlas kepada para pemegang saham, pelanggan, pembekal, rakan niaga, pembiaya dan pihak berkepentingan yang lain bagi sokongan anda terhadap Kumpulan sepanjang tahun ini. Saya juga ingin mengucapkan terima kasih yang tidak terhingga kepada ahli-ahli Lembaga Pengarah untuk panduan anda yang tidak ternilai, sokongan dan hala tuju kepada Pengurusan. Kepada semua kakitangan, saya ingin mengucapkan terima kasih atas sumbangan bernilai dan dedikasi anda dalam memacu Kumpulan terus ke hadapan. Marilah kita terus bekerjasama dan sentiasa berusaha untuk memberikan nilai yang lebih besar kepada semua pihak berkepentingan.

KAM FOONG KENG
Pengerusi Eksekutif

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS

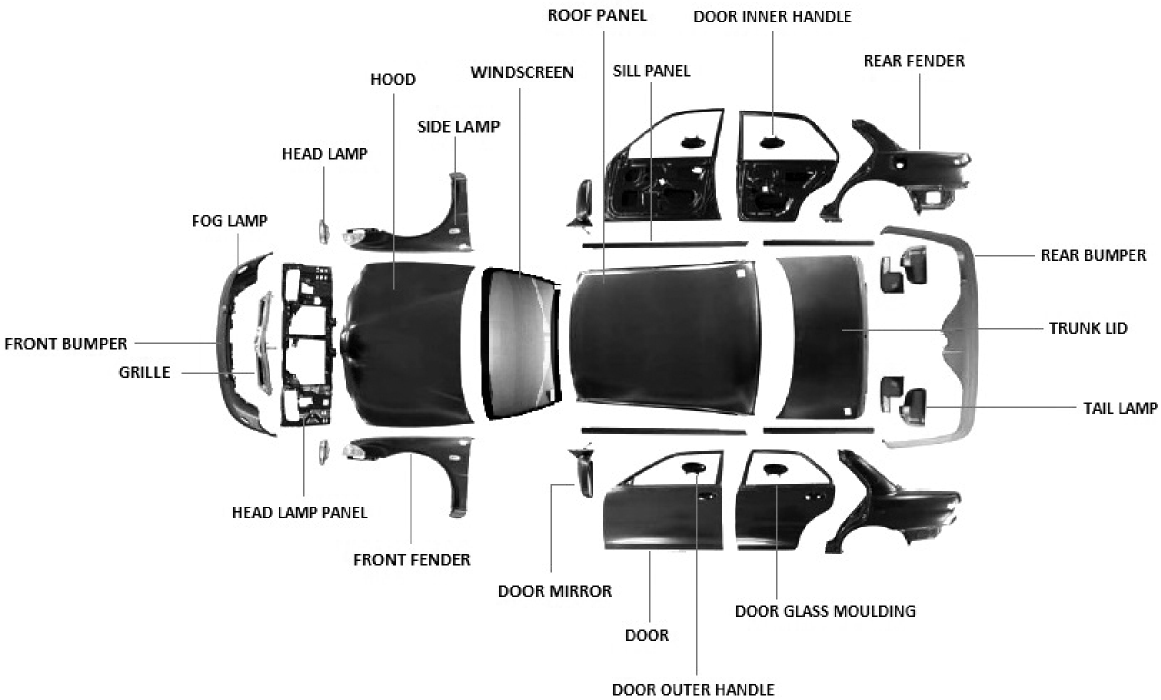
New Hoong Fatt Holdings Berhad ("NHF" or "the Company") is listed on the main market of Bursa Malaysia Securities Berhad. NHF Group first established its trading company in 1977, selling genuine and alternative automotive replacement body parts. Since then, it has grown to become a major distributor in Malaysia and provides automotive parts solutions to the local replacement market.

NHF has its headquarters in Klang, Selangor, as well as trading branches in Segambut, Kuala Lumpur and Kota Kinabalu, Sabah, to cater to its extensive distribution channel of more than 1,000 wholesalers and retailers throughout Malaysia.

Having gained vast experience in trading and distribution of automotive parts, NHF Group had in 1989, ventured into manufacturing of metal and plastic automotive replacement body parts, such as door, hood, fender, trunk lid, bumper, grille, lamp, etc. The establishment of these manufacturing plants has led the Group to become the leader in the distribution of alternative automotive replacement body parts in Malaysia. The Group's efficient and automated production facilities, expertise in design and development of tools and dies has enabled the Group to go beyond Malaysia, exporting to more than 50 countries in Asia, Central and South America, Europe and Africa.

In 2011, NHF Group expanded its business abroad and incorporated wholly-owned subsidiaries in Jakarta, Indonesia and Shanghai, China. These overseas operations were set up as trading companies in attempts to capture the markets in these two countries.

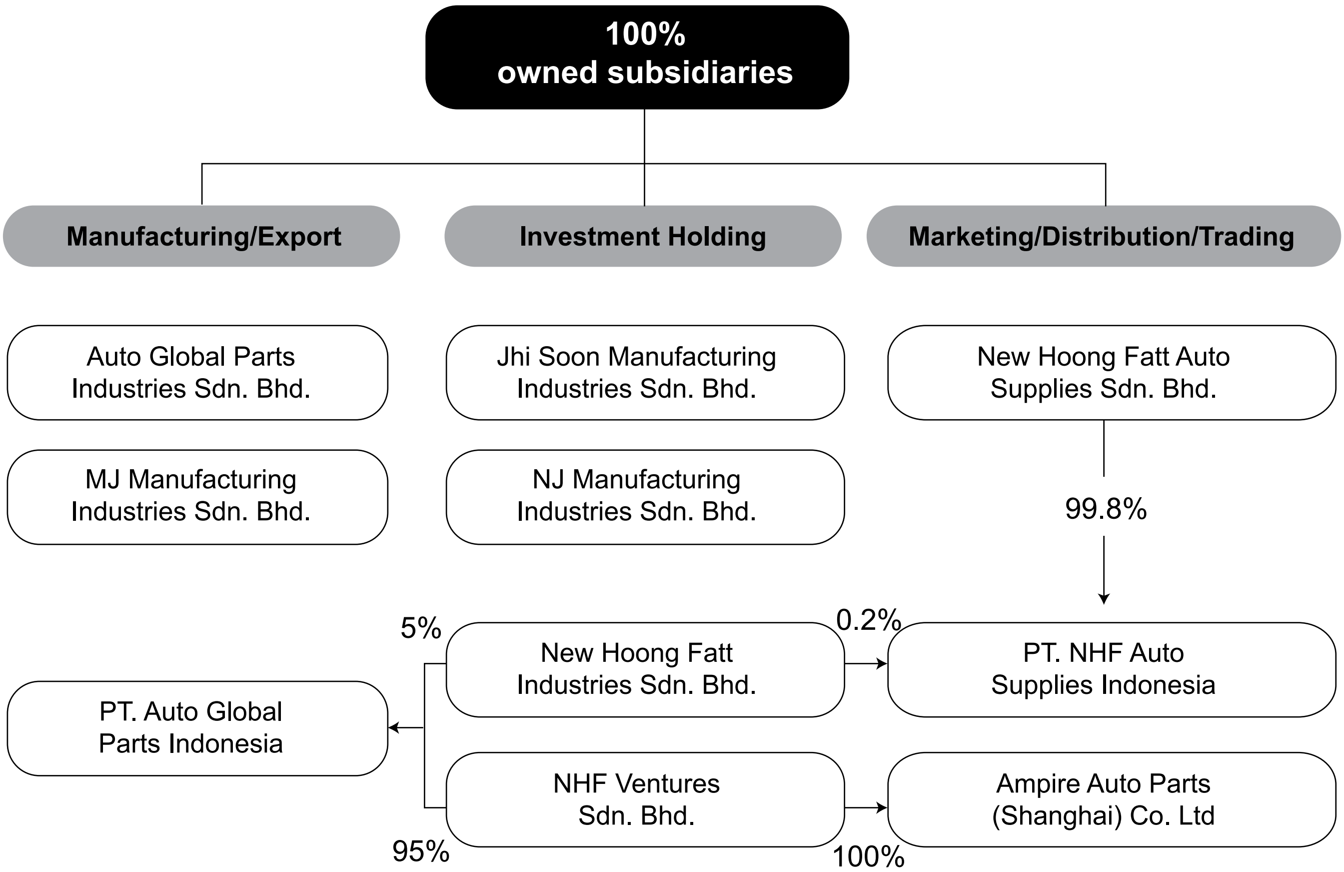
Some of the parts that the Group manufactures and distributes are:



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The Group operates through three (3) business segments: Manufacturing, Distribution and Investment as shown in the Group Structure below:

NEW HOONG FATT HOLDINGS BERHAD



Manufacturing/ Export

The manufacturing of automotive parts is carried out through Auto Global Parts Industries Sdn. Bhd. ("AGP") while the manufacturing of moulds and dies is carried out through MJ Manufacturing Industries Sdn. Bhd.

The Group's manufacturing facility is located on 27 acres of land in Meru, Klang, producing more than 2,000 metal items and 1,000 plastic items. These items are distributed through New Hoong Fatt Auto Supplies Sdn. Bhd. ("NHFAS") to the local market in Malaysia as well as exported via AGP to more than 50 countries around the world, including countries in Asia, Central and South America, Europe and Africa.

The Group also manufactures some of its moulds and dies which are used to produce the automotive parts. By setting up this department, the Group is able to have more control over the mould's quality, cost and lead time.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The Group invests heavily in the latest technologies and machineries such as stamping machines, plastic injection machines, MIG robots, hemming robots and electro-deposition paint line to enhance its technological and production capabilities over time.

During the year, the Group had incorporated another overseas subsidiary in Jakarta, Indonesia namely PT. Auto Global Parts Indonesia, with the long term plan to eventually undertake manufacturing activities in Indonesia if the business viability is assessed to be positive. The establishment of this subsidiary will be the stepping stone to further expand the Group's footprint in Indonesia, tapping into the vast potential of the local market.

Marketing/ Distribution/ Trading

NHF's local trading and distribution arm is carried out through NHFAS. Besides trading of own-manufactured products, NHFAS also sources and sells both genuine and alternative automotive replacement parts, accessories and service items such as windscreen, door mirror, radiator, filter, wiper blade, engine oil and lubricant. These parts are purchased from local and overseas suppliers. These products are distributed to more than 1,000 local retail and wholesale spare parts shops throughout Malaysia.

The Group's overseas trading subsidiaries, PT. NHF Auto Supplies Indonesia ("PT. NHF") and Ampire Auto Parts (Shanghai) Co. Ltd. ("Ampire") are principally engaged in the importing, exporting, distribution and marketing of automotive replacement parts in Indonesia and China respectively.

Investment

The principal activity of NHF is investment holding whereby it holds investment in its subsidiaries.

The Group holds various land and buildings which are rented out to sister companies under the following subsidiaries:

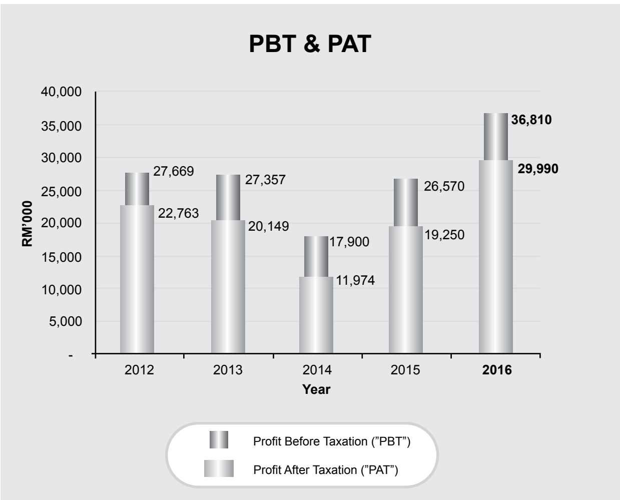
- NJ Manufacturing Industries Sdn. Bhd.; and
- Jhi Soon Manufacturing Industries Sdn. Bhd.

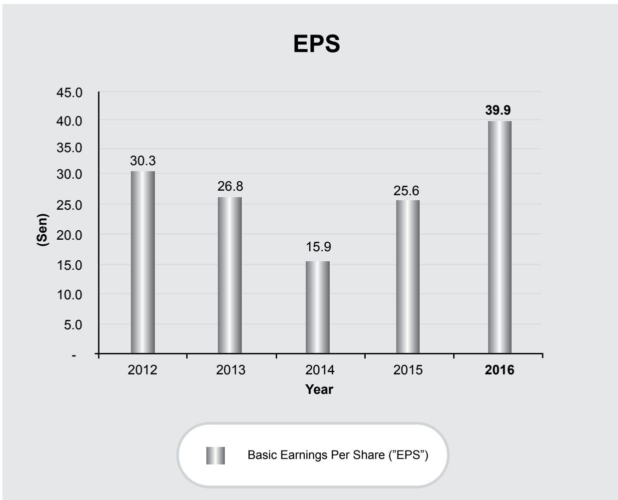
REVIEW OF FINANCIAL PERFORMANCE

For the financial year ended 31 December 2016 ("FY2016"), the Group's consolidated revenue recorded an increase of 11.9% from RM207.2 million in the financial year ended 31 December 2015 ("FY2015") to RM231.9 million. The increase in revenue was attributed to wider product ranges sold together with competitive prices which in result drove the sales up in domestic as well as overseas markets.

Profit before taxation ("PBT") of RM36.8 million in FY2016 was 38.3% higher compared to RM26.6 million in FY2015. This was largely in line with the higher revenue achieved, higher production efficiencies as well as favourable impact from foreign exchange ("forex") rate.

Consequently, net profit increased by 55.4% from RM19.3 million in FY2015 to RM30.0 million in FY2016 and earnings per share increased from 25.6 sen in FY2015 to 39.9 sen in FY2016. At the end of the financial year, net assets per share improved to RM4.95 compared to RM4.39 in FY2015.





MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Capital Expenditures

Capital expenditures incurred in FY2016 amounted to RM38.1 million, higher by 10.1% compared to RM34.6 million in FY2015. Most of the capital expenditures were spent on developing moulds and dies for new items as well as investment in new plant and machinery to raise the production capacity.

Assets, Liabilities and Liquidity

Trade Receivables increased from RM37.0 million in FY2015 to RM44.4 million in FY2016, largely in line with the higher revenue achieved during the year, especially towards the final quarter of the year. There was no notable increase in provision for doubtful debts during the year.

Inventories increased to RM44.0 million in FY2016 compared to RM39.4 million in FY2015, mainly due to higher number of trading products being added to the Group's product portfolio. The increase was in line with the Group's strategy to further widen its product range to meet customer's demand. In addition, there was some additional purchase of raw materials, in anticipation of higher production usage moving forward, especially on steel coil.

Net Debt

The Group recorded a Net Debt position (total borrowings less cash and bank balances) of RM11.0 million at the end of FY2016, compared with a Net Debt position of RM5.0 million at the end of FY2015.

The increase in Net Debt was mainly due to higher working capital being tied down during the year in trade receivables and inventories as explained above.

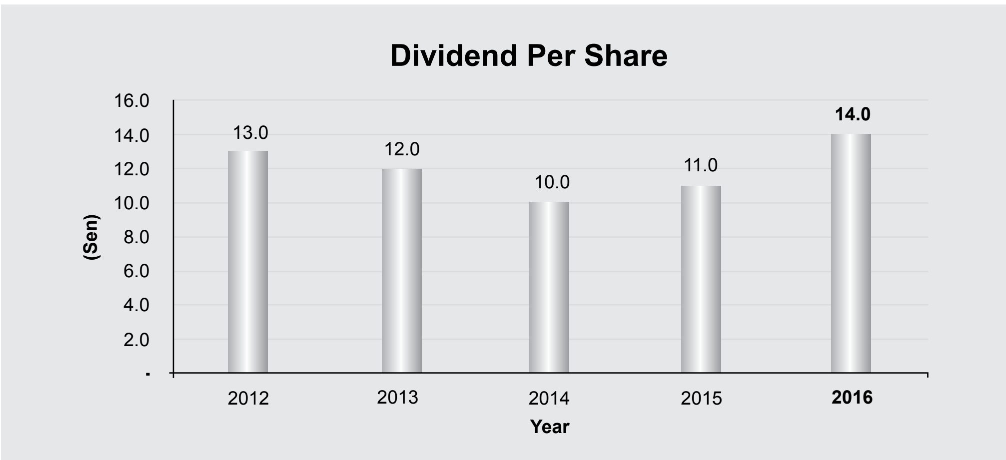
Dividends

The Board of Directors is pleased to recommend a final single tier dividend of 8 sen per ordinary share and a special final single tier dividend of 3 sen per ordinary share for FY2016, amounting to RM8,267,226 for approval by the shareholders at the forthcoming Annual General Meeting and if approved, it will be paid on 7 July 2017.

The Board had earlier declared an interim single tier dividend of 3 sen per ordinary share for FY2016 which amounted to RM2,254,698 and was paid to the shareholders on 16 December 2016. This brings the total single tier dividend declared and recommended for FY2016 to 14 sen per share, an increase of 3 sen per share compared to 11 sen per share for FY2015.

The Group is committed to generate consistent dividend payment to its shareholders in the long term. The Board has determined that the current level of dividend is appropriate based on the Group's current earnings and cash flow requirements for the Group's operations as well as investment opportunities for future growth.

Dividends per share for the past five (5) years are as follows:



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OPERATIONS REVIEW

By Business Segments

a. Manufacturing Segment

The manufacturing segment posted a stronger growth in FY2016. Revenue from this segment had increased to RM108.8 million, representing a 12.6% growth compared to FY2015. The segment reported a PBT of RM37.8 million which was higher by 16.7% compared to RM32.4 million in the previous year. The increase in PBT was in line with the higher revenue achieved. The Group was also able to grow the overseas markets through penetration into new markets and offering a wider range of products. On top of that, higher productivity and better production efficiencies as well as favourable impact from forex rate had contributed to a higher PBT in FY2016.

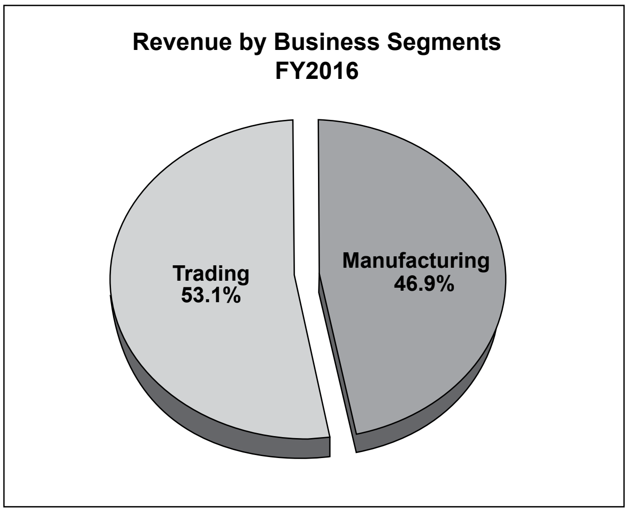
b. Trading Segment

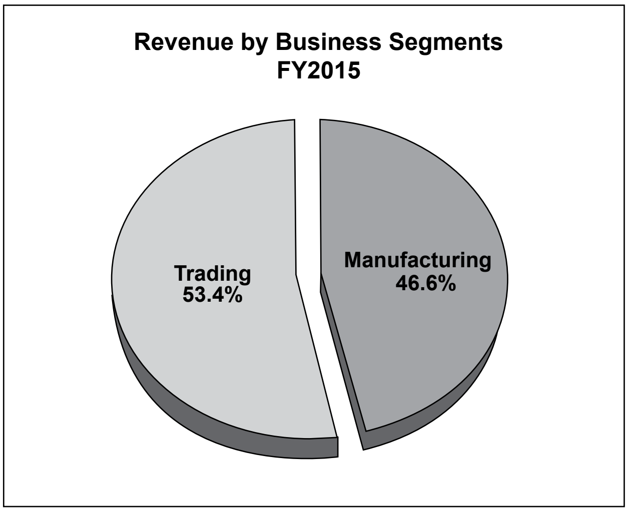
Revenue for the trading segment grew by 11.2% to RM123.1 million in FY2016 from RM110.7 million in FY2015. Apart from the better performance in the domestic market, the trading operations in China and Indonesia posted commendable growth where both the subsidiaries had contributed a total revenue of RM12.8 million in FY2016, higher by 25.5% compared to FY2015.

c. Investment Segment

The investment segment which generates income through rental income from sister companies, reported a flattish development in Loss Before Tax of RM0.8 million in FY2016 compared to RM0.7 million in FY2015.

Overall, revenue achieved by the manufacturing segment was 46.9% of the Group's total revenue (46.6% in FY2015) while the trading's revenue represented 53.1% of the Group's total revenue (53.4% in FY2015), as shown in the graphs below:





By Geographical Segments

In FY2016, the Malaysian market accounted for 47.6% of the Group's total revenue (48.5% in FY2015), while ASEAN market contributed 15.7% (14.8% in FY2015) and the non ASEAN market contributed 36.7% (36.7% in FY2015).

a. Malaysia market

During the financial year, revenue from the domestic market recorded a commendable improvement despite weaker consumer spending. In FY2016, the Group's revenue from the domestic market increased by 10.0% to RM110.5 million from RM100.5 million in FY2015. The focus on driving more effective sales and marketing promotional activities and offering a wider range of products were among the key contributors towards the improved performance.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

b. ASEAN market

Revenues from the ASEAN market grew by 18.6% to RM36.3 million compared with RM30.6 million in FY2015, mainly driven by the growth in Indonesia and Thailand.

The subsidiary in Indonesia, PT. NHF, achieved revenue of RM8.2 million in FY2016, an increase of 28.1% compared with the previous year. The growth was mainly contributed by the success of its strategy of widening its coverage of the major cities outside of Jakarta.

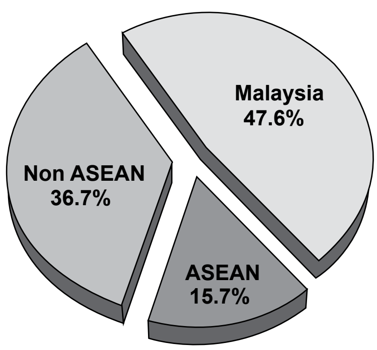
c. Non ASEAN market

In FY2016, the non ASEAN market contributed higher revenue of RM85.0 million, higher by RM8.9 million or 11.7% compared with RM76.1 million recorded in FY2015. The Group had successfully penetrated into two (2) new countries in FY2016, namely Bolivia and New Zealand, as well as widening its product range offered to customers.

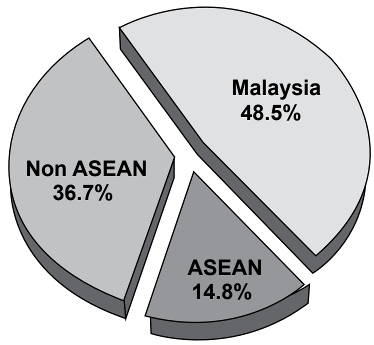
The subsidiary in China, Ampire, achieved revenue of RM4.6 million in FY2016, an increase of 21.1% compared with the previous year, mainly contributed by wider market coverage.

The breakdown of revenue by geographical segments is shown in the graphs below:

Revenue by Geographical Segments FY2016



Revenue by Geographical Segments FY2015



SIGNIFICANT CHANGES IN OTHER OPERATING INCOME, COSTS AND EXPENSES

a. Other Operating Income

The main contributor to the Group's Other Operating Income was the proceeds from the disposal of metal scrap, amounted to RM6.2 million in FY2016 compared to RM7.2 million in the previous year. The reduction was mainly due to the lower steel scrap price in FY2016.

However, total Other Operating Income had increased to RM22.1 million in FY2016 from RM12.3 million in the previous year, mostly due to favourable forex differences. Realised forex gain accounted for RM7.3 million while unrealised forex gain was RM5.2 million.

b. Valuation of properties

Valuations had been conducted between 9 September 2016 and 28 September 2016 by two registered valuers, KPH Property Consultants (KL) Sdn. Bhd. in Malaysia and Andreas Parlindungan Siregar in Indonesia on the Group's land and building by reference to the open market value based on existing use basis and cost approach method respectively. The purpose of the valuation exercise was to ascertain the market value of these assets for accounting purposes in accordance with the Malaysian Financial Reporting Standards 116 and 140.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Accordingly, a revaluation surplus of RM28.7 million had been incorporated into the Group's Property, Plant and Equipment and Investment Properties for FY2016. The revaluation surplus (net of tax) that was recognised in the Statement of Financial Position as Revaluation Reserve amounted to RM24.4 million for Property, Plant and Equipment and RM0.6 million (net of tax) was recognised in the Retained Earnings for Investment Properties. As a result, the consolidated net assets value per share of the Group had increased by RM0.33 in FY2016.

c. Cost of sales

The Group's Gross Profit ("GP") margin improved to 29.3% in FY2016 compared to 28.4% in FY2015.

Despite of the increase in depreciation (as further explained below) and production salaries and wages, the Group was able to show a marked improvement in GP margin, largely due to higher productivity and production efficiencies achieved during the year. Lower raw material price, particularly on steel coil, had also contributed to a better margin.

d. Operating Expenses

The Group recorded higher operating expenses of RM52.0 million in FY2016, an increase of 18.7% from RM43.8 million in FY2015. The increase in expenses was mainly attributed to higher staff salaries as well as unrealised forex differences of RM5.5 million. There was also a relatively significant increase in freight and handling charges for exports, in line with the higher export revenue achieved during the year.

e. Depreciation

During the year, depreciation of RM27.6 million was recorded as compared to RM25.2 million in the previous year. The increase in depreciation was due to higher investment in moulds and dies as well as plant and machinery as NHF continues to build its production capabilities to cope with the expected growth in sales demand.

f. Finance Cost

The Group incurred a higher finance cost of RM1.2 million in FY2016 compared with RM0.9 million in FY2015. The finance cost was mostly incurred on the short term financing of Banker's Acceptance to support the working capital needs of the Group.

g. Income Taxes

The effective tax rate for FY2016 of 18.5% was lower than the statutory tax rate of 24% mainly due to utilisation of Reinvestment Allowance, reversal of deferred tax liabilities arising from unrealised forex differences and utilisation of unabsorbed losses from certain subsidiaries of the Group.

h. Impact of adopting MFRSs

The Malaysian Accounting Standards Board had issued several Malaysian Financial Reporting Standards ("MFRSs") which have been adopted by the Group in 2016. These new standards do not have significant effects on the Group's financial statements. MFRS 15 *Revenue from Contracts with Customers*, MFRS 16 *Leases* and MFRS 9 *Financial Instruments* are among the few standards that do not currently affect the Group. These new standards will take effect after 1 January 2018.

STRATEGIES

NHF's long term goal is to become the leading automotive parts solution provider in Asia. Through the annual strategic planning session where all the key senior and middle management staff participated, the Group has devised the following strategic priorities, categorised into three (3) main thrusts:

- Continually strengthen and grow the core business;
- Build competitive edge through cost efficiency and the use of technology; and
- Human capital transformation.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

1. **Continually strengthen and grow the core business**

   One of the strategic priorities is to strengthen and grow NHF's core business – manufacturing and distribution of automotive replacement parts for both local and overseas markets. NHF is constantly building the core business through the following key initiatives:

   a. **Driving sales execution excellence program**

      Taking cognisance of the ever-changing and highly competitive market, NHF is working towards improving its market competitiveness through a more structured sales execution excellence program, covering marketing and promotional activities. NHF also continually improves on its customer-focus approach and emphasise on raising awareness of its products and branding through sales and marketing campaigns. The acceleration of new product development will enable NHF to drive further growth.

   b. **Expanding export market**

      Currently, slightly above 50% of the Group's consolidated revenue was derived from overseas markets. Realising the vast potential of the export market to drive future growth, the Group aims to increase the revenue contribution from overseas market to 70 percent by 2021. In its attempt to expand coverage of the overseas markets, NHF constantly conducts market research to assess the market viability and growth potential of each of the markets.

      One of the strategies to expand on market reach is by participating in various international automotive exhibitions such as Automechanika. Apart from being able to establish new business relationships with customers from all around the world in such exhibitions, the participation is also the ideal platform for the Group to nurture a closer relationship with its existing customers who also participate in these exhibitions.

      NHF had also engaged with relevant government agencies to facilitate its expansion strategies. The Group first participated in the Mid-Tier Development Companies Program under the Malaysia External Trade Development Corporation ("MATRADE") in 2014 to gain relevant support and advice on how to broaden its reach into higher potential export markets. Upon completion of the program towards the end of 2016, NHF had further enrolled in MATRADE's Mid-Tier Ramp-up Program to enable the Group to continue receiving tailored support to further enhance its market access and export capabilities.

2. **Build competitive edge through cost efficiency and the use of technology**

   a. **Driving cost efficiency program**

      Another top priority for the Group is to continually drive cost efficiency initiatives while improving its productivity, without compromising on the quality of its products. This is especially crucial in the current economic environment, marked by rising operating costs which include rising minimum wage, higher foreign workers' levy and escalating raw material costs, amongst others.

      NHF's efforts have been centred on raising productivity, reducing production wastages, increasing usage of recycled materials, more efficient working capital management and optimising warehousing and transportation costs. In 2015, NHF collaborated with Malaysian Productivity Council (MPC) on several Lean Manufacturing Projects. In 2016, NHF recruited an in-house Japanese consultant to further foster the lean manufacturing activities and culture in the Group. As a result of the cost efficiency initiatives, NHF has managed to save approximately RM0.4 million during the year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

b. Investment in new machinery and new product development

The nature of NHF's business requires continual investment in new machinery, moulds and dies and tooling. The Group constantly upgrades its machinery to improve on the efficiency of its production. Acknowledging the importance to keep up with the fast changing market demands, NHF has been working on improving the lead time in moulds and dies development in order to improve the product delivery time to market.

More investments will be channelled into further strengthening its production capability and expanding its product range in the coming years as NHF looks forward to improve on its order fulfilment rate and eventually create its distinctive edge in this aspect.

c. Leveraging on Information Technology

The Group deploys relevant management information to all key stakeholders through an integrated information technology system. An in-house Business Intelligence ("BI") platform is used to allow key management information to be disseminated to the relevant personnel while maintaining data security. Besides the ability to extract valuable insights of customers' purchasing behaviours, the BI platform has also enabled NHF to connect more effectively with our customers, suppliers and other stakeholders.

d. Quality Management System

NHF acknowledges the rising customers' expectations for better product quality. During the financial year, the Group's trading and manufacturing processes in Malaysia had successfully transitioned to the International Organisation for Standardisation (ISO) 9001:2015 Quality Management System. All aspects of the Group's work processes, including structure, processes and procedures are assessed annually to ensure that quality standards are met. By meeting the standards, NHF provides assurance to its customers with regards to the quality and reliability of its products. The Group is fully committed to ensure continuous improvement of its product quality in order to fulfil customers' satisfaction.

3. Human Capital Transformation

One of the biggest challenges NHF faces is the difficulty in attracting and retaining talents and skilled labours. In early 2016, the hiring of foreign labours was frozen indefinitely. It had further complicated the situation of severe labour shortage. In order to mitigate the labour shortage issue, NHF had been aggressively driving the recruitment activities in the surrounding local communities as part of its efforts to reduce labour shortage and dependency on foreign labours. Some of these recruitments were done in collaboration with Ministry of Human Resources and Selangor Human Resource Development Corporation. NHF had also embarked on various projects to further automate certain production processes, in line with its aim to gradually reduce the dependency on manual labour and further raise productivity.

The Group is also focused on driving talent management program to develop employees on the executive level and above. Employees in this category are given opportunity to devise an individual development plan that would cater to the individual's needs and aspirations in growing their career with the Group. Once endorsed by the Management, the individual will be given full support and guidance to work towards achieving their career objectives. Coupled with the succession planning process that is in place, the Group has created a clear structure and framework to grow its talent base and provide opportunities to its employees to develop their careers with the Group.

The Group has also put in place a revamped and more robust performance management system in 2016, where employees' Key Performance Indicators ("KPIs") and soft skills assessment (leadership competencies and corporate values) have been incorporated into the system. All individuals' KPIs have been aligned to the overall Corporate Strategic KPIs which is intended to align behaviours and expectations between the Management and employees across the organisation. The Group has also further improved the performance-based reward system and reward exceptional performance through a KPI-driven Performance Bonus Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

RISKS FACTORS

As a manufacturer and distributor of automotive replacement parts, the Group is exposed to continually changing risks that may potentially impact its business performance and future prospects. The Group has in place a comprehensive Enterprise Risk Management ("ERM") framework to proactively identify, assess and mitigate a broad range of current and emerging risks which are critical to the Group's business sustainability. The detailed explanation of the approach on ERM is covered under the Statement on Risk Management and Internal Control.

Listed below are the key risk areas which could affect the Group's performance in achieving its goals and objectives and its approach in managing these risks:

1. **Competition**

   NHF faces stiff competition from other manufacturers particularly from Taiwan and China. These competitors are more well-established and are equipped with more efficient production facilities. Due to economies of scale, these competitors are in a position to offer lower prices for products of comparable quality. The abolishment of import duties arising from various trade pacts such as Asean Free Trade Area ("AFTA") and Asean Economic Community ("AEC") have also progressively intensified the competition not just locally but also in the affected ASEAN countries.

   In order to maintain its position in the market, NHF stays abreast of the competitive landscape through higher production efficiency and constantly devises effective promotional and pricing strategies to remain competitive. NHF also reviews its new product development strategy in the attempt to build a wider range of products available to its customers. In addition to its comprehensive distribution coverage, NHF continues to expand on its customer base both locally and internationally.

2. **Supply of raw materials and fluctuation of prices**

   The Group is dependent on the sustainable supply of raw materials for the production of its metal and plastic products. The most significant raw materials used to manufacture its products are steel sheets and resins. As such, any significant changes to the prices and any disruptions to the supply of these raw materials will impact its business adversely. The Group has put in place a proper mechanism to monitor the prices of these raw materials as well as building the alternative sources for these raw material supplies. By proactively managing these risks, the Group will be able to mitigate or minimise the adverse impacts that could potentially hit the profitability and sustainability of the Group.

3. **Currency risks**

   The Group's imported raw materials, plant and machinery, moulds and dies as well as imported trading parts are all denominated in foreign currencies. However, the Group's exports are also denominated in foreign currency. The Group maintains a clear policy of naturally hedging the incoming receipts and outgoing payments of the same currency. The Group's main currency exposure is in the US Dollar. There is no significant impact on the Group by Bank Negara Malaysia's new rules on Foreign Exchange Administration whereby any excess of foreign receipts not needed for the settlement of imports or loan obligation in foreign currencies will be converted into Ringgit Malaysia accordingly.

4. **Breakdown of critical machinery and equipment**

   Frequent breakdowns of critical machinery and equipment will affect the Group's productivity, leading to operational losses. Current controls that are in place include monitoring of machinery and equipment performance, as well as comparison against performance targets. Scheduled preventive maintenances are carried out to ensure that all critical machinery and equipment are regularly and timely maintained to reduce breakdown incidents. In addition, the Group ensures that adequate inventory of critical spare parts are kept and be made readily available in the event of machinery breakdown in order to shorten the loss of time in repair and maintenance.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

5. **Labour shortage**

   The shortage of workers poses a major risk to the Group as it has an impact on its production and its ability to cope with sales demand. The Group is currently embarking on various projects to automate certain production processes which will help reduce the reliance on manual labour.

OUTLOOK FOR 2017

The local automotive industry performance in 2016 was a disappointment where Total Industry Volume ("TIV") had dropped to 580,124 units, compared to 666,674 units in 2015. The Malaysian Automotive Association has projected the TIV to grow to 590,000 units in 2017.

In 2016, ASEAN countries performed relatively well despite market volatility. Gross Domestic Product growth had expanded in most of the ASEAN countries, underpinned by the strong private consumption in these economies. The increasingly affluent consumer base in the region also augurs well to the automotive industry as vehicle ownerships are expected to increase. With more trade barriers being lifted through the AEC integration as well as the AFTA trade bloc agreement which came into force earlier, NHF looks forward to unlocking the region's full potential, an economic region with a relatively large population base of more than 600 million people.

NHF is positive about the growth prospects in Indonesia and is currently assessing the viability of setting up a manufacturing plant in Jakarta in the coming years. The plan is to build a plant there to serve the local market through better cost competitiveness and shorten the lead-time in meeting the demand. It will also be a form of risk diversification where the Group will reduce the potential risk of single manufacturing location, currently with a base in Klang, Malaysia.

The economic outlook of China, the world's largest automobile market will remain positive as the economic transformation from a manufacturing-led to a domestic consumption and services-led economy is already firmly underway. The Group expects the trading subsidiary in China to continue to stabilise its operations as NHF has built a relatively strong local team there. As the Group moves into the year of 2017, NHF will continue to leverage on the team's expertise in product sourcing and marketing.

Going forward, NHF aims to achieve further organic growth through its continuous efforts in expanding its product range as well as further strengthening its cost competitiveness. Building and developing the human capital will continue to be its core priority as this will be the engine to help us execute the Group's strategies and achieve long term sustainability.

CHIN JIT SIN
Managing Director

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY STATEMENT

INTRODUCTION

Sustainability has always been an integral part of the business strategy in NHF. It involves making decisions and taking actions that are in the interests of maximising economic returns while operating business in a socially, ethically and environmentally responsible manner. Realising the full impact of the day-to-day operations to its surrounding communities, NHF has always been observing and practising the principles of sustainability in its operations. By operating in a responsible manner, NHF ensures the sustainability of its business and drive towards achieving its vision of becoming a leading automotive parts solution provider in Asia.

NHF focuses on four areas of sustainability, as summarised in this report:

(a) Marketplace
(b) Community
(c) Environment
(d) Workplace

A. MARKETPLACE

Corporate Governance

NHF is fully committed to deliver its strategic and operational objectives in accordance with the applicable laws and principles of good governance as well as high standard of integrity. As a public listed entity, the Group is also committed to comply with all the rules and regulations imposed by the relevant authorities, including but not limited to compliance with the rules and regulations set out by Bursa Malaysia Securities Berhad, Securities Commission Malaysia, Companies Commission of Malaysia and other governmental authorities or agencies. NHF is also committed to comply with the principles of the Malaysian Code on Corporate Governance 2012, as an assurance that the Group practices a sound and highly transparent management in the best interests of the Group and the stakeholders. Details of the Corporate Governance practices are set out separately in the Statement on Corporate Governance of this Annual Report.

Enterprise Risk Management

Maintaining an effective system of internal controls and risk management is an important part of ensuring business sustainability. NHF has set in place a comprehensive framework of Enterprise Risk Management ("ERM") to identify, assess and mitigate all key risks particularly business sustainability-related risks that are impeding its aim to achieve the business objectives. Realising that risks are inevitable, actions are taken to identify areas of risk. Appropriate mitigating measures and controls are then put in place to minimise the probability of risk occurrence and the impact to the Group's business. The Board, through its Audit Committee reviews the effectiveness of the ERM framework and the various Key Risk Indicators on a quarterly basis.

Business Continuity Plan

NHF's Business Continuity Plan was developed to manage the scenarios which pose serious threats to the business continuity, such as major fire or flood which could cause major disruptions to the business operations. This plan includes formation of the recovery team, fixing targeted recovery time and determining resources required in times of threat with the aim of getting back to business in the shortest time possible. The plan is subject to regular review to ensure that it is adequate to cover critical business operations and ensure that it remains relevant to cope with constantly changing business environment.

Ethics and Corporate Values

NHF appreciates the values derived from ethical business conduct and corporate behaviour. Responsible business practices are embedded within NHF's culture, beginning with a set of core values which are shared across the organisation:

1. Integrity
2. Customer Focus
3. Perseverance
4. Change Ready
5. Excellence
6. Respect

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY STATEMENT (continued)

These core values represent the expectations on the conduct and behaviour of the people within the organisation in the day-to-day operations as well as in business engagements with stakeholders. The Group practices a zero tolerance policy in relation to fraud, corruption and bribery. The Fraud Policy was established to promote consistent behaviour in preventing, detecting and responding to all instances of fraud while the Whistle-blowing Policy provides a channel to facilitate the stakeholders in raising genuine concerns on any wrongdoings that they may have observed within the Group. NHF is committed to ensure that all reported cases will be handled and investigated in a fair and proper manner.

Product Quality

To ensure sustainable business competitiveness, NHF strives to provide a wide range of quality automotive replacement parts both locally and globally.

The Group's quality policy is to supply automotive parts that satisfy customers' requirements consistently through continuous improvement and Quality Management System. All of the manufacturing and trading processes in Malaysia were ISO 9001:2008 certified. During the financial year, NHF had successfully transitioned to the newer version of quality standard, ISO 9001:2015, which places more focus on risk-based thinking. By meeting the requisite standards in all the work processes, NHF provides assurance to its customers with regards to the quality and reliability of its products.

As a business in the after sales service segment, the Group also provides a platform for customers' feedback on its product quality. Frequent engagements with the customers are maintained either through visits, email correspondences, telephone calls and other means of communication. Any complaints or feedbacks received are compiled via a quality feedback system and addressed accordingly. The remedial actions taken will be monitored closely to assess its effectiveness and to make further improvement for the future.

The Group's efforts in maintaining product quality had resulted in improvement in Goods Returned by customers as shown below, with percentage of Goods Returned dropping over the past three (3) years.

	FY2014	FY2015	FY2016
Goods Returned (RM'000)	394	294	296
% of Goods Returned over Revenue	0.20%	0.14%	0.13%

B. COMMUNITY

NHF aims to contribute positively to the surrounding communities through various Corporate Social Responsibility ("CSR") initiatives.

Blood Donation and Health Checks Campaign

As part of CSR initiatives, NHF had been organising yearly blood donation and health checks campaign to help contribute to the blood bank of Tengku Ampuan Rahimah Hospital, Klang and to raise awareness on the importance of blood donation. Since its inception in 2007, the event had recorded a total of about 1,300 successful blood donors. Free health checks and health talks were offered during the campaign which comprised of checks on Body Mass Index (BMI), blood pressure, eye screening, bone scanning, pap smear testing, etc. Agencies such as Fire and Rescue Department of Malaysia, Royal Malaysia Police, Road Transport Department Malaysia, Road Safety Department (JKJR), National Anti-Drugs Agency and Automobile Association of Malaysia were engaged to create awareness on the importance of safety and health among the public. The table below shows the number of successful blood donors over the past five (5) years:

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Number of Blood Donors	157	201	157	156	84

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY STATEMENT (continued)

Road Safety Campaign

Valuing every life, NHF had been promoting road safety awareness among its employees, their family members and the surrounding community. NHF began its road safety campaign in 2010 following the signing of a Memorandum of Understanding ("MoU") with JKJR. This commitment was later renewed in 2013. The objective of this campaign was to boost awareness on positive road habits and to reduce traffic-related injuries and fatalities along Jalan Teratai, Meru and surrounding area. Road accident cases involving the Group's employees were greatly reduced compared to two (2) years ago:

	FY2014	FY2015	FY2016
Number of road accident	28	10	11
Fatality cases	-	-	-

After three (3) successive years of campaigning and active engagement with its employees, NHF marked the three-year milestone of zero "road accident-related fatality" among its employees throughout 2014 - 2016.

Philanthropy

Each year, gifts, food and household supplies were given to Children's Home and Old Folks Home with the aim to bring cheer to those under-privileged.

Moving forward, the Group plans to develop a structured employee volunteer program to engage its employees to serve the local communities. The Group hopes to increase employees' morale by providing volunteering opportunities and involvement in CSR activities.

C. ENVIRONMENT

NHF is totally committed to maintaining good environmental practices. The Group strives to ensure that its operation leaves minimal impact on the environment through efficient energy usage and waste management to preserve the natural environment for the well-being of the future generation.

Efficient Energy Management

In its effort to reduce electricity consumption, NHF adopted energy efficient lighting systems from September 2014 onwards at its premises in Meru, Klang. The Group had replaced in stages all standard bulbs with energy saving Light-Emitting Diodes (LEDs) bulbs throughout its facilities. These bulbs use lesser energy and have higher life expectancy resulting in cost savings and environmental preservation. In addition, employees were encouraged to use air conditioner responsibly as part of their contribution towards preservation of the environment. As a result, despite of the 11.9% increase in the Group's Revenue in FY2016 compared to FY2015, the electricity usage in terms of kilowatts ("kw") and RM value only increased by 8.6% and 6.1% respectively:

Electricity Usage	FY2014	FY2015	FY2016	FY2016 vs. FY2015 Increase/ (Reduction)
Revenue (RM'000)	200,596	207,226	231,894	11.9%
Electricity Voltage ('000 kw)	14,311	15,379	16,703	8.6%
Electricity Value (RM'000)	5,664	5,892	6,253	6.1%

Acknowledging the importance of sustainable energy, NHF participated in the Solar Photovoltaic ("PV") Feed-in Tariff system by Tenaga National Berhad ("TNB") in 2013. Through its wholly owned subsidiary, New Hoong Fatt Auto Supplies Sdn. Bhd. ("NHFAS"), a Renewable Energy Power Purchase Agreement was signed with TNB for the sale and supply of renewable energy by NHFAS to TNB. The concession period was set at 21 years. The Group invested about RM2.0 million in the installation of solar panels on the rooftop of the premises of NHFAS' branch in Segambut, Kuala Lumpur. In 2016, a total of 206,007 kilowatts of energy were generated using this solar PV. As solar PV produces the cleanest type of energy, it helps to reduce the pace of global climate change and reduces dependence on depleting resources to generate electricity.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY STATEMENT (continued)

The energy generated by solar PV for the past three (3) years was:

Energy Generated by Solar PV	FY2014	FY2015	FY2016	FY2016 vs. FY2015 Increase/ (Reduction)
Voltage ('000 kw)	199	206	206	0.0%
Value (RM'000)	235	243	243	0.0%

Production Wastage and Recycled Materials

Amongst the Group's top environmental sustainability priorities are resource management and efforts to reduce production waste. As a responsible manufacturer, NHF aims to reduce wastage by using quality materials and ensuring production processes are efficient. In FY2016, the Group had implemented Lean Production System and Kaizen to drive efficiency and minimise factory wastages. In the production chain, most of the wastages in the form of plastic resin were reused while metal scrap was either reused internally or sold to external parties for recycling purposes. Other solid waste such as oil and chemical drums were being disposed to licensed collectors approved by Department of Environment.

The Group had also been using recycled materials in its production to achieve better cost efficiency and as part of the efforts to contribute towards conserving the environment for a better and more sustainable future.

Water Consumption

In the manufacturing plants, water is used in the production processes such as paint coating, paint spraying, fabricating and cooling. The Group is fully committed to conserving water for a better environment. As can be seen from the water consumption data below, water consumption had not increased for the past three (3) years:

Water Consumption	FY2014	FY2015	FY2016	FY2016 vs. FY2015 Increase/ (Reduction)
Cubic Meter ('000 m3)	70	71	71	0.0%
Value (RM'000)	159	164	162	-1.2%

As a responsible manufacturer, the Group ensured that only treated waste water was being discharged from its factory operations to avoid pollution to the surrounding environment. The waste water treatment plant was further upgraded in FY2015 in the electro-deposition paint line, at a cost of RM165,000.

Gas Emission

Controlling emission of gases from production processes forms part of the Group's efforts in maintaining a sustainable environment. The Group engaged a licensed air quality consultant to conduct emissions measurement to ensure conformance to the emission standard regulated by the Environmental Quality (Clean Air) Regulation 1978.

D. WORKPLACE

NHF has been in the industry for almost forty (40) years because of the unwavering dedication of its employees. Employees are the most valuable assets of the organisation. NHF strives to establish a working environment that is conducive for its employees. At the same time, a variety of events and initiatives are carried out every year to show its appreciation towards the employees and to promote staff development both personally and professionally.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY STATEMENT (continued)

Diversity and Inclusion

The Group believes that social diversity brings about a more balanced and effective workplace. The Group is respectful of all employees regardless of their gender, ethnicity, age or nationality and strives to retain diversity at all levels. NHF has maintained the practice of having at least one-third of female representation on the Board while at other levels within the Group, employees are provided with fair and equal employment opportunities, career progression and pay equity.

As at 31 December 2016, the ratios of women employed by the Group at different levels are summarised below:

Ratio of Women Employed	FY2015	FY2016
At Board Level	33%	33%
As Senior Executives	25%	26%
As Departmental Managers	46%	54%
Overall Organisation	22%	25%

Employee Engagement

The Group places significant emphasis on employee engagement through various communication platforms. Through closed-loop feedback and meetings, employees are encouraged to voice out opinions, new ideas or raise any concerns that they may have. "Dialogues with Chairman" is organised yearly to give employees the opportunities to interact directly with the Group's Chairman.

Sustainable Human Capital

In pursuit of strengthening human capital for future growth, NHF reaches out to a varied group of people from local youths to school leavers and graduates. NHF teamed up with colleges and universities for career talks and career fairs to search for best talents. Internally, NHF has succession planning process in place where potential talents are identified and developed to fill key positions in the Group. They are groomed to be future leaders of the Group and will fill the gaps in key positions whenever a change is necessitated.

NHF has developed a talent management program which offers training opportunities and job placements through internship and apprenticeship. For internship, NHF provides the interns with opportunities to integrate practical experiences with theoretical classroom knowledge to help equip them with relevant competencies and industry knowledge.

In collaboration with accredited training providers such as Selangor Human Resource Development Corporation ("SHRDC"), Max Human Capital, Enter Corridor Training Centre and Auto Prima Training Centre, NHF participates in apprenticeship program to offer job placement and vocational training certification to school leavers. Apprentices are placed in various departments in the organisation according to their field of studies. At the end of the program, students will receive a 'Sijil Kemahiran Malaysia' ("SKM") Level 2 and Level 3 qualifications in Industrial Automation, Mechatronics and Plastic Injection Moulding respectively from the Department of Skills Development ("JPK"), Ministry of Human Resources.

NHF signed a MoU with SHRDC in FY2015 to sponsor sixteen (16) students under the Malaysian Meister in Mechatronics for Manufacturing - Industrial Skills Enhancement Program. In 2016, NHF signed another MoU to sponsor another twenty (20) students under the Malaysian Meister in Precision Machining for Manufacturing - Industrial Skills Enhancement Program for intakes in 2016 and 2017. With the objective to increase the pool of hands-on engineers, the program forms part of the Group's strategy to ensure that it has sustainable workforce for future business growth. Open to SKM Level 3 qualification holders, the program combines both supervised on-the-job training with classroom training. Upon completion, the students will receive a Malaysian Meister Certification and Advanced Diploma certification from JPK. They will then advance to become associate engineers of the Group.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY STATEMENT (continued)

Besides Meister Program, in 2016, NHF also signed a MoU with SHRDC to sponsor students under the Youth Enhancement Strategy ("YES") program. YES program was offered to SPM school leavers to gain work experience and industrial skills from a 3-month on-the-job training at NHF and 3 months classroom training at SHRDC. This program was also offered to existing staffs to upgrade their skills and knowledge whereby they were required to undergo classroom training at SHRDC once a week. Upon completion of the program, the students receive a Certificate II in Engineering from Box Hill Institute, Australia, which is equivalent to SKM Level 2. This program enabled the Group to build a larger talent pool for future growth.

Number of students enrolled in NHF's Meister Program and YES Program are as follows:

Number of Students Intake	FY2015	FY2016
Malaysian Meister in Mechatronics	16	-
Malaysian Meister in Precision Machining	-	3
Youth Enhancement Strategy (YES)	-	3

Talent Development

In order to support business growth, employees' competencies are constantly upgraded and strengthened through adequate training and a structured career development plan.

NHF always places strong focus on developing its human capital and encourages its employees to build their own development plan and advance their career with the Group. All employees on executive level and above have an Individual Development Plan ("IDP") that is reviewed annually with their superior. A typical IDP will include action plans to improve on the staff's competency level in Leadership and Management Expectations ("LME"), a set of management competency skills embedded in the Group's human capital development framework. Technical competency improvement plan is also built into the IDP with the objective of raising the technical skills of the employees.

Safety and Health

Various measures are taken to ensure safety and health aspects of workers. Comprehensive standard operating procedures and policies that conform to Occupational Safety and Health Act was developed to ensure safety when handling sizeable machinery, equipment and moulds. Regular safety assembly and fire drill exercises are being conducted every year. Continuous improvements are being carried out to reduce the number of work-related incidents, injuries or illnesses and promoting a safer and healthier working environment. Relevant trainings are also being conducted on industrial chemical handling. The Group also conducts thorough examinations on the effects of the usage of new chemical substance to ensure that workers' health is protected.

Emergency Response Combined Drills training sessions for First Aider, Fire-fighting and Chemical Spillage Control (HAZMAT) teams are also carried out periodically. The Group had also set up a first-aid room equipped with essential facilities in the factory in Klang, attended by competent first-aiders.

In addition, NHF also ensures proper handling of hazardous chemical substances by establishing appropriate disposal procedures. Hazardous wastes are stored in proper containers to prevent exposure, spillage, fire or explosion. Appropriate protective gears and trainings are also provided to employees to avoid workplace accidents due to improper handling of hazardous substances.

Number of workplace accidents had improved in FY2016 compared with FY2015, a reduction of 15.4%. However, in terms of workdays lost, there was a slight increase from 142 days in FY2015 to 148 days in FY2016. The Group is fully committed to place stronger emphasis on managing safety and health issues at the workplace.

Workplace Accidents	FY2014	FY2015	FY2016	FY2016 vs. FY2015 Increase/ (Reduction)
No. of Cases	29	39	33	-15.4%
No. of Workdays Lost	293	142	148	4.2%

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY STATEMENT (continued)

Employee Welfare

NHF strives to raise the general welfare of its employees. Apart from providing the standard employee benefits, NHF organises fun and entertaining events ranging from employees social gatherings to sports tournaments, family day, annual dinner and festive celebrations. These activities are held to promote closer relationship among the employees, encourage teamwork and promote healthy lifestyles and at the same time nurture leadership skills among the employees who are entrusted with the responsibilities to organise these events. Besides these activities, all confirmed employees are covered under Personal Accident insurance while certain levels of employees are also provided coverage under Hospital and Surgical insurance as well as travelling insurance. Staff discounts are also given to employees for the purchase of the Group's products.

Education

NHF strongly believes in the importance of education in improving the quality of lives. The Group encourages and rewards academic excellence among children of its employees by rewarding cash incentives for achieving excellent results in public examinations. In 2016, a total of six (6) students were awarded for securing excellent results in the UPSR, PT3 and SPM examinations. In addition, at the beginning of school session each year, schooling aid is provided to eligible employees to help ease the burden of schooling expenses. NHF also promotes continuous learning and professional development amongst its employees through "Study Aid Assistance" in order for them to pursue further studies in fields related to their work.

Rewards and Recognitions

The "Long Service Award" commemorates the dedication and loyalty of long service employees. During the year, this award was presented to thirty (30) employees who had worked with the Group for ten (10) and twenty (20) years.

The "100% Attendance Award" is given to employees who have fulfilled the required criteria such as full attendance and punctuality and not been subjected to any disciplinary action in the year. In FY2016, a total of thirty-five (35) employees had achieved this recognition and were given a certificate and cash incentive as reward.

CONCLUSION

The Board of Directors of NHF believes that sustainability is one of the key driving factors that positions the Group towards achieving its corporate objectives and stakeholder value creation without compromising on social and environmental needs.

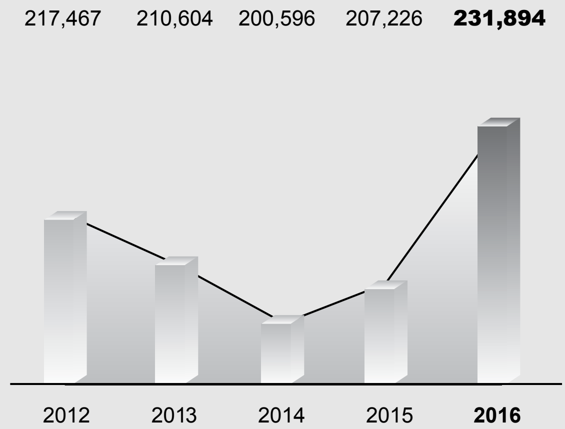
FIVE–YEAR GROUP FINANCIAL SUMMARY

	2016	2015	2014	2013	2012
Revenue (RM'000)	**231,894**	207,226	200,596	210,604	217,467
Profit Before Taxation (RM'000)	**36,810**	26,570	17,900	27,357	27,669
Profit After Taxation (RM'000)	**29,990**	19,250	11,974	20,149	22,763
Total Assets (RM'000)	**453,335**	397,944	369,332	386,125	361,552
Total Borrowings (RM'000)	**35,213**	28,656	19,470	36,051	27,922
Shareholders' Fund (RM'000)	**372,337**	330,047	314,829	313,485	302,608
Basic Earnings Per Share	**39.90 sen**	25.61 sen	15.93 sen	26.81 sen	30.29 sen
Net Assets Per Share	**RM4.95**	RM4.39	RM4.19	RM4.17	RM4.03
Dividend Per Share (Single Tier)	**14 sen**	11 sen	10 sen	12 sen	13 sen

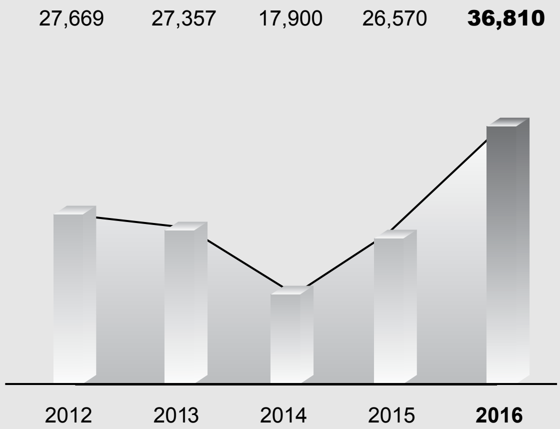
Market Share Price	2016	2015	2014	2013	2012
- Highest (RM)	**3.24**	2.81	2.95	3.09	2.48
- Lowest (RM)	**2.60**	2.21	2.36	2.30	2.23

FIVE–YEAR GROUP FINANCIAL SUMMARY (continued)

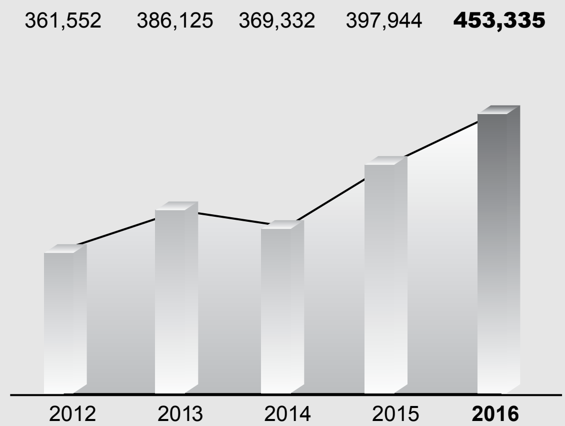
Revenue (RM'000)



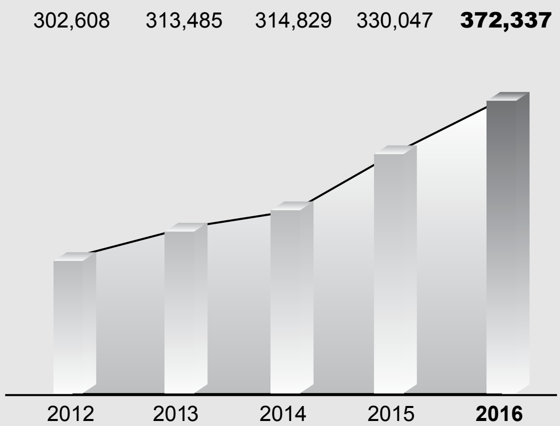
Profit Before Taxation (RM'000)



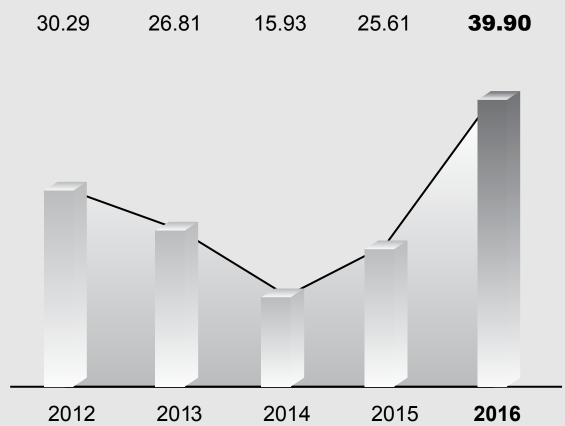
Total Assets (RM'000)



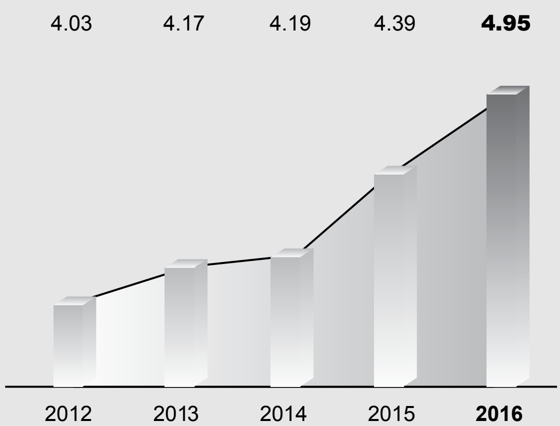
Shareholders' Fund (RM'000)



Basic Earnings Per Share (Sen)



Net Assets Per Share (RM)



CALENDAR OF EVENTS 2016

DATE	EVENTS
17 January	Bowling Tournament
5 March	Annual Dinner 2015/2016
19 & 26 May	In-house Workshop for Executives on Performance Management System
22 May	10th Annual Blood Donation and Free Health Check Campaign
25 May	In-house Workshop on Responsibilities of Safety and Health Committee
2 June	Nineteenth (19th) Annual General Meeting
18 - 19 June	Participation in Malaysian Enterprises Recruitment Fair in Taipei
12 July	Commencement of ISO 9001:2015 Quality Management System (QMS) Certification Transition and Implementation Training Program
27 July	Hari Raya celebration amongst NHF employees
16 October	Sports Day
25 October	Signing of Memorandum of Understanding with Selangor Human Resource Development Centre on Malaysian Meister in Precision Machining Program
15 & 22 November	In-house Overhead Crane Safety and Proficiency Course
30 November - 3 December	Participation in 2016 Automechanika Shanghai Exhibition
14 December	In-house Workshop for Directors on Malaysian Financial Reporting Standards (MFRSs)

DIRECTORS' PROFILE

KAM FOONG KENG
Aged 53, Female
Executive Chairman

Madam Kam was appointed as Executive Director of the Group on 8 April 1998, and was later appointed as Executive Chairman on 15 May 2008. She also serves as a member of Remuneration Committee. She holds a Bachelor Degree in Business from South Australia Institute of Technology [now known as University of South Australia], Australia.

She has been a key person in the Group's management and organisation since graduation. As Executive Chairman, she is responsible to oversee the strategic direction, overall performance and business development of the Group, both Malaysian and overseas operations. She ensures that the operations are managed in line with the Company's mission and vision. Currently, she sits on the Boards of the holding and subsidiaries of the New Hoong Fatt ("NHF") Group. She does not hold any directorship in other public companies or listed issuers.

Madam Kam is the spouse of Mr Chin Jit Sin, sibling of Ms Kam Foong Sim, both are Directors of the Company, and daughter of Madam Wong Ah Moy @ Wong Yoke Len, a major shareholder of the Company.

She has no material conflict of interest with the Group other than that which has been disclosed to the Board of Directors and shareholders in the audited financial statements.

Madam Kam had attended all four Board meetings held in the financial year.

CHIN JIT SIN
Aged 55, Male
Managing Director

Mr Chin is the Group Managing Director of NHF. He was appointed as Executive Director on 8 April 1998 and was re-designated as Managing Director on 25 October 2007. As the Group Managing Director, he acts as Chief Executive Officer of the Group. He holds a Bachelor of Economics (Hons) Degree (major in Business Administration) from University of Malaya.

Mr Chin was attached to a banking institution prior to joining NHF. His experience covers a variety of industries including banking and financial institutions, manufacturing and trading. As the Group Managing Director of NHF, he oversees the strategic planning, talent management and operational management of the Group, particularly in operational effectiveness and efficiency and ensuring adherence to the Group's policies and procedures. Currently, he sits on the Board of the holding and subsidiaries of the NHF Group.

He is also a director in another public company, namely the Malaysian Automotive Component Parts Manufacturers where he serves as a member of the Executive Committee.

Mr Chin is the spouse of Madam Kam Foong Keng, the Executive Chairman and major shareholder of the Company, and is therefore related to members of her family. He has no direct conflict of interest with the Group.

Mr Chin had attended all four Board meetings held in the financial year.

DIRECTORS' PROFILE (continued)

KAM FOONG SIM
Aged 52, Female
Non-Independent Executive Director

Ms Kam was appointed as Executive Director on 17 May 2001. She holds a Bachelor Degree in Economics (major in Accounting) from University of Adelaide, Australia. She is an accountant by profession and a member of the Certified Practising Accountants Australia and the Malaysian Institute of Accountants.

She had several years of experience in accounting firms and in the commercial sector before joining the NHF Group in 1991, where she oversees finance and accounts. Currently, she sits on the Board of the holding and several subsidiaries of the NHF Group. She does not hold any directorship in other public companies or listed issuers.

Ms Kam is the sibling of Madam Kam Foong Keng, a director and major shareholder of the Company, and daughter of Madam Wong Ah Moy @ Wong Yoke Len, who is a major shareholder of the Company.

She has no material conflict of interest with the Group other than that which has been disclosed to the Board of Directors and shareholders in the audited financial statements.

Ms Kam had attended all four Board meetings held in the financial year.

WONG YOKE NYEN
Aged 58, Male
Independent Non-Executive Director

Mr Wong was appointed as Independent Non-Executive Director on 16 May 2008. He also serves as the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees.

Mr Wong obtained a Bachelor of Arts Degree with Second Class Honours (First Division) after having completed a course in Accountancy from City of London Polytechnic [now known as London Metropolitan University], United Kingdom. He is also a graduate of The Wharton Advance Management Program from the Wharton Business School of the University of Pennsylvania, USA.

In 1981, he started his career in Baker Rooke, a firm of chartered accountants in London where he gained wide experience and exposure in the areas of auditing, accountancy and management consultancy work. In 1983, he joined Aseambankers Malaysia Berhad [now known as Maybank Investment Bank Berhad]. His last position in the company was Executive Vice President cum Head of Corporate Finance Division. He was an Honorary Advisor to the Master Builders Association Malaysia from July 2008 to June 2010. With more than 30 years of dedicated corporate finance and investment banking experience, he started WYNCORP Advisory Sdn. Bhd. in 2004, a private company licensed to provide corporate finance advisory services. He is currently the Managing Director of WYNCORP Advisory Sdn. Bhd.

Mr Wong holds directorships in four other public listed companies, namely XiDeLang Holdings Ltd., Benalec Holdings Berhad, Focus Lumber Berhad and Sentoria Group Berhad, as well as several private limited companies.

Mr Wong does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Group.

Mr Wong had attended all four Board meetings held in the financial year.

DIRECTORS' PROFILE (continued)

DATUK DR. ANIS BIN AHMAD
Aged 71, Male
Independent Non-Executive Director

Datuk Dr. Anis was appointed as Independent Non-Executive Director on 2 December 2002. He also serves as the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

He holds a Ph.D. in Pharmacology from University of Bath, United Kingdom, a Master of Science in Pharmaceutical Technology from University of London and a Bachelor of Pharmacy from University of Singapore.

Datuk Dr. Anis started his career with the Ministry of Health ("MoH") in 1968 and served the Malaysian Government in various capacities, namely as Lecturer and Head of Department of Pharmacology in Universiti Kebangsaan Malaysia, Secretary of the Drug Control Authority of MoH, Deputy Director of the Pharmacy Division of MoH and Deputy Director of Health (Pharmacy) for the Department of Health, Johor. He was promoted to Director of National Pharmaceutical Control Bureau ("NPCB") of MoH and subsequently to Director of Pharmacy of MoH, where he served until his retirement in 2001.

Currently, Datuk Dr. Anis is the Chairman of the Board of Directors of Y.S.P. Southeast Asia Holding Berhad, and a Director of several private limited companies.

Datuk Dr. Anis does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Group.

Datuk Dr. Anis had attended all four Board meetings held in the financial year.

DANNY NG SIEW L'LEONG
Aged 58, Male
Independent Non-Executive Director

Mr Ng was appointed as Independent Non-Executive Director on 20 April 1998. He also serves as the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee.

He graduated with a Bachelor Degree in Agribusiness (Hons) majoring in Financial Management from Universiti Pertanian Malaysia [now known as Universiti Putra Malaysia] in 1982. He started his career in the banking and finance industry with United Malayan Banking Corporation Berhad [now known as RHB Bank Berhad] from 1982 to 1994.

He does not hold any directorship in other public companies or listed issuers and only holds directorships in several private limited companies.

Mr Ng does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Group.

Mr Ng had attended all four Board meetings held in the financial year.

Notes to Directors' Profile:

1. All of the Directors of the Company are Malaysians.

2. None of the Directors of the Company has any conviction for offences within the past five (5) years other than traffic offences, if any, or any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT'S PROFILE

CHONG CHOON YENG
Aged 45, Male
Chief Financial Officer and
Director of several subsidiaries of the NHF Group

Mr Chong joined the Group as Chief Financial Officer in August 2014. He took on additional responsibility of heading the Trading Division in 2016. Before joining the Group, he was the Executive Director of Finance in Tropicana Corporation Berhad, a property developer listed on Bursa Malaysia Securities Berhad.

Mr Chong holds a professional accountancy qualification from the Chartered Institute of Management Accountants, United Kingdom and is a member of the Malaysian Institute of Accountants.

Mr Chong had previously held the position of Chief Financial Officer of Carlsberg Brewery Malaysia Berhad from 2007 to 2009 and was subsequently seconded to Carlsberg China's operations based in Hong Kong. He later returned to Malaysia and joined Hong Leong Group in August 2010 holding the positions of General Manager of Finance and Group Financial Controller within the Group. He had also worked in other multinational companies like British American Tobacco (Malaysia) Berhad and Xsys Print Solutions Sdn. Bhd. during the earlier part of his career.

Mr Chong has more than 20 years of experience in financial management practices, covering all aspects of Accounting and Finance, Treasury, Tax, Strategic Planning, Mergers and Acquisitions as well as Investors Relations.

Mr Chong does not hold any directorship in other public companies or listed issuers.

He does not have any family relationship with any Director and/or major shareholder of the Company. He has no material conflict of interest with the Group.

LOONG KIN LEONG
Aged 45, Male
Senior General Manager, Manufacturing

Mr Loong joined the Group in December 2013 as General Manager, Manufacturing, overall responsible for the manufacturing operations of the Group. He was promoted to the position of Senior General Manager in 2015 and had assumed additional responsibility of overseeing the exports division.

Mr Loong obtained his Bachelor of Mechanical and Material Engineering Degree from Universiti Kebangsaan Malaysia in 1995 and further graduated with the Masters in Business Administration from University of Surrey, United Kingdom in year 2000.

Mr Loong started his career as a Technical Engineer in the automotive industry in Tan Chong Motor Assemblies assembling Nissan, Peugeot, Audi and Renault vehicles in 1995. He left Tan Chong Motor Assemblies in 2006 to join Wawasan TKH Group and was managing its plastic disposable packaging and mining businesses. He was holding the Senior General Manager position when he left in 2013.

Mr Loong has more than 20 years of experience in manufacturing operations, covering aspects of production planning, machine and facility maintenance, quality management, logistics, procurement, as well as occupational health and safety.

Mr Loong does not hold any directorship in other public companies or listed issuers.

He does not have any family relationship with any Director and/or major shareholder of the Company. He has no material conflict of interest with the Group.

KEY SENIOR MANAGEMENT'S PROFILE (continued)

KOO SIAW TURK
Aged 52, Male
General Manager, Overseas Operation

Mr Koo joined the Group in May 2016 as General Manager, Overseas Operation, responsible for the overseas operation in Indonesia and China.

Mr Koo received his Bachelor of Commerce Degree in Accounting from Dalhousie University, Nova Scotia, Canada in 1987, and obtained his CPA certification from Malaysian Institute of Certified Public Accountants in 1993. He was awarded Master in Business Administration (Distinction) from the University of Keele, Staffordshire, United Kingdom in 2000.

Mr Koo began his career as an auditor in an international accounting firm, KPMG Peat Marwick [now known as KPMG] in 1987. He joined OYL Group (a member of Hong Leong Group) as an Assistant Accountant in 1993, and was later transferred to take charge of Sales and Marketing in 1995 where he assumed the role of General Manager in 2003. He was the Chief Operating Officer and Acting Chief Financial Officer of ML Global Berhad (formerly known as VTI Vintage Berhad), a public listed company from 2008 until recently.

Mr Koo was exposed to various roles in international organisations and public listed companies for more than 25 years. His exposures included those of Sales and Marketing, Manufacturing, Operation and Logistics, Human Resource Management, and Business Development in various industries.

Mr Koo does not hold any directorship in other public companies or listed issuers.

He does not have any family relationship with any Director and/or major shareholder of the Company. He has no material conflict of interest with the Group.

Notes to Key Senior Management's Profile:

1. All of the Key Senior Management of the Group are Malaysians.

2. None of the Key Senior Management of the Group has any conviction for offences within the past five (5) years other than traffic offences, if any, or any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of New Hoong Fatt Holdings Berhad ("NHF" or "the Company") is committed to adopt the high standards of corporate governance throughout NHF and its subsidiaries ("the Group") with a view to safeguard the stakeholders' interests as well as creating and delivering sustainable values to the shareholders. This corporate governance statement sets out the extent to which the Company has applied and complied with the recommendations and best practices set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") except where stated otherwise.

A. THE BOARD OF DIRECTORS

1. Roles and Responsibilities of the Board

The Board represents and serves the interest of the shareholders. The Board is responsible for the long-term performance of the Group and for overseeing the Group's strategy and monitoring its operation.

In performing its duties, the Board is guided by a Board Charter that sets out amongst others its roles, composition, responsibilities, powers, board committees and board meeting procedures. The key elements of governance principles embedded in the Board Charter regulate the Board's conducts and guide the business strategic initiative of the Group. The Board Charter was reviewed and updated during the fourth quarter of the financial year and is available on the Company's website.

The Board retains effective control of the Group and is responsible for overseeing and reviewing the strategic plan, policies and performances of the Group. The Board had delegated to the Managing Director, amongst others, the responsibility for implementing the Group's strategic direction and for managing its day-to-day operations. Strategies and policies, including annual business plan and budget are developed by the Managing Director together with the Management, which are then reviewed, constructively challenged and approved by the Board. The Managing Director is responsible to communicate and execute the Group's strategic plan (Leadership Performance Plan) which is aimed at achieving business growth, developing people and promoting good governance for a sustainable business. The Managing Director ensures implementation of these plans, people engagement as well as prudent management of the Company's resources. The Board monitors the Group's performance quarterly whereby the Managing Director and Chief Financial Officer report to the Board on the financial performance of the Group as well as the development and performance of key business areas.

The Board acknowledges its overall responsibility to maintain effective governance, risk management and compliance framework. Supported by management and internal audit function, the Board ensures the adequacy and effectiveness of the Group's risk management and internal control practices. The Board is responsible to ensure that all provisions of law and regulations are complied with and ensures that appropriate risk management systems are in place throughout the Group. To facilitate effective monitoring, the Board regularly receives report from the Management on any business risks that have impacted or likely to impact the Company from achieving of its objectives and strategies. Compliance relating to risk recognition and management is presented in the Group's Statement on Risk Management and Internal Control as set out separately in this Annual Report.

The Board has delegated certain authorities to the Management as sets out in the Group's Limit of Authority manual. The scope of authorisation covers both capital and operational expenditure, and approvals in the area of procurement, accounting and financial, administration and legal. Nevertheless, the Management reports to the Board on any significant matters affecting the Group even within the delegated mandate.

The Board has adopted a formal schedule of matters specifically reserved to itself for decision and approval, including approval of corporate proposals, appointment of directors, directors' remuneration, major acquisitions and disposals, annual budget and quarterly financial reports, declaration and recommendation of dividend, new investment, establishment or disposal of subsidiary, entry into a memorandum of understanding as well as approval of corporate policies.

2. **Board Composition**

The Board currently consists of six (6) members, comprising the Executive Chairman, Managing Director, an Executive Director, and three (3) Independent Non-Executive Directors. Based on the annual review of the composition of the Board carried out by the Nomination Committee, the Board is satisfied that its current size and composition reflects an appropriate balance of Executive and Non-Executive Directors which is adequate for the scope and nature of the Group's business and operations.

The Board is committed to maintain an appropriate balance in terms of diversity in experience, skills, competence, calibre and gender in order to have more comprehensive and thorough decision makings. The Board consists of members with a broad range of skills, well-rounded experience and knowledge in different fields relevant to oversee the business. The Board ensures that each member has a proper understanding of the Group's business and competence to deal with current and emerging issues of the Group. The Board acknowledges the importance of gender diversity as an important element of a well-functioning board, therefore it is committed to have at least one-third (1/3) of the Board to be represented by women and this is evident in NHF's Board where two (2) Directors are female.

The roles of Chairman and Managing Director are exercised by different individuals. A clear segregation of their responsibilities and powers is stated and defined in the Board Charter. Besides ensuring a balance of power and authority, the segregation of roles facilitates an open exchange of views and opinions between the Board and Management in their deliberation of the business, strategies and key operations of the Group.

The Chairman of the Board is not an independent director but holds an executive position. The Board is of the view that the Chairman is capable to lead the Board based on her entrepreneurial leadership coupled with her many years of extensive experience in the operations of the Group. As one of the pioneer members of the Group, the Chairman is able to provide effective leadership to the Board and guide the vision, strategic direction and business development of the Group, and at the same time be guided by the independent advice and views from the Independent Directors, who offer the necessary checks and balances in the decision making process of the Board.

Recognising that the central issue in a well-governed board is the balance of power and influence among members of the Board, the Executive Directors, including the Chairman, do not have majority vote as the Board is composed of equal number of executive directors and independent directors. This composition of the Board is structured to ensure that no individual or group of individuals dominates the Board's decision-making process. The Chairman, whose primary role is to preside over board meetings, has the significant role to ensure that all directors' views are heard, and provide fair opportunity to all directors to participate actively and constructively during the meetings and discussions.

The Board is confident that the current Board composition fairly reflects the interest of minority shareholders of the Company. Through its Nomination Committee, the Board will continue to review its structure and composition in order to ensure boardroom diversity and balance of power and authority, which are fundamental to an effective Board.

3. **Reinforce Independence**

Three (3) out of six (6) Board members are Independent Non-Executive Directors, who are independent of management and free from any business, relationship or any circumstance that could materially interfere with the exercise of independent judgment or the ability to act in the best interest of the Company. One of their roles is to provide support and guidance to the Board to maintain ethical behavior within the Company and to serve as a measure to prevent concentration of power in order to protect the stakeholders' interest.

The Board reviews and assesses the independence of directors annually based on the criteria set by the Nomination Committee. During the financial year, a self-declaration was conducted at each Board meeting where all Directors disclosed their interest in the Company, whether direct or indirect, or any circumstance which may potentially affect their independence.

STATEMENT ON CORPORATE GOVERNANCE (continued)

The Board had also carried out independence assessment of its Non-Executive Directors in terms of their relationship and dealings with the Company and the Board is of the view that all the Non-Executive Directors remain independent.

The Board had considered the independence of all the Independent Directors whose tenure had exceeded nine (9) years, namely Mr Danny Ng Siew L'Leong ("Mr Ng"), Datuk Dr. Anis bin Ahmad ("Datuk Dr. Anis") and Mr Wong Yoke Nyen ("Mr Wong"). Both Mr Ng and Datuk Dr. Anis had been retained by the shareholders of the Company as Independent Directors at the last annual general meeting ("AGM") held in 2016. Mr Wong's tenure had just entered into nine (9) years in 2017.

In their respective assessment, Mr Ng, Datuk Dr. Anis and Mr Wong had confirmed the following to the Board:

(i) They do not have personal interest or conflict of interest and have not entered or expected to enter into any contract with the Company or the Group;
(ii) They have their own business which is not in the same industry as the Group;
(iii) They sit on the boards of other public and/or private companies which do not have conflicting businesses or having the same nature of business with the Company or the Group;
(iv) They do not assist the Company or the Group in any operational matters; and
(v) Datuk Dr. Anis is a member of the Malaysian Pharmaceutical Society and Mr Wong is a member of the Corporate Finance Faculty of the Institute of Chartered Accountants in England and Wales (ICAEW), and each is governed by its own code of ethics and professional conduct.

The Board is of the view that throughout their tenure, the Independent Directors had demonstrated independence in character and judgement, and had always looked out for the best interest of the Company without fear or favour. The Board believes that the length of service on the Board did not impair the objectivity of these Independent Directors. Moreover, the Independent Directors had made significant contributions to the Board in view of their sufficient breadth of understanding of the Group's activities and corporate history that will continue to add value to the Board.

Based on the assessment above, the Board is generally satisfied with the level of independence demonstrated by Mr Ng, Datuk Dr. Anis and Mr Wong. Their retention as Independent Directors shall be subject to the shareholders' approval at the forthcoming AGM. They have abstained from any deliberations or voting pertaining to their own independence at the Board level.

4. Re-election and Re-appoinment of Directors

The Company's Articles of Association provides that at least one-third (1/3) of the Directors, including the Managing Director are subject to retirement by rotation at every AGM and shall retire from office once every three (3) years, but are eligible for re-election. The directors to retire by rotation are those who have been the longest in office since their last election.

At the forthcoming AGM, Madam Kam Foong Keng and Mr Wong Yoke Nyen are due to retire by rotation pursuant to Article 78 and being eligible, offered themselves for re-election. Both of them had given their consent in writing to continue office as Directors of the Company. Their re-election as Directors had been recommended by the Board based on the satisfactory assessment carried out by the Nomination Committee, having regard to their performance and contributions to the Board.

At the Nineteenth (19th) AGM of the Company held on 2 June 2016, Datuk Dr. Anis who is above the age of seventy (70) years, was re-appointed pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the Twentieth (20th) AGM. His term of office will end at the conclusion of the Twentieth (20th) AGM and he has offered himself for re-appointment.

5. Board Meetings and Supply of Information to the Board

The Board meets on a quarterly basis and at other times as required. Dates of Board meetings for the ensuing financial year are agreed a year ahead so that Directors may plan in advance and in order to maximise their attendance. All the Directors had attended all the four (4) Board meetings held during the financial year.

STATEMENT ON CORPORATE GOVERNANCE (continued)

All Directors had committed their time to the board meetings held during the financial year and each Director, in the discharge of his/her duties, had participated actively at the meetings. Board meetings are a platform for exchange of views, with Directors bringing their experience and independent judgment to discuss the issues at hand.

The proceedings of the board meetings in relation to notice, quorum and voting rights are governed by the Company's Articles of Association. Reasonable notice of meetings and the agenda on the business to be conducted at the meetings were circulated to all Directors two (2) weeks before each meeting. The Board papers which provided relevant information such as minutes of previous meetings, management reports and financial reports were furnished to the Directors within one (1) week prior to the Board meeting so that each Director had ample time to review the papers to enable informed decision making. At the Board meetings, the Management was often invited by the Board to present and provide detailed explanation on any agenda. Minutes of meeting were circulated to all Directors for their attention within one (1) month after each meeting to ensure the correct record of proceeding at the meeting.

In between Board meetings, matters requiring Board's approval were sanctioned by way of circular resolutions where relevant information on the subject matter was enclosed. All circular resolutions approved by the Board were tabled for notation at the next Board meeting. During the Board meetings, the Board was also notified of any disclosures or announcements made to Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities. To ensure independence, any director who had interest on the matter being considered refrained from deliberation and his/her abstention was recorded.

All the Directors had the rights of access to all relevant Company's information, access to management and may obtain independent professional advice at the Company's expense that are deemed necessary to carry out their duties, subject to prior consultation with the Chairman. To enable them to effectively exercise their duties and responsibilities, Board meetings regularly included sessions on recent developments in governance and other corporate matters.

6. Company Secretary

The Board is supported by qualified Company Secretaries who are responsible to advise and regularly update the Board on good governance, board policies and procedures, administrative and corporate compliances.

The Company Secretaries also ensure that the Board is kept well informed on any regulatory requirements that affect the duties and responsibilities of Directors as well as the Company being a public listed company. The Company Secretaries circulated relevant guidelines on statutory and regulatory requirements from time to time for Board's reference and brief the Board quarterly on these updates at Board meetings. The Company Secretaries attend all Board and Board Committee meetings and ensure that the proceedings are properly recorded. The Company Secretaries are directly accountable to the Board on all matters in relation to the proper functioning of the Board, maintenance of the corporate documents of the Board and monitoring of the implementation of the Board's decisions, where appropriate.

All Directors have unrestricted access to the advice and services of the Company Secretaries, whose appointment and removal is a matter of the Board.

7. Board Committees

The Board has established three (3) Board Committees delegated with specific responsibilities and authorities to assist the Board in executing its duties and to provide the Board with recommendations and advice. Each Committee reports to the Board on matters relevant to their roles and responsibilities. Each Committee is governed by its own Terms of Reference which sets out its functions and duties, composition, rights and meeting procedures.

a. Audit Committee

The Audit Committee consists of the following members:

(a) Wong Yoke Nyen (Chairman)
(b) Danny Ng Siew L'Leong
(c) Datuk Dr. Anis bin Ahmad

STATEMENT ON CORPORATE GOVERNANCE (continued)

The Audit Committee Report is set out separately in this Annual Report. Full details of the Audit Committee's duties and responsibilities are stated in its Terms of Reference which is available on the Company's website.

b. Nomination Committee

The Nomination Committee comprises exclusively of Independent Non-Executive Directors and meets as and when required, at least once a year. During the financial year, one (1) meeting was carried out, with attendance as follows:

Name of Director	No. of Meetings Attended
Danny Ng Siew L'Leong (Chairman)	1/1
Datuk Dr. Anis bin Ahmad	1/1
Wong Yoke Nyen	1/1

The Nomination Committee provides advice and assistance to the Board in matters relating to appointment of new Directors, board composition, training program and performance evaluation on effectiveness of the Board, Board Committees and individual directors. They are responsible for assessing and making recommendations to the Board on the candidature of directors based on recruitment criteria established by the Board. The Committee has the responsibility to ensure that the Board comprises suitably qualified members that demonstrate appropriate qualities and experience that contribute to the effective oversight and stewardship. Full details of the Nomination Committee's duties and responsibilities are stated in its Terms of Reference which is available on the Company's website.

The Board reviews from time to time the composition of the Board and considers new appointment when the need arises. Appointments of new Directors are undertaken by the Board as a whole after considering the recommendations of the Nomination Committee. In considering potential candidates for appointment, the Nomination Committee undertakes a thorough review of the candidate's qualifications, skills, knowledge, expertise, experience, personal attributes and the capability to devote the necessary time and commitment to the role. New directors will undergo the Director Induction Program and continuing education to facilitate their understanding of the Group's operations and the markets in which it operates, its products and services, as well as understanding of the applicable requirements and governance polices of the Company. The Company Secretaries ensure all appointments are properly made and all necessary information required by the new directors for the proper discharge of their duties is obtained. During the financial year, no new Director was appointed.

Each Director is expected to devote sufficient time to properly fulfil his/her responsibilities. Besides attending all meetings of the Board and Board Committees on which he/she serves, each member is expected to be present in all shareholders' meetings, major company events and to participate in continuing training programs.

In demonstrating commitment and accountability, Directors should notify the Chairman of the Board before accepting other external appointment of directorship, whether in a listed or non-listed company, at least one (1) week before the new appointment. This is to ensure that each Director is able to allocate sufficient time and dedication to effectively discharge their duties of the Board. Currently, no directors of the Company hold more than five directorships in other public listed companies.

During the financial year, the Nomination Committee had carried out the following activities:

(a) assessed the performance of the Board, Board Committees and individual Director, including the term of office and performance of the Audit Committee and each of its members;
(b) assessed the independence of all three (3) Independent Directors whose tenure had exceeded a nine (9) year term;
(c) reviewed the performance of retiring Directors and recommended them to the Board for re-election and re-appointment at the forthcoming AGM;
(d) reviewed the position of the Senior Independent Director and recommended the same to the Board;
(e) reviewed the size of the Board against the size of the Group and the complexity of the business to assess the impact of the number upon its effectiveness;

STATEMENT ON CORPORATE GOVERNANCE (continued)

(f) reviewed the succession plans and reports on key Senior Management positions;
(g) reviewed and updated its Terms of Reference pursuant to the amendments to the Main Market Listing Requirements ("MMLR") of Bursa Securities;
(h) assessed Directors' training needs to ensure all Directors receive appropriate continuous training programs;
(i) reviewed and updated the Director's Recruitment Criteria and Process; and
(j) reviewed and updated the Succession Planning Policy.

In the annual assessment of the performance of the Board, Board Committees and individual Directors, each Director completed a detailed questionnaire in the Directors' Performance Evaluation which covered matters relevant to the Board performance, among other things, contribution to interaction, quality of input, understanding of role and personal developments. An evaluation of each Board Committee was done by assessing the structure, roles and responsibilities, performance of the respective Chairman, as well as Committee's performance against its Terms of Reference. The assessment on individual directors provided the Board with valuable insights into training and development needs of each Director. The results of the assessments had been compiled, documented and reported to the Board accordingly, as part of the Company's ongoing corporate governance practices.

In the course of its supervision, the Board acknowledged the importance of ensuring succession is in place for a sustainable business and performance. The Group's Succession Planning Policy sets out potential successor for key positions in the Group and the relevant processes to source for qualified candidates for the positions. This Policy caters for the Group's strategies in mitigating risks associated with its human capital both at the strategic and operational levels. The succession list is regularly reviewed and updated to avoid disruption to business operation and functionality which may be caused by vacancies due to various reasons.

c. Remuneration Committee

The Remuneration Committee comprises mainly of Non-Executive Directors. During the financial year, one (1) meeting was carried out with attendance as follows:

Name of Director	No. of Meetings Attended
Datuk Dr. Anis bin Ahmad (Chairman)	1/1
Danny Ng Siew L'Leong	1/1
Wong Yoke Nyen	1/1
Kam Foong Keng	1/1

The Remuneration Committee assists the Board in establishing remuneration policies and procedures that enable the Group to attract, motivate and retain qualified Directors. Full details of the functions and duties of the Remuneration Committee are stated in its Terms of Reference which is available on the Company's website.

During the financial year, the Remuneration Committee had carried out the following activities:

(a) reviewed and assessed the performance and the remuneration package of the Executive Directors;
(b) reviewed and assessed the Directors' fees and attendance allowance for the financial year ended 2016;
(c) reviewed and assessed the remuneration package of key Senior Management;
(d) reviewed and updated its Terms of Reference; and
(e) reviewed the Board Remuneration Policy.

The Remuneration Committee reviewed and recommended to the Board the remuneration packages of the Executive Directors, while the remuneration for the Non-Executive Directors was determined by the Board as a whole. Fees payable to the Directors are subject to approval by the shareholders at the Company's AGM. The affected Directors had abstained from participation in deliberations and decisions regarding their individual remuneration.

In making its recommendation, the Remuneration Committee relied on the principles set out in the Board Remuneration Policy. Board remuneration was structured to align rewards to corporate and individual performances besides adequately compensate the Directors for risks and responsibilities they assumed. The Remuneration Committee also obtained data for similar roles of other public listed companies in the same industry for comparison.

STATEMENT ON CORPORATE GOVERNANCE (continued)

The details of the remuneration of the Directors of the Board (not including directors of the subsidiaries) for the financial year are as follows:

	Salaries and Other Emoluments (RM)	Fees (RM)	Attendance Allowance (RM)	Benefits in Kind (RM)	Total (RM)
GROUP					
Executive Directors	2,775,643	115,000	15,000	79,415	2,985,058
Non-Executive Directors	-	180,000	36,000	-	216,000
COMPANY					
Executive Directors	2,106,540	15,000	15,000	1,449	2,137,989
Non-Executive Directors	-	180,000	36,000	-	216,000

	GROUP		COMPANY	
Range of Remuneration per annum	**Executive Directors**	**Non-Executive Directors**	**Executive Directors**	**Non-Executive Directors**
RM50,000 to RM100,000	-	3	-	3
RM250,000 to RM300,000	-	-	1	-
RM350,000 to RM400,000	1	-	-	-
RM900,000 to RM950,000	-	-	1	-
RM950,000 to RM1,000,000	-	-	1	-
RM1,250,000 to RM1,300,000	1	-	-	-
RM1,350,000 to RM1,400,000	1	-	-	-

Pursuant to their respective service contracts with the Group's subsidiaries, the remuneration packages of the Executive Directors shall include a compensation payment amounting up to six (6) months of that Director's last drawn salary, in the event of loss of office.

(For security reasons, details of individual Directors' remuneration are not shown. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately served by the disclosures made above.)

8. Continuing Education and Training of Directors

The Board recognises the importance of continuous training to remain abreast of the latest developments in related industry and changes to the regulatory environment. To ensure each Board member's contribution to the Board remains informed and relevant, the Board, through its Nomination Committee had undertaken an assessment of the training and development needs of each director. During the financial year, all the Directors had participated in various training programs, some of which were conducted in-house. Particulars of the seminars and courses attended are as follows:

STATEMENT ON CORPORATE GOVERNANCE (continued)

Name of Directors	Date	Seminar / Training Course Title
Kam Foong Keng	28 January 2016	Does Resistance Stop Your Transformation?
	9 May 2016	Transforming Your Business: Engineering Your Business Future
	3 - 4 June 2016	Leaving a Legacy… Thinking of Transition, Struggling with Succession
	16 December 2016	Malaysian Financial Reporting Standards (“MFRS”) Updates
Chin Jit Sin	28 January 2016	Does Resistance Stop Your Transformation?
	9 May 2016	The Interplay between Corporate Governance, Non-Financial Information (“NFI”) and Investment Decision; and Transforming Your Business: Engineering Your Business Future
	3 - 4 June 2016	Leaving a Legacy… Thinking of Transition, Struggling with Succession
	16 December 2016	MFRS Updates
Kam Foong Sim	20 September 2016	CPA Congress KL
	16 December 2016	MFRS Updates
Wong Yoke Nyen	9 May 2016	The Interplay between Corporate Governance, NFI and Investment Decision
	9 June 2016	Financial Crisis, Currency War and Portfolio Strategies
	21 July 2016	Amendments to Bursa Malaysia’s Listing Requirements - How to Rise Up to Meet Those Challenges
	16 December 2016	MFRS Updates
Danny Ng Siew L’Leong	15 December 2016	Amendments to Bursa Malaysia’s Listing Requirements - With Latest Cases on Directors Duties
Datuk Dr. Anis bin Ahmad	28 March 2016	Independent Directors Programme: “The Essence of Independence”
	16 December 2016	MFRS Updates

STATEMENT ON CORPORATE GOVERNANCE (continued)

9. **Code of Conduct and Sustainability**

Good governance at all levels is essential for sustainable development. The Board is committed to establish a corporate culture that promotes ethical conduct throughout the Group and ensures that its business is conducted with integrity and transparency. In discharging its fiduciary duties, the Board must at all times act in good faith and in the best interests of the Company and at the same time to safeguard the interest of its stakeholders.

The Board and all employees are guided by the Group's core values and policies, as well as relevant regulatory requirements and standards which regulate appropriate conduct and ethics within the Group. The Group has established various policies to provide direction and guidance to all Directors, Senior Management, employees and external parties in the discharge of their duties and responsibilities that will be in the best interest of the Group. Policies such as Whistle-blowing Policy and Fraud Policy provide a mechanism to enable stakeholders to report any suspected breaches of law or regulations or any illegal acts observed, including fraud and corruption. It outlines the procedures for reporting a concern on any possible breach of conduct and at the same time provides protection to anyone who reports such concerns.

The Board also ensures the implementation of appropriate risk management and internal control systems to support and ensure the Group's compliance and sustainability. The Board is mindful of the importance of business sustainability and in conducting the Group's business, the impacts on the environmental, social and governance aspects are taken into consideration.

The Group's activities on corporate social responsibilities for the financial year are disclosed in the Calendar of Events as well as in the Sustainability and Corporate Social Responsibility Statements of this Annual Report.

10. **Corporate Disclosure**

The Company is committed to ensure that timely, accurate and complete information about the Company is provided equally to all shareholders, stakeholders and investing public. Timely information is critical towards building and maintaining the Group's corporate credibility, market integrity and promotes investor confidence. The Company has in place a Corporate Disclosure and Investor Relations Policy which provides guidance to the Management and employees on the Company's disclosure requirements, handling of material information, and in dealing with investors, analysts, media and the investing public.

B. SHAREHOLDERS AND INVESTOR RELATIONS

The Company is committed to continuously disclose and disseminate comprehensive and timely information to its shareholders, stakeholders and to the general investing public.

The Company has in place the following initiatives to facilitate effective communication with its shareholders:

(i) the Annual Report, which contains information such as Management Discussion and Analysis, financial statements, and information on the Audit Committee, Corporate Governance, Sustainability and Corporate Social Responsibility, and Risk Management and Internal Control;
(ii) various announcements made to Bursa Securities, which include timely release of financial results on a quarterly basis. Concurrent with these releases, the Company posts all announcements on its website, and releases announcements to major newspapers and public media;
(iii) regular dialogues with analysts and fund managers representing individual and institutional shareholders;
(iv) attending to shareholders' and investors' emails and phone enquiries; and
(v) the Company's website at www.newhoongfatt.com.my under Investor Relations section, which houses Board Charter, annual reports, quarterly report announcements, press releases, slide presentations from analyst briefings, analyst coverage and other corporate information on NHF. The website also provides Investor Relations contact for shareholders to direct their queries or concerns to.

AGM is the main avenue for shareholders to interact directly with the Board. It serves as a platform for shareholders to have a full understanding of the Company and the Group.

STATEMENT ON CORPORATE GOVERNANCE (continued)

Notice of meeting setting out the agenda for the AGM together with the annual report is sent to the shareholders within the mandated period, so as to maximise their attendance at the AGM. Concurrently, the notice of AGM is advertised in the newspapers. In order to facilitate informed decision by the shareholders, notice of meeting is also accompanied by explanatory notes on the items of business to further explain the nature of business of the meeting.

During the AGM, the Chairman ensures that shareholders are given the opportunity to comment or raise issues and questions whether pertaining to issues on the agenda, the Annual Report, Group's strategy or developments in the Group. The Company's External Auditors attends the AGM and is available to answer questions from the shareholders pertaining to the audit and the auditor's report. In the event that shareholders are unable to attend the AGM, they are encouraged to appoint one (1) or up to two (2) proxies to attend and vote in his/her stead. The outcome of the meeting is announced to Bursa Securities on the same day, which is also accessible on the Company's website.

The Board takes cognisance of the new requirement of the MMLR and will conduct a poll on each resolution to be considered in any general meetings to support shareholders participation. At least one (1) scrutineer will be appointed to validate the votes cast at the meeting. Furthermore, a summary of key matters discussed during the forthcoming AGM will also be posted on the Company's website as soon as practicable after the AGM.

Mr Danny Ng Siew L'Leong, the Company's Senior Independent Non-Executive Director to whom concerns of shareholders may be conveyed, confirmed that there were no queries from shareholders directed to him during the financial year.

C. ACCOUNTABILITY AND AUDIT

1. Audit Committee and Financial Reporting

The Board aims to present an accurate and complete assessment of the Group's financial position and prospects through the annual financial statements and quarterly announcement of financial results. The Audit Committee is responsible to oversee the Group's structure and management systems that are designed to protect the integrity of the Company's financial reporting. Each financial report and the information to be disclosed are reviewed by the Audit Committee and approved by the Board prior to its release to Bursa Securities and Securities Commission. Timely release of quarterly announcements and full year financial reports reflects the Board's accountability to its shareholders.

The Board has established an independent internal audit function that reports directly to the Audit Committee. The scope of work covered by the internal audit function during the financial year, including its observations and recommendations, is provided in the Statement on Risk Management and Internal Control of this Annual Report whilst the full details of the composition, activities, internal audit function of the Audit Committee is set out in the Audit Committee Report of this Annual Report.

2. Statement of Directors' Responsibility in respect of the Financial Statements

The Board is committed to ensure the reliability of the Company's financial statements. The Board strives to ensure that annual financial statements give a true and fair view of the state of affairs, and of the results of the operations of the Group and of the Company for the financial year then ended. As required by the Companies Act, 1965 and the Listing Requirements, the financial statements have been prepared in accordance with applicable approved financial accounting standards and policies in Malaysia.

In preparing the financial statements, the Board has applied appropriate accounting policies on a consistent basis and made judgements and estimates that are reasonable and prudent. The financial statements had been prepared on a going concern basis.

The Board is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and of the Company.

The Board is also responsible for taking such reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other such irregularities.

STATEMENT ON CORPORATE GOVERNANCE (continued)

3. Relationship with Auditors

The role of the Audit Committee in relation to the internal and external Auditors is set out in the Audit Committee Report of this Annual Report.

The Board, through its Audit Committee maintains a formal and transparent relationship with its internal and external Auditors. The Board had delegated the responsibility to the Audit Committee for making recommendations on the appointment, re-appointment or removal of the external and internal auditors as well as on their remunerations. The Audit Committee ensured that internal and external auditors work closely to enhance the effectiveness of the overall audit process. The Audit Committee assessed the performance and effectiveness of both external and internal audit functions annually, considering amongst others, their qualifications, effectiveness of the audit process, quality of service and their independence.

In the course of their audit, the External Auditors highlighted to the Audit Committee matters pertaining to the financial reporting. Private meetings between them were held twice during the financial year without the presence of Management and Executive Directors, to discuss any issues that may require the attention of the Audit Committee. During the financial year, audit engagement partner was rotated.

In order to ensure that the External Auditors remain independent and objective, the Audit Committee's Terms of Reference sets out the nature for the provision of non-audit services which can be entered into by the Group with the External Auditors and the procedures to be followed to obtain approval for those services where they are permitted. The Group engaged the External Auditors to perform two (2) non-audit services including review of the Statement of Risk Management and Internal Control and review of Statement on Realised and Unrealised Profits or Losses. The Group had also engaged the External Auditors' associate company for the provision of tax services. The Audit Committee is of the view that the provision of these non-audit services did not impair the Auditors' independence as the fees paid are not significant.

D. ADDITIONAL COMPLIANCE INFORMATION

1. Material Contracts involving Directors and/or Major Shareholders

Other than those disclosed in the financial statements of the Group and of the Company, there was no material contract entered into or subsisting between the Company and/or its subsidiaries involving Directors and/or major shareholders' interest during the financial year.

2. Imposition of Sanctions and/or Penalties

Other than the compound paid by a subsidiary of the Company to the Social Security Organisation (SOCSO) amounting to RM1,225, there were no material sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year.

3. Audit and Non-Audit Fees

The total of audit and non-audit fees incurred for services rendered by the External Auditors and their associates to the Company and the Group are as follows:

	Group		Company	
	FY2016 RM	FY2015 RM	FY2016 RM	FY2015 RM
Statutory audit fees	175,139	168,172	26,000	25,300
Non-audit fees	32,715	31,692	7,300	7,600
Total	207,854	199,864	33,300	32,900

STATEMENT OF COMPLIANCE WITH THE CODE

The Board is satisfied that the Group has substantially complied with the Best Practices of the MCCG 2012 throughout the financial year. In pursuit of safeguarding the interest of the shareholders and other stakeholders, the Board is committed and will continue to strengthen its compliance with the best practices in corporate governance.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 27 February 2017.

AUDIT COMMITTEE REPORT

1. MEMBERSHIP AND MEETINGS

The Audit Committee ("AC") of the Company was established to assist and advise the Board in matters relating to the Group's internal and external audit functions, risk management and compliance, financial reporting and corporate governance.

The AC consists of three (3) members, all of whom are independent non-executive directors. The Chairman of the AC is a member of the Corporate Finance faculty of the Institute of Chartered Accountants in England and Wales (ICAEW) and has relevant financial experience to fulfil the role of AC Chairman. The composition of the AC is in compliance with Paragraphs 15.09 and 15.10 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The AC held four (4) meetings during the financial year, and the attendance of each member at the meetings is set out below.

Composition of Committee	No. of Meetings Attended
Wong Yoke Nyen Chairman, Independent Non-Executive Director	4/4
Danny Ng Siew L'Leong Independent Non-Executive Director	4/4
Datuk Dr. Anis bin Ahmad Independent Non-Executive Director	4/4

Further information of the members of AC is set out in the Profile of Directors of this Annual Report.

2. TERMS OF REFERENCE OF THE AC

The AC is governed by its Terms of Reference ("TOR") that guides the discharge of its roles and responsibilities particularly in the areas of financial reporting and audit, internal control and risk management. The TOR also sets out the rights of the AC as well as regulates the conduct of the AC and its members.

During the financial year, the TOR had been reviewed and updated pursuant to the latest amendments to the MMLR of Bursa Securities particularly in relation to disclosure and corporate governance. On top of that, the Nomination Committee ("NC") had reviewed and evaluated the effectiveness of AC and each of its members, through a member's self-evaluation form completed by each AC member. Based on the results of the assessment, the NC was of the view that the AC and its members had discharged their functions effectively and had carried out their duties in accordance with its TOR.

The AC TOR is available on the Company's website at www.newhoongfatt.com.my.

3. SUMMARY OF ACTIVITIES

During the financial year, the AC carried out the following activities:

3.1 Financial Reporting

(a) Reviewed the quarterly financial results of the Group;

(b) Reviewed the quarterly financial results of the Group against budget; and

(c) Reviewed the audited financial statements of the Company and of the Group with the External Auditors.

In reviewing the financial reports, the AC assessed the reports and discussed with Management to ensure the use of proper accounting policies and judgments to reflect a true and fair report. The AC was satisfied that appropriate accounting policies and financial reporting standards had been applied consistently throughout the financial reports.

AUDIT COMMITTEE REPORT (continued)

3.2 External Audit

(a) Reviewed the external audit plan, scope and nature of statutory audit of the Group's financial statements prior to the commencement of audit;

(b) Reviewed the external audit reports and the results of the External Auditors' examination on the financial statements of the Group;

(c) Reviewed the External Auditors' recommendations and Management responses in relation thereto;

(d) Reviewed and discussed the key audit matters identified by the External Auditors and determine the materiality of the matters raised. Key audit matter highlighted by the External Auditors was appropriateness and measurement of carrying amounts of receivables.

(e) Reviewed and approved non-audit services provided by the External Auditors and its associate company in order to safeguard audit objectivity and independence. The AC believed that the independence of the External Auditors was not impaired by the provision of these non-audit services as the fees paid were not significant;

(f) Reviewed and discussed with the External Auditors, the impact of new developments in disclosure requirements arising from the revised Auditors Reporting Standard and the amendments to the MMLR affecting the contents of the AC Report, Auditors' Report and financial statements, particularly on enhancement of disclosure on non-financial information, key audit matters and going concern;

(g) Met twice with the External Auditors without the presence of any executives and senior management except the Company Secretary. There were no significant issues being highlighted to the AC and the External Auditors expressed their satisfaction with the working relationship they had with the Management;

(h) At the commencement of the audit, the External Auditors completed an assessment questionnaire to evaluate their independence, including obtaining their assurance that the engagement team had no financial, family or other personal relationship with the Group that could affect their independence and objectivity. The AC reviewed the questionnaire and External Auditors' written assurance confirming their professional independence to the audit engagement;

(i) Reviewed the suitability of the External Auditors for re-appointment through a Performance and Independence Checklist which was updated during the financial year, taking into consideration amongst others, the Auditors' independence, performance, competence, experience of audit team assigned, provision of non-audit services and audit fees. The AC was of the opinion that the External Auditors were independent and competent during their tenure in office, and recommended them to continue in office for the ensuing year;

(j) Recommended to the Board for approval, the audit and non-audit fees; and

(k) Took note of the rotation of External Auditors' engagement partner. Mr Rejeesh Balasubramaniam who was the engagement partner for five (5) years was replaced by Ms Ng Soe Kei during the financial year. The AC Chairman thanked Mr Rejeesh for his invaluable service.

AUDIT COMMITTEE REPORT (continued)

3.3 Internal Audit

(a) Reviewed the internal audit plan to ensure that the scope of work covers key risk areas;

(b) Reviewed the internal audit reports and adequacy of the internal controls of the Group, together with audit issues and recommendations arising from the audit and Management's responses in relation thereto;

(c) Reviewed the follow-up reports on status of the implementation of action plans by the Management in addressing the areas for improvements as reported from the previous audit reviews;

(d) Took note of the exit interview report conducted by the Internal Auditors with senior management staff as part of the Group's human resource retention strategy; and

(e) Assessed the performance of the Internal Auditors and considered their re-appointment. The AC had adopted a formal evaluation form to assess the effectiveness of the internal audit function in terms of competency and performance of the internal audit team, adequacy of audit practices and their audit fees. Based on the results of the assessment, the AC was of the opinion that the internal audit function was effective and the Internal Auditors were independent and competent during their tenure in office, and recommended them to continue in office for the ensuing year.

3.4 Risk Management

(a) Reviewed on a quarterly basis the enterprise risk management reports of the Group, including Key Risk Indicators identified and monitored. The AC was satisfied that the risk management activities were appropriate and relevant mitigating actions had been carried out;

(b) Reviewed the related party transactions ("RPT") and/or recurrent related party transactions ("RRPT") including assessment of the nature of transactions, terms and pricing;

(c) Assessed the level of risk exposure arising from existing RRPT and the business environment in which the related parties operate in order to better manage the Group's risk appetite and tolerance;

(d) Reviewed on quarterly basis RPT and/or RRPT or conflict of interest situations that may arise within the Group. There was no new RPT or RRPT which had arisen during the financial year, and the AC was of the opinion that the existing RRPTs were transacted based on normal commercial terms and on arm's length basis; and

(e) Met with senior management in order to be kept informed of operational matters affecting the Group.

3.5 Corporate Governance

(a) Carried out an annual assessment on the adequacy and effectiveness of the risk management and internal control system of the Group via a documented checklist; and

(b) Reviewed the AC Report and Statement on Risk Management and Internal Control for inclusion into the Annual Report and ensured that these reports were prepared in accordance with the applicable requirements.

AUDIT COMMITTEE REPORT (continued)

4. INTERNAL AUDIT FUNCTION

The Group's internal audit function is carried out by an outsourced internal audit firm which is independent of the activities it audit. The Head of the Internal Auditors is a member of Institute of Internal Auditors Malaysia and is competent to conduct the internal audit according to the standards and code of ethics set by the body. The Internal Auditors report directly to the AC and provide the Committee with independent and objective evaluation on the state of risk management and internal controls of the Group, and the extent of compliance of the divisions with the Group's established policies and procedures as well as relevant statutory requirements. In order to carry out their duties effectively, the Internal Auditors receive sufficient resources and adequate authority from the Company and the Management.

The audit plan and scope of work was carried out based on the assessment of the Group's main risk exposures. During the financial year, the Internal Auditors conducted three (3) internal audit reviews covering the following operations:

(a) Manufacturing processes of the plastic division; raw material control and sales of steel sheet scrap in the metal division;

(b) Overseas operation in Indonesia, covering sales and invoicing, inventory management, financial, Human Resource, Information and Technology; and

(c) Trading division, covering parts purchase and domestic sales, Information and Technology and compliance of Goods and Services Tax processes.

From the audits, several areas for improvement in relation to more frequent review of standard operating procedures, general delivery order not updated into computer system, safety issue of the overhead crane, certain production records not updated into the computer system on a timely basis, internal reject rate exceeded target set, equipment effectiveness not meeting target set and long outstanding maintenance requests had been identified. Recommendations for improvement in these areas were highlighted to the Management for consideration and further actions. The internal audit reports also covered the follow-up review on the outstanding implementation and action plans as recommended in the earlier reports. The AC had reviewed all the internal audit and follow-up review reports with the Internal Auditors and ensured that the Management had taken appropriate actions on a timely basis. During each audit presentation, the AC met with the Internal Auditors without the presence of the Management.

Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control of this Annual Report. The total cost incurred for the internal audit function of the Group for the financial year amounted to RM69,896 (2015: RM59,289).

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

OBJECTIVE AND BOARD RESPONSIBILITIES

The Board acknowledges its overall responsibility to safeguard shareholders' investment and the Group's assets by establishing and maintaining a sound system of risk management and internal control. The Board is also responsible for ensuring the adequacy and effectiveness of these systems to support the Group's strategy and operations to achieve its business objectives.

To discharge these responsibilities, the Board is assisted by the Audit Committee ("AC") in fulfilling the oversight responsibilities of reviewing financial information and assessing the adequacy and effectiveness of the Group's risk management and internal control systems.

The Board is also supported by the Management in developing, reviewing and monitoring sound practices for managing risks, and for providing assurance that risk management and internal control practices with respect to the conduct of business are implemented and adhered to within the Group.

In view of the limitations that are inherent in any system of internal controls, these systems are designed to manage the Group's key risks within an acceptable risk appetite rather than eliminate the risks of failure to achieve the Group's business objectives. Accordingly, the processes can only provide reasonable but not absolute assurance against material misstatement, fraud or loss.

BUSINESS PROCESSES AND RISK MANAGEMENT

Standard Operating Procedures

The Group documents all the main work processes, addressing all critical processes and risks in the form of Standard Operating Procedures ("SOPs"). These SOPs describe standard approach to work activities which facilitate the Group's compliance with relevant laws, regulations and standards. Adhering to these SOPs serve as a quality control, to ensure consistency of practices with the predetermined standards, thus reducing corrective actions and unnecessary costs. These SOPs are frequently updated due to changes in the organisational structure, processes or equipments and to enhance its efficiency and effectiveness. The SOPs are maintained in a database by the Quality Assurance department and communicated to the relevant individuals.

The Group's operations in Malaysia are certified under International Organisation for Standardisation ("ISO") 9001 Quality Management System. This demonstrates the Group's commitment to deliver consistent product quality through continual improvement and conformity to international quality standards. During the financial year, the Group had successfully completed the transition to the revised ISO 9001:2015 standards which emphasise on risk-based thinking approach and imply that duty for risk reporting lies with every employee in his/her various roles in the organisation. In view of this, the Management had revised the Risk Management Procedure and aligned the Group's Enterprise Risk Management ("ERM") framework with the new standard.

Risk Management

The Group faces a broad range of risks and uncertainties in its day-to-day activities. At the same time, the Group also needs to take certain risks in order to pursue opportunities and achieve its objectives. In doing so, the Group relies on the established ERM framework to systematically identify, assess, mitigate and monitor existing and potential risks that are critical to its strategic targets and business plans. The framework encompasses all key areas such as financial, operational and environmental controls, Management Information Systems, as well as compliance with relevant laws, regulations, rules and guidelines.

The Board, through the AC, reviews the Group's risk management and internal control systems on a quarterly basis via the ERM reports. The ERM reports are submitted by risk owners to the Management for review with the Managing Director. Risk owners consist of head of departments who are responsible to identify and assess risks, develop and implement controls and action plans to reduce the impact of risks relating to their areas of responsibility through a combination of preventive, detective and corrective measures. At the operational level, head of departments are assisted by process owners who undertake risk assessments within their control areas in order to evaluate the adequacy and effectiveness of the internal control in place and to actively identify potential business risk.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (continued)

All identified risks are rated according to the impact to the Group's operations and business objectives and likelihood of occurrence. The Management particularly focuses on controllable threats with high impact rating that would be detrimental to its business growth, governance or people, regardless of the likelihood of risk occurrence. All the Group's high risk areas and control plans are documented and tracked. Significant new risks and changes in the existing risks are updated and reflected in the ERM reports.

During the financial year, the Management had identified the following new risks, and appropriate controls and management action plans had been put in place to mitigate these risks:

- Data loss due to system downtime - breakdown in computer systems would result in disruptions to operations and lead to loss in revenue and productivity;
- Overhead crane related accident - lack of proper handling and maintenance procedures would lead to injury and loss in productivity;
- Delay of new product launch - long lead time would result in loss of revenue;
- Breakdown of critical machine - aging machinery and lack of spare parts would affect production;
- Increase in mould and tooling costs - longer payback period due to higher investment needed; and
- Inventory management - inventory replenishment not according to the market demand would increase inventory level and the associated carrying cost.

The Management constantly monitors the existing risk profiles and new emerging risks through Key Risk Indicators ("KRIs") and Risk Indicators ("RIs"). Information such as number of customer complaints, fluctuation in raw material prices and staff attrition rate are some of the indicators being monitored to alert the Management of potential risks and to assess the effectiveness of controls that are in place. The KRIs and RIs are updated on a quarterly basis where actual data are measured against the target set for the year.

Risk management is embedded throughout the Group's activities and processes, and the ERM framework is applied across the Group including its overseas operations. During the financial year, no changes to risk levels were recorded in the overseas operations, and the Management had been constantly focusing on strengthening its human capital and marketing strategies to drive business growth in both of the overseas operations.

Financial Reporting

The Finance team, led by the Chief Financial Officer, is responsible to manage the risks associated with the financial reporting processes, such as risks emerging from fraud, material misstatement or misuse of assets. Besides adhering to SOPs on accounting practices and reporting, Limits of Authority ("LOA") manual is used consistently throughout the Group. The LOA clearly outlines Management's limits and authorities to approve across various key processes to ensure that all transactions are properly authorised, recorded and executed in accordance with the stipulated guidelines. The Finance team also maintains rigorous internal policies, procedures and systems to ensure the reliability and integrity of the financial information to facilitate timely, effective and quality decision making. Meanwhile, the Group's External Auditors fulfil the oversight role relating to financial reporting risks, including practices that raise question of management integrity.

The Group has a comprehensive planning and budgeting process where annual budget and revised budget are approved by the Board, to guide and control capital expenditure and expenses for the following year. The AC reviews the Group's annual budget and business plans, performance against the annual budget, quarterly and annual financial reports and internal controls with the Management, and subsequently reports to the Board.

Information and Communication Systems

The Group leverages on information and communication technology in promoting effectiveness and efficiencies in its business operations. Therefore, the Group ensures that it maintains proper records and processes to generate timely, relevant and reliable information from various sources to support the Group's business operations and decision making. The Group uses comprehensive computer systems to cater for different requirements, including Enterprise Resource Planning, personnel management, payroll, accounting and financial reporting. These systems allow integration of diverse business functions across the Group and facilitate information sharing. During the financial year, an Information Technology ("IT") consultant was engaged to assist the Group in assessing the infrastructure of the Group's IT systems and its capability to cope with future expansion needs.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Group ensures ongoing efforts are put into managing threats and risks inherent to the information technology and communication system, whether it is due to human error, natural disasters or cyber attacks. To minimise business disruptions, the Group has a recovery plan in place for system recovery and restore business activities due to system failures. Meanwhile, appropriate security measures, including proper authentication and authorisation controls are in place to ensure reliability and integrity of information.

Strategic Business Planning

Strategic risks and opportunities arising from the Group's business environments are regularly reviewed through the Group's strategic plan, the Leadership Performance Plan ("LPP"), which steers the Group to achieve its long term business objectives. The LPP guides the Group in terms of resource allocation and identifying areas for growth towards accomplishing its long term business objectives. The Management evaluates the LPP annually to ensure that it contains sufficient clarity in terms of its objectives. The LPP is communicated and cascaded down to all levels within the Group to ensure business objectives are shared within the organisation.

The Group places high priority on developing its people in order to create the competitive advantage in achieving sustainable business and profitability growth. The Group is committed to ensure that it has sufficient human resources to achieve its business objectives by equipping its employees with appropriate skills set through structured training and development programs. Succession Planning Policy that filters qualified candidates to fill key positions is in place to ensure leadership stability and uninterrupted business in the event of loss of key personnel.

Other Internal Controls and Risks

The internal control systems are designed to manage and reduce risks that will hinder the Group from achieving its business objectives. The internal control systems are embedded within the Group's operating activities.

- The Group has in place a Business Continuity Plan ("BCP") which outlines business continuity and recovery activities in the events of major disruptions, whether caused by fire, flood, technological crises or other reasons. It describes employees' roles and responsibilities, and actions that must be carried out to reduce the impact of such catastrophes and to ensure business continuity with minimal cost implication. The BCP supports the Group's Emergency Response Plan and it has been communicated to all relevant individuals.

- The organisational structure provides clearly defined authorities and accountabilities of each individual within the Group. It is part of the Group's internal control measures to facilitate monitoring of conduct and operations, by giving guidance to all employees on the official reporting relationships that govern the workflow of the organisation. Meanwhile, the Group ensures appropriate segregation of duties so that no single individual has complete control over a transaction or process without a proper oversight of other parties.

- In order to promote ethical conduct, the Group maintains sound principles and values that enforce key work ethics throughout the organisation right from the top. The Company's core values (Customer Focus, Excellence, Change Ready, Integrity, Perseverance and Respect) help to instil good morale and integrity of the employees and shape the culture within the organisation. These are the set of behaviours and skills that are expected from all employees in carrying out their duties.

- All employees are required to observe the Human Resource policies as well as several other policies established to regulate behaviour in the organisation practices.

- Fraud Policy spells out employees' duties and responsibilities to detect, report and prevent fraud, corruption or other illegal activities, such as bribery and theft which could adversely affect the Company's finances and reputation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (continued)

- The Whistle-blowing Policy provides a formal procedure for reporting violations related to fraud, misconduct or wrongdoings that may take place within the Group and it is independent of the Management. This policy has been communicated to all stakeholders and employees in which they will be given protection against retaliation should they report any wrongdoings in good faith. The Company has appointed the Senior Independent Director and Chairman of the AC as the persons responsible for receiving reports of any breach of conduct.

- The Corporate Disclosure and Investor Relations Policy provides guidelines in handling and disclosing material information to the financial markets. All material information must be verified and approved before public dissemination to ensure the accuracy, timeliness and completeness of the material information, and in compliance with relevant regulatory requirements.

- In order to protect confidential and price sensitive information, any person who is in possession of such information is required to sign a confidentiality agreement and be included in the privy list.

- The Group is committed to comply with the Malaysian Personal Data Protection Act to protect data privacy and confidentiality.

- The Group is committed to create a safe working environment for all of its employees and does not tolerate on practices that could cause harm to its employees. Therefore, it practices a regular and timely reporting on safety and health incidents and take immediate actions to improve its safety and health performance in the workplace.

- Key Performance Indicator ("KPI") is being used to monitor and measure the Management's performance in achieving the Group's strategic objectives. The KPI targets and performance standards are communicated to respective employees, to allow them to monitor and improve their performance.

MONITORING AND REVIEW

The Group is committed to constantly monitor the effectiveness of its risk management and internal control system. The Group's Internal Auditors conduct periodic assessment on the Group's systems of governance, risk management and internal control practices to ensure the reliability of financial and operational reporting, compliance with applicable laws and regulations, and proper management of the Group's assets. The Group's internal audit function was performed by an outsourced professional firm of consultants, which is independent of the activities it audits.

Internal audit activities cover various operating business units and are determined based on the priorities consistent with the Group's objectives. During the financial year, the Internal Auditors performed risk-based audit review on the audit areas as set out in the audit plan approved by the Board at the recommendation of the AC. The internal audit review provides an objective and independent assessment of the Group's risk management and internal control system in order to provide reasonable assurance that controls are adequate and effective to preclude the possibilities of fraud and misappropriation of Group's assets. The Internal Auditors report issues and recommendations arising from each review and update management's progress on the implementation of agreed action plans directly to the AC who subsequently reports to the Board. Details of the internal audit activities are contained in the AC Report.

As to the processes and procedures in the ISO manual, they are periodically reviewed and audited by the in-house auditors and external ISO auditors. These audits are carried out to ensure the relevance and effectiveness of the procedures as well as to ensure compliance to the procedures set.

Apart from the review done by the Internal Auditors, regular management meetings are carried out to review business and financial performance of the Group, including internal control matters and risks management. These meetings are attended by the Executive Directors and management team. The meetings also act as the platform for the key management staff to surface any operational and management issues and engage in constructive discussions with the aim to resolve the issues being brought to the table.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (continued)

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control, for inclusion in this Annual Report. Their limited assurance review was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised) issued by the Malaysian Institute of Accountants, which 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 procedures performed, nothing has come to their attention that caused them to believe that this Statement on Risk Management and Internal Control has not been prepared, in all material respects, in accordance with the disclosures as required by Paragraph 41 and 42 pursuant to the "Statement on Risk Management and Internal Control - Guidelines for Directors of Public Listed Issuers".

CONCLUSION

The Board has appraised the adequacy, effectiveness and integrity of the system of risk management and internal controls framework which have been in place during the financial year and up to the date of approval of this statement based on the annual assessment carried out by the Management on the existing internal control systems and processes, control environment and activities against evaluation criteria established. This annual assessment was reviewed by the AC, documented and reported to the Board. The Board had vide the documented annual assessment, received assurances from the Managing Director and Chief Financial Officer that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group. Accordingly, the Board is of the view that the current risk management and internal control systems of the Group are operating adequately and effectively to achieve the business objectives.

This Statement on Risk Management and Internal Control is made in accordance with the Main Market Listing Requirements and the "Statement on Risk Management and Internal Control - Guidelines for Directors of Public Listed Issuers" adopted by Bursa Malaysia Securities Berhad, and with the approval of the Board.

The Board of Directors
New Hoong Fatt Holdings Berhad

DIRECTORS' REPORT & AUDITED FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision for management services. The principal activities of the subsidiaries are set out in Note 2 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	29,990	6,965

DIVIDENDS

Dividends paid, declared and proposed since the end of the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2015:	
Final single tier dividend of 8 sen per ordinary share, paid on 14 July 2016	6,013
In respect of the financial year ended 31 December 2016:	
An interim single tier dividend of 3 sen per ordinary share, paid on 16 December 2016	2,254
	8,267

The Directors recommend a final single tier dividend of 8 sen and a special final single tier dividend of 3 sen per ordinary share, amounting to RM8,267,226 in respect of the financial year ended 31 December 2016, which are subject to the approval of the members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

DIRECTORS' REPORT (continued)

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

DIRECTORS

The Directors who have held for office since the date of the last report are:

Chin Jit Sin
Datuk Dr. Anis Bin Ahmad
Danny Ng Siew L'Leong
Kam Foong Keng
Kam Foong Sim
Wong Yoke Nyen

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2016 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 were as follows:

	--- Number of ordinary shares of RM1.00 each ---			
	Balance at 1.1.2016	**Bought**	**Sold**	**Balance at 31.12.2016**
Shares in the Company				
Direct interests				
Kam Foong Keng	25,620,942	-	-	25,620,942
Chin Jit Sin	838,200	-	-	838,200
Kam Foong Sim	1,807,425	-	-	1,807,425
Wong Yoke Nyen	10,000	-	-	10,000

By virtue of their interests in the ordinary shares of the Company, Madam Kam Foong Keng, Mr Chin Jit Sin and Ms Kam Foong Sim are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in ordinary shares and options over ordinary shares in the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) 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 other than the following:

(a) certain Directors who may be deemed to derive benefits by virtue of trade transactions entered into with companies in which siblings of certain Directors have substantial financial interests; and

(b) certain Directors who received remunerations from the subsidiaries as directors of the subsidiaries.

The details of the above transactions are disclosed in Note 21 and Note 22 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the statements of profit or loss and other comprehensive income and statements of financial positions of the Group and of the Company were made out, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

   (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

   (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

   (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT (continued)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT (continued)

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely 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; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Kam Foong Keng
Director

Chin Jit Sin
Director

Kuala Lumpur
28 February 2017

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 64 to 112 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 31 to the financial statements on page 113 has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

Kam Foong Keng
Director

Chin Jit Sin
Director

Kuala Lumpur
28 February 2017

STATUTORY DECLARATION

I, Chong Choon Yeng, being the officer primarily responsible for the financial management of New Hoong Fatt Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 64 to 113 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly	)	
declared by the abovenamed at	)	
Kuala Lumpur this	)	
28 February 2017	)	**Chong Choon Yeng**

Before me:

Baloo A/L T. Pichai
No. 663
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NEW HOONG FATT HOLDINGS BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of New Hoong Fatt Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 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 64 to 112.

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 December 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia.

Basis of Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current 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.

Recoverability of trade receivables

As at 31 December 2016, trade receivables that had been past due not impaired were RM4,969,172. The details of trade receivables and its credit risk have been disclosed in Note 5 to the financial statements.

Management recognised impairment losses on trade receivables based on specific known facts or circumstances or customers' abilities to pay.

The determination of whether trade receivables are recoverable involves significant management judgement.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NEW HOONG FATT HOLDINGS BERHAD (continued)

Key Audit Matters (continued)

Recoverability of trade receivables (continued)

Audit response

Our audit procedures included the following:

(i) evaluated and tested the credit process in place to assess and manage the recoverability of trade receivables by the Group;

(ii) challenged assessment of management that no further impairment loss was required based on analysis of customer creditworthiness, past historical payment trends and expectation of repayment patterns;

(iii) critically assessed recoverability of debts that were past due but not impaired with reference to the historical bad debt expense, credit profiles of the counter parties and past historical repayment trends; and

(iv) assessed cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period.

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NEW HOONG FATT HOLDINGS BERHAD (continued)

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 ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company 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 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NEW HOONG FATT HOLDINGS BERHAD (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

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, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 2 to the financial statements, being accounts that have been included in the consolidated accounts.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NEW HOONG FATT HOLDINGS BERHAD (continued)

Other Reporting Responsibilities

The supplementary information set out in Note 31 of the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

BDO
AF: 0206
Chartered Accountants

Ng Soe Kei
2982/08/17 (J)
Chartered Accountant

Kuala Lumpur
28 February 2017

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	1	**310,439**	270,963	**-**	-
Investments in subsidiaries	2	**-**	-	**36,467**	36,467
Investment properties	3	**16,500**	15,600	**-**	-
Available-for-sale financial asset	4	**130**	130	**-**	-
Intangible assets		**-**	5	**-**	-
Other receivables	5	**-**	-	**90,019**	90,475
		327,069	286,698	**126,486**	126,942
Current assets					
Inventories	6	**43,979**	39,354	**-**	-
Trade and other receivables	5	**57,111**	46,534	**7,456**	7,414
Current tax assets		**1,004**	1,689	**-**	-
Cash and bank balances	7	**24,172**	23,669	**379**	164
		126,266	111,246	**7,835**	7,578
TOTAL ASSETS		**453,335**	397,944	**134,321**	134,520
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	8	**75,157**	75,157	**75,157**	75,157
Reserves	9	**297,180**	254,890	**57,666**	58,968
TOTAL EQUITY		**372,337**	330,047	**132,823**	134,125
LIABILITIES					
Non-current liabilities					
Borrowings (interest bearing)	10	**-**	303	**-**	-
Employment benefit obligation	11	**48**	32	**-**	-
Deferred tax liabilities	12	**28,018**	22,614	**-**	-
		28,066	22,949	**-**	-
Current liabilities					
Trade and other payables	13	**17,335**	15,819	**1,498**	242
Borrowings (interest bearing)	10	**35,213**	28,353	**-**	-
Current tax liabilities		**384**	776	**-**	153
		52,932	44,948	**1,498**	395
TOTAL LIABILITIES		**80,998**	67,897	**1,498**	395
TOTAL EQUITY AND LIABILITIES		**453,335**	397,944	**134,321**	134,520

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Revenue		**231,894**	207,226	**7,918**	-
Cost of sales		**(163,917)**	(148,318)	**-**	-
Gross profit		**67,977**	58,908	**7,918**	-
Other operating income		**22,073**	12,336	**2,763**	3,170
Selling and distribution expenses		**(13,565)**	(11,405)	**-**	-
Administrative expenses		**(38,459)**	(32,375)	**(3,177)**	(529)
Finance costs	16	**(1,216)**	(894)	**-**	(116)
Profit before tax	17	**36,810**	26,570	**7,504**	2,525
Tax expense	18	**(6,820)**	(7,320)	**(539)**	(686)
Profit for the financial year		**29,990**	19,250	**6,965**	1,839
Other comprehensive (loss)/income:					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations, net of tax		**(3,863)**	3,452	**-**	-
Items that will not be reclassified subsequently to profit or loss					
Revaluation surplus on land and buildings, net of tax		**24,433**	-	**-**	-
Remeasurement of employment benefit obligation, net of tax		**(3)**	32	**-**	-
Total other comprehensive income, net of tax		**20,567**	3,484	**-**	-
Total comprehensive income		**50,557**	22,734	**6,965**	1,839
Profit attributable to: Owners of the parent		**29,990**	19,250	**6,965**	1,839
Total comprehensive income attributable to: Owners of the parent		**50,557**	22,734	**6,965**	1,839
Earnings per ordinary share attributable to owners of the parent (sen) Basic and diluted	19	**39.90**	25.61		

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Non-distributable				Distributable		
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Revaluation reserve RM'000**	**Available-for-sale reserve RM'000**	**Exchange translation reserve RM'000**	**Retained earnings RM'000**	**Total attributable to owners of the parent RM'000**	**Total equity RM'000**
Balance as at 1 January 2015		75,157	4,210	36,550	47	(1,254)	200,119	314,829	314,829
Profit for the financial year		-	-	-	-	-	19,250	19,250	19,250
Foreign currency translations, net of tax		-	-	-	-	3,452	-	3,452	3,452
Remeasurement of employment benefit obligations		-	-	-	-	-	32	32	32
Total comprehensive income		-	-	-	-	3,452	19,282	22,734	22,734
Transactions with owners									
Final dividend paid for financial year ended 31 December 2014	20	-	-	-	-	-	(5,261)	(5,261)	(5,261)
Interim dividend paid for financial year ended 31 December 2015	20	-	-	-	-	-	(2,255)	(2,255)	(2,255)
Total transactions with owners		-	-	-	-	-	(7,516)	(7,516)	(7,516)
Balance as at 31 December 2015		75,157	4,210	36,550	47	2,198	211,885	330,047	330,047

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

		Non-distributable					Distributable		
Group	Note	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Available-for-sale reserve RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Total attributable to owners of the parent RM'000	Total equity RM'000
Balance as at 1 January 2016		**75,157**	**4,210**	**36,550**	**47**	**2,198**	**211,885**	**330,047**	**330,047**
Profit for the financial year		-	-	-	-	-	29,990	29,990	29,990
Foreign currency translations, net of tax		-	-	-	-	(3,863)	-	(3,863)	(3,863)
Remeasurement of employment benefit obligations		-	-	-	-	-	(3)	(3)	(3)
Revaluation surplus of land and buildings, net of tax		-	-	24,433	-	-	-	24,433	24,433
Total comprehensive income/(loss)		-	-	24,433	-	(3,863)	29,987	50,557	50,557
Transactions with owners									
Final dividend paid for financial year ended 31 December 2015	20	-	-	-	-	-	(6,013)	(6,013)	(6,013)
Interim dividend paid for financial year ended 31 December 2016	20	-	-	-	-	-	(2,254)	(2,254)	(2,254)
Total transactions with owners		-	-	-	-	-	(8,267)	(8,267)	(8,267)
Balance as at 31 December 2016		**75,157**	**4,210**	**60,983**	**47**	**(1,665)**	**233,605**	**372,337**	**372,337**

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Share capital RM'000	Non-distributable Share premium RM'000	Distributable Retained earnings RM'000	Total equity RM'000
Company					
Balance as at 1 January 2015		75,157	4,210	60,435	139,802
Profit for the financial year		-	-	1,839	1,839
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	1,839	1,839
Transactions with owners					
Final dividend paid for financial year ended 31 December 2014	20	-	-	(5,261)	(5,261)
Interim dividend paid for financial year ended 31 December 2015	20	-	-	(2,255)	(2,255)
Total transactions with owners		-	-	(7,516)	(7,516)
Balance as at 31 December 2015		75,157	4,210	54,758	134,125
Profit for the financial year		**-**	**-**	**6,965**	**6,965**
Other comprehensive income, net of tax		**-**	**-**	**-**	**-**
Total comprehensive income		**-**	**-**	**6,965**	**6,965**
Transactions with owners					
Final dividend paid for financial year ended 31 December 2015	20	**-**	**-**	**(6,013)**	**(6,013)**
Interim dividend paid for financial year ended 31 December 2016	20	**-**	**-**	**(2,254)**	**(2,254)**
Total transactions with owners		**-**	**-**	**(8,267)**	**(8,267)**
Balance as at 31 December 2016		**75,157**	**4,210**	**53,456**	**132,823**

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		**36,810**	26,570	**7,504**	2,525
Adjustments for:					
Amortisation of intangible asset		**5**	123	**-**	-
Bad debts written off		**47**	6	**-**	-
Depreciation of property, plant and equipment	1	**27,570**	25,216	**-**	-
Fair value gain on investment properties	3	**(900)**	-	**-**	-
Gain on disposal of property, plant and equipment		**(374)**	(138)	**-**	-
Impairment losses on trade receivables	5(i)	**110**	264	**-**	-
Interest expense	16	**1,216**	894	**-**	116
Interest income		**(180)**	(143)	**(2,758)**	(3,170)
Inventories written down	6	**229**	659	**-**	-
Property, plant and equipment written off	1	**20**	15	**-**	-
Provision for employment benefit obligation	11(a)	**16**	38	**-**	-
Reversal of impairment losses on trade receivables	5(i)	**(69)**	(36)	**-**	-
Unrealised loss/(gain) on foreign exchange, net		**335**	(34)	**(2)**	-
Operating profit/(loss) before changes in working capital		**64,835**	53,434	**4,744**	(529)
(Increase)/Decrease in inventories		**(4,746)**	(3,688)	**-**	-
(Increase)/Decrease in trade and other receivables		**(5,399)**	(4,474)	**7**	(1)
(Decrease)/Increase in trade and other payables		**(9,792)**	2,996	**1,256**	16
Employee benefits contributed		**(5)**	-	**-**	-
Cash generated from/(used in) operations		**44,893**	48,268	**6,007**	(514)
Tax paid		**(4,475)**	(5,153)	**(692)**	(643)
Net cash generated from/(used in) operating activities		**40,418**	43,115	**5,315**	(1,157)

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		**180**	143	**3**	2
Proceeds from disposal of property, plant and equipment		**387**	531	**-**	-
Purchase of property, plant and equipment	1(d)	**(38,061)**	(34,521)	**-**	-
Repayments from subsidiaries, net		**-**	-	**3,164**	4,955
Net cash (used in)/generated from investing activities		**(37,494)**	(33,847)	**3,167**	4,957
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		**(1,216)**	(894)	**-**	(116)
Dividends paid to ordinary shareholders of the company	20	**(8,267)**	(7,516)	**(8,267)**	(7,516)
Drawdown of:					
- bankers' acceptances		**91,739**	72,100	**-**	-
- term loans		**-**	9,661	**-**	-
Repayments of:					
- bankers' acceptances		**(82,130)**	(58,800)	**-**	-
- hire purchase creditors		**(8)**	(64)	**-**	-
- short term revolving credit		**-**	-	**-**	-
- term loans		**(3,022)**	(13,783)	**-**	-
Net cash (used in)/generated from financing activities		**(2,904)**	704	**(8,267)**	(7,632)
Net increase/(decrease) in cash and cash equivalents		**20**	9,972	**215**	(3,832)
Effects of exchange rate changes on cash and cash equivalents		**483**	211	**-**	-
Cash and cash equivalents at beginning of financial year		**23,669**	13,486	**164**	3,996
Cash and cash equivalents at end of financial year	7	**24,172**	23,669	**379**	164

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

1. PROPERTY, PLANT AND EQUIPMENT

2016

Group	Balance as at 1.1.2016 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge for the financial year RM'000	Written off RM'000	Revaluation surplus RM'000	Reclassi-fications RM'000	Exchange differences RM'000	Balance as at 31.12.2016 RM'000
Carrying amount									
Freehold land									
- at valuation	42,000	-	-	-	-	15,609	10,391	-	68,000
- at cost	10,391	-	-	-	-	-	(10,391)	-	-
Buildings									
- at valuation	46,830	30	-	(2,765)	-	4,679	10,506	219	59,499
- at cost	13,667	628	-	(501)	-	-	(10,496)	-	3,298
Long term leasehold land									
- at valuation	9,754	-	-	(204)	-	7,497	17,015	1,017	35,079
- at cost	17,556	-	-	(541)	-	-	(17,015)	-	-
Plant and machinery	33,604	12,062	(9)	(6,765)	(6)	-	415	-	39,301
Tools, equipment and air-conditioners	1,863	818	(2)	(363)	(8)	-	-	16	2,324
Moulds and dies	75,538	7,690	-	(14,666)	-	-	14,871	-	83,433
Motor vehicles	2,549	671	-	(931)	-	-	-	(10)	2,279
Furniture, fittings and office equipment	1,915	284	(2)	(834)	(6)	-	-	(9)	1,348
Construction-in-progress	15,296	15,878	-	-	-	-	(15,296)	-	15,878
	270,963	38,061	(13)	(27,570)	(20)	27,785	-	1,233	310,439

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

1. PROPERTY, PLANT AND EQUIPMENT (continued)

2016	Cost RM'000	Valuation RM'000	At 31.12.2016 Accumulated depreciation RM'000	Exchange differences RM'000	Carrying amount RM'000
Freehold land	-	68,000	-	-	68,000
Buildings					
- at valuation	-	60,770	(1,560)	289	59,499
- at cost	5,269	-	(1,972)	1	3,298
Long term leasehold land	-	34,771	(1,014)	1,322	35,079
Plant and machinery	107,073	-	(67,772)	-	39,301
Tools, equipment and air-conditioners	6,382	-	(4,078)	20	2,324
Moulds and dies	142,568	-	(59,135)	-	83,433
Motor vehicles	6,091	-	(3,841)	29	2,279
Furniture, fittings and office equipment	8,128	-	(6,822)	42	1,348
Construction-in-progress	15,878	-	-	-	15,878
	291,389	163,541	(146,194)	1,703	310,439

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

1. PROPERTY, PLANT AND EQUIPMENT (continued)

2015

Group	Balance as at 1.1.2015 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge for the financial year RM'000	Written off RM'000	Reclassi- fications RM'000	Exchange differences RM'000	Balance as at 31.12.2015 RM'000
Carrying amount								
Freehold land								
- at valuation	42,000	-	-	-	-	-	-	42,000
- at cost	10,391	-	-	-	-	-	-	10,391
Buildings								
- at valuation	48,430	216	-	(1,816)	-	-	-	46,830
- at cost	13,265	326	-	(375)	-	-	451	13,667
Long term leasehold land								
- at valuation	9,938	-	-	(184)	-	-	-	9,754
- at cost	16,425	-	-	(777)	-	-	1,908	17,556
Plant and machinery	33,897	5,707	(239)	(6,243)	-	482	-	33,604
Tools, equipment and air- conditioners	2,008	193	-	(357)	(11)	-	30	1,863
Moulds and dies	74,302	10,531	-	(13,830)	-	4,535	-	75,538
Motor vehicles	1,389	2,112	(154)	(829)	-	-	31	2,549
Furniture, fittings and office equipment	1,922	761	-	(805)	(4)	-	41	1,915
Construction-in-progress	5,566	14,747	-	-	-	(5,017)	-	15,296
	259,533	34,593	(393)	(25,216)	(15)	-	2,461	270,963

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

1. PROPERTY, PLANT AND EQUIPMENT (continued)

2015	At 31.12.2015				
	Cost RM'000	Valuation RM'000	Accumulated depreciation RM'000	Exchange differences RM'000	Carrying amount RM'000
Freehold land					
- at valuation	-	42,000	-	-	42,000
- at cost	10,391	-	-	-	10,391
Buildings					
- at valuation	-	53,307	(6,477)	-	46,830
- at cost	15,351	-	(1,756)	72	13,667
Long term leasehold land					
- at valuation	-	10,526	(772)	-	9,754
- at cost	19,200	-	(1,951)	307	17,556
Plant and machinery	95,919	-	(62,315)	-	33,604
Tools, equipment and air-conditioners	5,570	-	(3,711)	4	1,863
Moulds and dies	228,630	-	(153,092)	-	75,538
Motor vehicles	5,460	-	(2,950)	39	2,549
Furniture, fittings and office equipment	7,956	-	(6,091)	50	1,915
Construction-in-progress	15,296	-	-	-	15,296
	403,773	105,833	(239,115)	472	270,963

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

1. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Valuations had been conducted between 9 September 2016 and 28 September 2016 on the Group's property, plant and equipment (freehold land and buildings, long term leasehold land and buildings) based on existing use basis and cost approach method respectively.

The valuations were made based on existing use basis and cost approach method that makes reference to indicative market value of similar properties in the vicinity on a price per square feet basis. The price per square feet of the properties with locations, site improvement and timing factors adopted, which were significant inputs, ranged from RM49 to RM331 (2015: RM21 to RM59). A fluctuation of approximately RM5.80 (2015: RM3.50) in the price per square feet, with all other variables held constant, the fair value of the land and buildings would have been 10% (2015: 10%) higher or lower.

The fair value measurements of the land and buildings (at valuation) are based on the highest and best use which does not differ from their actual use. The land and buildings (at valuation) of the Group are for own use.

Had the revalued land and buildings been carried at cost less accumulated depreciation, the carrying amounts would have been:

	Group	
	2016 RM'000	**2015 RM'000**
Land	**56,170**	28,088
Buildings	**47,152**	37,547
	103,322	65,635

(b) The fair value of land and buildings (at valuation) of the Group are categorised as follows:

Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
2016				
Freehold land	**-**	**-**	**68,000**	**68,000**
Leasehold land	**-**	**-**	**35,079**	**35,079**
Buildings	**-**	**-**	**59,499**	**59,499**
	-	**-**	**162,578**	**162,578**
2015				
Freehold land	-	-	42,000	42,000
Leasehold land	-	-	9,754	9,754
Buildings	-	-	46,830	46,830
	-	-	98,584	98,584

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

1. **PROPERTY, PLANT AND EQUIPMENT (continued)**

(b) The fair value of land and buildings (at valuation) of the Group are categorised as follows: (continued)

(i) Level 3 fair value of land and buildings (at valuation) was determined by external and independent property valuers, having appropriate recognised professional qualifications and experience in the location and category of the properties being valued.

(ii) In the previous financial year, land and buildings at Level 3 fair value measurements were recommended by the Directors as at the end of reporting period based on an update valuation exercise carried out by an independent property valuer. There were no transfers between Level 1 and Level 2 fair value measurements during the financial year ended 31 December 2015.

(c) After initial recognition, property, plant and equipment except for land and buildings are stated at cost less any accumulated depreciation and any impairment losses. Land and buildings are stated at valuation, which is the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The principal depreciation periods and rates for property, plant and equipment are as follows:

Buildings	up to 54 years
Long-term leasehold land	up to 62 years
Plant and machinery	up to 20%
Tools, equipment and air-conditioners	10%
Moulds and dies	10%
Motor vehicles	20%
Furniture, fittings and office equipment	up to 33%

Freehold land has unlimited useful life and is not depreciated. Construction-in-progress represents buildings under construction, tools and dies under development for future production purposes and machine under installation and are stated at cost. Construction-in-progress is not depreciated until such time when the asset is available for use.

(d) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Group	
	2016 RM'000	**2015 RM'000**
Purchase of property, plant and equipment	**38,061**	34,593
Financed by hire purchase arrangements	**-**	(72)
Cash payments on purchase of property, plant and equipment	**38,061**	34,521

(e) The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance leases in accordance with MFRS 117 *Leases*.

The carrying amounts of the property, plant and equipment of the Group under finance leases at the end of the reporting period are as follows:

	Group	
	2016 RM'000	**2015 RM'000**
Motor vehicles	**-**	61

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

2. INVESTMENTS IN SUBSIDIARIES

	Company 2016 RM'000	Company 2015 RM'000
Unquoted shares, at cost	**36,467**	36,467

(a) The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Interest in equity held by Company 2016	Company 2015	Subsidiaries 2016	Subsidiaries 2015	Principal activities
New Hoong Fatt Auto Supplies Sdn. Bhd.[(1)]	Malaysia	**100%**	100%	**-**	-	Marketing, distribution and trading of automotive parts and accessories
NJ Manufacturing Industries Sdn. Bhd.[(1)]	Malaysia	**100%**	100%	**-**	-	Investment holding company
Jhi Soon Manufacturing Industries Sdn. Bhd.[(1)]	Malaysia	**100%**	100%	**-**	-	Investment holding company
New Hoong Fatt Industries Sdn. Bhd.[(1)]	Malaysia	**100%**	100%	**-**	-	Inactive
MJ Manufacturing Industries Sdn. Bhd.[(1)]	Malaysia	**100%**	100%	**-**	-	Manufacturing of moulds and dies
Auto Global Parts Industries Sdn. Bhd.[(1)]	Malaysia	**100%**	100%	**-**	-	Manufacturing and marketing of automotive parts and provision of injection services
NHF Ventures Sdn. Bhd.[(1)]	Malaysia	**100%**	100%	**-**	-	Investment holding company
Subsidiary of New Hoong Fatt Auto Supplies Sdn. Bhd.						
PT. NHF Auto Supplies Indonesia	Indonesia	**-**	-	**100%**	100%	Importing, exporting and trading of automotive parts and accessories
Subsidiary of NHF Ventures Sdn. Bhd.						
Ampire Auto Parts (Shanghai) Co. Ltd.	People's Republic of China	**-**	-	**100%**	100%	Importing, exporting and trading of automotive parts and accessories
PT. Auto Global Parts Indonesia	Indonesia	**-**	-	**95%**	-	Inactive
Investment of New Hoong Fatt Industries Sdn. Bhd.						
PT. Auto Global Parts Indonesia	Indonesia	**-**	-	**5%**	-	Inactive

[(1)] *Subsidiaries audited by BDO in Malaysia.*

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

2. INVESTMENTS IN SUBSIDIARIES (continued)

(b) A new wholly-owned subsidiary, namely PT. Auto Global Parts Indonesia (“PT. AGPI”) has been incorporated in Indonesia on 20 June 2016 with an initial paid-up capital of IDR 10.0 billion (approximately RM3.3 million) via the approval from the Ministry of Justice and Human Rights of the Republic of Indonesia dated 20 June 2016, which was received by the Company from the Indonesian Agent on 7 October 2016.

PT. AGPI is held via NHF Ventures Sdn. Bhd. (95%) and New Hoong Fatt Industries Sdn. Bhd. (5%). Both are wholly-owned subsidiaries of New Hoong Fatt Holdings Berhad.

PT. AGPI was incorporated to undertake manufacturing and distribution activities in Indonesia.

3. INVESTMENT PROPERTIES

2016 **Group**	**Balance as at 1.1.2016 RM’000**	**Fair value adjustment RM’000**	**Balance as at 31.12.2016 RM’000**
At fair value			
Long-term leasehold land and buildings	**15,600**	**900**	**16,500**

2015 **Group**	**Balance as at 1.1.2015 RM’000**	**Fair value adjustment RM’000**	**Balance as at 31.12.2015 RM’000**
At fair value			
Long-term leasehold land and buildings	15,600	-	15,600

(a) The Group has developed certain criteria based on MFRS 140 *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(b) The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out as operating leases due to the immateriality of the lease period over the investment properties’ economic life.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

3. INVESTMENT PROPERTIES (continued)

(c) Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at fair value.

Valuation had been conducted on 14 September 2016 on the Group's investment properties based on existing use basis.

The valuations were made based on existing use basis that makes reference to recent sales of similar properties in the vicinity on a price per square feet basis. The price per square feet of the properties with location, site improvements and timing factors adopted, which were significant inputs, ranged from RM236 to RM331 (2015: RM120 to RM258). A fluctuation of approximately RM12.50 (2015: RM11.80) in the price per square feet, with all other variables held constant, the fair value of investment properties would have been 10% (2015: 10%) higher or lower.

The fair value measurements of the investment properties are based on the highest and best use which does not differ from their actual use. The investment properties of the Group are used to generate rental income.

(d) The fair value of investment properties of the Group are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016				
Leasehold land	**-**	**-**	**14,900**	**14,900**
Buildings	**-**	**-**	**1,600**	**1,600**
	-	**-**	**16,500**	**16,500**
2015				
Leasehold land	-	-	14,100	14,100
Buildings	-	-	1,500	1,500
	-	-	15,600	15,600

(i) Level 3 fair value of long-term leasehold land and buildings (at valuation) was determined by external and independent property valuers, having appropriate recognised professional qualifications and experience in the location and category of the properties being valued.

(ii) In the previous financial year, investment properties at Level 3 fair value measurements were recommended by the Directors as at the end of reporting period based on an update valuation exercise carried out by an independent property valuer. There were no transfers between Level 1 and Level 2 fair value measurements during the financial year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

3. INVESTMENT PROPERTIES (continued)

(e) Direct operating expenses arising from investment properties generating rental income during the financial year are as follows:

	Group 2016 RM'000	Group 2015 RM'000
Insurance	**8**	4
Quit rent and assessment	**64**	64

4. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group 2016 RM'000	Group 2015 RM'000
Available-for-sale financial asset		
- Club membership	**130**	130

(a) The fair value of the available-for-sale financial asset of the Group are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016 & 2015				
Club membership	**-**	**-**	**130**	**130**

Level 3 fair value measurement of club membership is estimated by reference to current available quotation of the same investment.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

5. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current				
Other receivables				
Amounts owing by subsidiaries	**-**	-	**90,019**	90,475
Current				
Trade receivables				
Third parties	**44,727**	37,236	**-**	-
Less: Impairment losses	**(287)**	(245)	**-**	-
	44,440	36,991	**-**	-
Other receivables and deposits				
Amount owing by indirect subsidiary	**-**	-	**49**	-
Amounts owing by subsidiaries	**-**	-	**7,404**	7,403
Other receivables	**3,296**	2,649	**-**	1
Refundable deposits	**483**	396	**3**	3
	3,779	3,045	**7,456**	7,407
Loans and receivables	**48,219**	40,036	**97,475**	97,882
Prepayments	**8,892**	6,498	**-**	7
Total	**57,111**	46,534	**97,475**	97,889

(a) Financial assets classified as loans and receivables are measured at amortised cost using the effective interest method.

(b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranged from 30 days to 90 days (2015: 30 days to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(c) Included in trade receivables of the Group are amounts of RM6,229 (2015: RM3,437) owing by companies in which family members of the Executive Directors of the Company has substantial financial interests. These amounts are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 90 days.

(d) Amount owing by indirect subsidiary of the Company represents advances and payments on behalf, which are unsecured, non-interest bearing and payable on demand in cash and cash equivalents.

(e) Amounts owing by subsidiaries of the Company represents advances and payments on behalf, which are unsecured, bears interest at a rate of 3.10% (2015: 3.26%) per annum and payable on demand in cash and cash equivalents.

(f) Included in prepayments of the Group are advance payments of RM7,961,435 (2015: RM6,125,774) to suppliers for the purchase of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

5. TRADE AND OTHER RECEIVABLES (continued)

(g) The currency exposure profile of trade and other receivables are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	**33,310**	29,762	**97,475**	97,882
US Dollar	**12,092**	7,884	**-**	-
New Taiwan Dollar	**171**	144	**-**	-
Chinese Renminbi	**821**	900	**-**	-
Indonesian Rupiah	**1,825**	1,180	**-**	-
Thai Baht	**-**	166	**-**	-
	48,219	40,036	**97,475**	97,882

(h) The ageing analysis of trade receivables of the Group are as follows:

	Group	
	2016 RM'000	2015 RM'000
Neither past due nor impaired	**39,471**	32,990
Past due, not impaired		
1 to 30 days	**3,617**	2,720
31 to 60 days	**971**	923
61 to 90 days	**345**	144
More than 90 days	**36**	214
	4,969	4,001
Past due and impaired	**287**	245
	44,727	37,236

<u>Receivables that are neither past due nor impaired</u>

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

<u>Receivables that are past due but not impaired</u>

At the end of the reporting period, the Group has trade receivables amounting to RM4,969,172 (2015: RM4,001,415) that are past due but not impaired, which are unsecured in nature. These trade receivables are not impaired because they possess high creditworthiness and good payment records.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

5. TRADE AND OTHER RECEIVABLES (continued)

(h) The ageing analysis of trade receivables of the Group are as follows: (continued)

Receivables that are past due and impaired

Trade receivables of the Group that are past due and impaired at the end of each reporting period are as follows:

	Individually impaired	
	2016	**2015**
Group	**RM'000**	**RM'000**
Trade receivables, gross	**287**	245
Less: Impairment losses	**(287)**	(245)
	-	-

(i) The reconciliation of movement in the impairment losses is as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
As at 1 January	**245**	221
Written off	**-**	(204)
Reversal of impairment losses (Note 17)	**(69)**	(36)
Charge for the financial year (Note 17)	**110**	264
Exchange differences	**1**	-
As at 31 December	**287**	245

Trade receivables that are individually determined to be impaired at the end of each reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(j) Trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis and perform credit evaluation on credibility of new customers to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for new export customers, where deposits in advance are normally required. The credit period is generally for a period of one (1) month extending up to three (3) months. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

(k) At the end of each reporting period, there were no significant concentrations of credit risk other than amounts owing by subsidiaries representing 99.9% (2015: 99.9%) of the total receivables of the Company. The Group and the Company do not anticipate the carrying amount recorded at the reporting period to be significantly different from the values that would eventually be received.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

5. TRADE AND OTHER RECEIVABLES (continued)

(l) The carrying amounts of trade and other receivables are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

(m) The following table sets out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the end of the reporting period and the remaining maturities of the amounts owing by subsidiaries that are exposed to interest rate risk:

Company	WAEIR per annum %	Repayable within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	> 5 years RM'000	Total RM'000
2016							
Fixed rates							
Amounts owing by subsidiaries	**3.10%**	**7,404**	**7,300**	**7,500**	**7,600**	**67,619**	**97,423**
2015							
Fixed rates							
Amounts owing by subsidiaries	3.26%	7,403	7,300	7,500	8,500	67,175	97,878

(n) The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(o) Information on financial risks of trade and other receivables is disclosed in Note 25 to the financial statements.

6. INVENTORIES

	Group 2016 RM'000	Group 2015 RM'000
At cost		
Raw materials	**16,033**	14,684
Work-in-progress	**3,158**	2,807
Finished goods	**23,768**	21,800
Consumables	**92**	57
	43,051	39,348
At net realisable value		
Finished goods	**928**	6
	43,979	39,354

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

6. INVENTORIES (continued)

(a) During the financial year, inventories of the Group recognised as cost of sales amounted to RM106,580,280 (2015: RM99,386,434) and the Group has written down inventories by RM228,660 (2015: RM658,619) to their net realisable value.

(b) Inventory costs are determined on a weighted average basis. The cost of raw materials and consumables comprises all costs of purchase plus the cost incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

7. CASH AND BANK BALANCES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	**24,172**	23,669	**379**	164

(a) The currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	**10,320**	9,041	**304**	164
US Dollar	**12,972**	14,058	**75**	-
Chinese Renminbi	**479**	183	**-**	-
Indonesian Rupiah	**401**	387	**-**	-
	24,172	23,669	**379**	164

8. SHARE CAPITAL

	Group and Company			
	2016		2015	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Ordinary shares of RM1.00 each:				
Authorised	**100,000**	**100,000**	100,000	100,000
Issued and fully paid	**75,157**	**75,157**	75,157	75,157

The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

9. RESERVES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-distributable				
Share premium	**4,210**	4,210	**4,210**	4,210
Revaluation reserve	**60,983**	36,550	**-**	-
Available-for-sale reserve	**47**	47	**-**	-
Exchange translation reserve	**(1,665)**	2,198	**-**	-
	63,575	43,005	**4,210**	4,210
Distributable				
Retained earnings	**233,605**	211,885	**53,456**	54,758
	297,180	254,890	**57,666**	58,968

(a) Revaluation reserve

The asset revaluation reserve is used to record the changes in the fair value of land and buildings.

(b) Available-for-sale reserve

This reserve arose from gains or losses of financial assets classified as available-for-sale.

(c) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment of the Group in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

10. BORROWINGS (INTEREST BEARING)

	Group 2016 RM'000	Group 2015 RM'000
Current liabilities		
Unsecured		
Bankers' acceptances	**32,000**	25,300
Hire purchase creditors	**-**	8
Term loans	**3,213**	3,045
	35,213	28,353
Non-current liabilities		
Unsecured		
Term loans	**-**	303
	35,213	28,656
Total borrowings		
Bankers' acceptances	**32,000**	25,300
Hire purchase creditors	**-**	8
Term loans	**3,213**	3,348
	35,213	28,656
Repayable as follows:		
- not later than one (1) year	**35,213**	28,353
- between one (1) to five (5) years	**-**	303
	35,213	28,656

(a) Bankers' acceptances and term loan of the Group are guaranteed by corporate guarantee from the Company.

(b) The currency exposure profiles of the borrowings are as follows:

	Group 2016 RM'000	Group 2015 RM'000
Ringgit Malaysia	**32,304**	28,226
US Dollar	**2,909**	-
Indonesian Rupiah	**-**	8
Chinese Renminbi	**-**	422
	35,213	28,656

10. BORROWINGS (INTEREST BEARING) (continued)

(c) Borrowings not carried at fair value and its fair values are disclosed as follows:

Group 2015	Fair values of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Financial liabilities						
Other financial liabilities						
- Term loans	-	3,331	-	3,331	3,331	3,348

The carrying amounts of borrowings in 2016 are reasonable approximation of fair value due to their short-term nature.

The fair values of these borrowings are estimated by discounting future contracted cash flows at the current market interest rate available to the Group for similar financial instruments.

(d) The following tables set out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the end of the reporting period and the remaining maturities of the borrowings of the Group that are exposed to interest rate risk:

Group	WAEIR per annum %	Repayable within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	> 5 years RM'000	Total RM'000
2016							
Fixed rates							
Bankers' acceptances	**3.74%**	**32,000**	**-**	**-**	**-**	**-**	**32,000**
Floating rates							
Term loans	**3.44%**	**3,213**	**-**	**-**	**-**	**-**	**3,213**
2015							
Fixed rates							
Bankers' acceptances	3.99%	25,300	-	-	-	-	25,300
Floating rates							
Term loans	5.25%	3,045	303	-	-	-	3,348

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

10. BORROWINGS (INTEREST BEARING) (continued)

(e) Sensitivity analysis of interest rate for borrowings at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Borrowings		
Effects of 100 basis point changes		
- Profit/(loss) after tax	**268 / (268)**	215 / (215)

(f) Information on liquidity and cash flow risks of borrowings is disclosed in Note 25 to the financial statements.

11. EMPLOYMENT BENEFIT OBLIGATION

A foreign subsidiary of the Group, PT. NHF Auto Supplies Indonesia provides post-employment benefits ("Benefits") in accordance with Indonesia's Labor Law No. 13/2003. The number of employees entitled to the Benefits in 31 December 2016 and 2015 were 35 and 18 people, respectively.

A defined benefit plan is a pension plan that defines an amount of pension benefits to be provided usually as a function of one or more factors such as age, year of service, or compensation.

The liabilities recognised in the statement of financial position are the present value of the defined benefits obligations as at the statement of financial position date in accordance with Indonesia's Labor Law 13/2003 or the Company's regulations (whichever is higher).

The defined benefits obligations are calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefits obligations is determined by discounting the estimated future cash outflows using interest rates of government bonds (considering currently there is no deep market for high-quality corporate bonds) that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The Company recognised all actuarial gains or losses through other comprehensive income and presented as part of equity.

Past service costs are recognised immediately in the profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

The provision for employment benefit obligation recognised in the statement of financial position is determined as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Present value of employment benefit obligation	**48**	32

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

11. EMPLOYMENT BENEFIT OBLIGATION (continued)

(a) The total expenses recognised in profit or loss are as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Current service cost	**14**	36
Interest cost	**2**	2
Total expense recorded in profit or loss	**16**	38
Actuarial loss/(gain) recorded in other comprehensive income	**3**	(32)
Total expense	**19**	6

(b) The movements during the financial year in the amounts recognised in the statement of financial position in respect of the employment benefit obligation are as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Balance as at 1 January	**32**	26
Recognised in profit or loss (Note 17)	**16**	38
Employee benefits contributed	**(5)**	-
Actuarial loss/(gain) charged to other comprehensive income	**3**	(32)
Exchange differences	**2**	-
Balance as at 31 December	**48**	32

(c) The cost of providing post-employment benefit is calculated by an independent actuary. The actuarial valuation was carried out using the following key assumptions:

	Group	
	2016	**2015**
Discount rate	**8.70%**	9.30%
Salary increment rate	**6%**	6%
Mortality rate	**Indonesian Mortality Table 2011**	Indonesian Mortality Table 2011
Disability rate	**10% of Mortality rate**	10% of Mortality rate
Resignation rate	**5% per annum up to age 20 decreasing linearly to 1% per annum at age 54**	5% per annum up to age 20 decreasing linearly to 1% per annum at age 54
Normal retirement age	**55 years old**	55 years old

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

12. DEFERRED TAX

(a) The deferred tax assets and liabilities are made up of the following:

	Group 2016 RM'000	Group 2015 RM'000
Balance as at 1 January	**22,614**	20,702
Recognised directly in equity	**3,352**	-
Recognised in profit or loss: (Note 18)		
- current year	**2,875**	1,867
- (over)/under provision in prior years	**(823)**	45
	2,052	1,912
Balance as at 31 December	**28,018**	22,614

Presented after appropriate offsetting:	Group 2016 RM'000	Group 2015 RM'000
Deferred tax assets	**-**	(136)
Deferred tax liabilities	**28,018**	22,750
	28,018	22,614

(b) The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group	2016 Unused tax losses/Total RM'000	2015 Unused tax losses/Total RM'000
Balance as at 1 January	**136**	81
Recognised directly in equity	**(136)**	-
Recognised in profit or loss	**-**	55
Balance as at 31 December	**-**	136

Deferred tax liabilities of the Group	2016 Property, plant and equipment/ Total RM'000	2015 Property, plant and equipment/ Total RM'000
Balance as at 1 January	**22,750**	20,783
Recognised directly in equity	**3,216**	-
Recognised in profit or loss	**2,052**	1,967
Balance as at 31 December	**28,018**	22,750

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

12. DEFERRED TAX (continued)

(c) The amount of temporary differences for which no deferred tax asset has been recognised in the statement of financial position is as follows:

	Group 2016 RM'000	Group 2015 RM'000
Unused tax losses	**2,663**	7,456

Deferred tax assets of certain subsidiaries have not been recognised in respect of this item as it is not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

The unused tax losses of the foreign subsidiaries are allowed to be carried forward to offset future taxable profits up to a maximum of five (5) years.

(d) A subsidiary of the Group is entitled to claim reinvestment allowance under Schedule 7A Income Tax Act, 1967. Reinvestment allowance of RM12,308,162 (2015: RM14,150,102) was claimed during the current financial year. As at the end of the reporting period, the balance of reinvestment allowance not claimed amounted to RM28,359,704 (2015: RM17,358,038).

(e) A subsidiary of the Group is entitled to utilise investment tax allowance balance carried forward under Promotion of Investments Act, 1986. Investment tax allowance of RM1,724,758 (2015: RM378,923) was utilised during the current financial year.

13. TRADE AND OTHER PAYABLES

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Trade payables				
Third parties	**9,118**	7,911	**-**	-
Other payables				
Other payables	**1,824**	2,771	**31**	14
Accruals	**6,393**	5,137	**1,467**	228
	8,217	7,908	**1,498**	242
Total financial lialibilities	**17,335**	15,819	**1,498**	242

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

13. TRADE AND OTHER PAYABLES (continued)

(a) Financial lialibilities are measured at amortised cost using the effective interest rate method.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranged from 30 days to 120 days (2015: 30 days to 120 days).

(c) Included in trade payables of the Group are amounts of RM127,410 (2015: RM102,516) owing to companies in which family members of the Executive Directors of the Company have substantial financial interests.

(d) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	**15,425**	13,160	**1,498**	242
Chinese Renminbi	**192**	301	**-**	-
Indonesian Rupiah	**-**	61	**-**	-
New Taiwan Dollar	**348**	354	**-**	-
Thai Baht	**-**	44	**-**	-
US Dollar	**1,370**	1,899	**-**	-
	17,335	15,819	**1,498**	242

(e) Information on financial risks of trade and other payables is disclosed in Note 25 to the financial statements.

14. COMMITMENTS

Capital commitments

	Group	
	2016 RM'000	2015 RM'000
Capital expenditure in respect of purchase of property, plant and equipment:		
- Contracted but not provided for	**11,844**	12,376
- Approved but not contracted for	**40,380**	33,748

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

15. CONTINGENT LIABILITIES

	Company	
	2016	**2015**
	RM'000	**RM'000**
Corporate guarantees given to banks for credit facilities granted to subsidiaries – unsecured	**41,541**	33,571

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

The Directors are of the view that the fair value of such corporate guarantees given by the Company is negligible as it is unlikely that the financial institutions will call upon the corporate guarantees in view of the financial strength of the subsidiaries.

16. FINANCE COSTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense on:				
- amount owing to a subsidiary	**-**	-	**-**	116
- bankers' acceptances	**1,162**	640	**-**	-
- term loans	**54**	254	**-**	-
	1,216	894	**-**	116

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

17. PROFIT BEFORE TAX

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax is arrived at after charging:					
Amortisation of intangible asset		**5**	123	**-**	-
Auditors' remuneration:					
- statutory audits					
- auditors of the Company		**111**	108	**26**	25
- other auditors		**65**	60	**-**	-
- other services		**6**	6	**6**	6
Bad debts written off		**47**	6	**-**	-
Depreciation of property, plant and equipment	1	**27,570**	25,216	**-**	-
Impairment losses on:					
- trade receivables	5(i)	**110**	264	**-**	-
Inventories written down	6	**229**	659	**-**	-
Loss on foreign exchange:					
- realised		**79**	244	**-**	-
- unrealised		**5,546**	7	**-**	-
Property, plant and equipment written off	1	**20**	15	**-**	-
Provision for employment benefit obligation	11	**16**	38	**-**	-
Rental of:					
- factory and premises		**666**	645	**-**	-
- forklift		**1**	-	**-**	-
And crediting:					
Dividend income from subsidiaries		**-**	-	**5,350**	-
Fair value gain on investment properties	3	**900**	-	**-**	-
Gain on disposal of:					
- property, plant and equipment		**374**	138	**-**	-
Gain on foreign exchange:					
- realised		**7,347**	2,347	**3**	-
- unrealised		**5,211**	41	**2**	-
Interest income from:					
- short term placements		**180**	143	**3**	2
- subsidiaries		**-**	-	**2,755**	3,168
Management fee income from subsidiaries		**-**	-	**2,568**	-
Rental income from investment properties		**805**	805	**-**	-
Reversal of impairment losses on trade receivables	5(i)	**69**	36	**-**	-
Sale of scraps		**6,922**	7,521	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

17. PROFIT BEFORE TAX (continued)

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group and the Company, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group and Company as follows:

Group

(a) Sale of goods

Revenue from sale of goods is recognised when the significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

Company

(a) Dividend income

Dividend income is recognised when right to receive payment is established.

(b) Management fee income

Management fee is recognised when services are rendered.

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

18. TAX EXPENSE

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current tax expense based on profit for the financial year:				
- current year	**4,762**	5,356	**540**	685
- under/(over) provision in prior years	**6**	52	**(1)**	1
	4,768	5,408	**539**	686
Deferred tax (Note 12):				
- relating to origination and reversal of temporary differences	**2,875**	1,867	**-**	-
- (over)/under provision in prior years	**(823)**	45	**-**	-
	2,052	1,912	**-**	-
	6,820	7,320	**539**	686

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated taxable profits for the fiscal year.

(b) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

18. TAX EXPENSE (continued)

(c) The numerical reconciliation between the applicable tax rate and average effective tax rate is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	%	**%**	**%**	**%**
Applicable tax rate	**24.0**	25.0	**24.0**	25.0
Tax effects in respect of:				
Deferred tax assets not recognised during the financial year	**1.2**	7.0	**-**	-
Non-taxable income	**(0.8)**	-	**(17.1)**	-
Non-allowable expenses	**5.5**	12.1	**0.3**	2.2
Utilisation of previously unrecognised tax losses	**(0.1)**	-	**-**	-
Utilisation of tax incentives	**(9.1)**	(13.7)	**-**	-
Effect of reduction in tax rate	**-**	(3.2)	**-**	-
	20.7	27.2	**7.2**	27.2
(Over)/Under provision in prior years				
- income tax	**-**	0.2	**-**	-
- deferred tax	**(2.2)**	0.1	**-**	-
Average effective tax rate	**18.5**	27.5	**7.2**	27.2

(d) Tax savings of the Group are as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Arising from utilisation of current year tax losses	**1,236**	781

(e) Tax on each component of other comprehensive income is as follows:

	Group		
	Before tax	**Tax effect**	**After tax**
2016	**RM'000**	**RM'000**	**RM'000**
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	**(3,863)**	**-**	**(3,863)**
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of employment benefit obligation	**(3)**	**-**	**(3)**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

18. TAX EXPENSE (continued)

(e) Tax on each component of other comprehensive income is as follows: (continued)

	Group		
2015	**Before tax RM'000**	**Tax effect RM'000**	**After tax RM'000**
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	3,452	-	3,452
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of employment benefit obligation	32	-	32

19. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2016	**2015**
Profit attributable to equity holders of the parent (RM'000)	**29,990**	19,250
Weighted average number of ordinary shares applicable to basic earnings per ordinary share ('000)	**75,157**	75,157
Basic earnings per ordinary share (sen)	**39.90**	25.61

(b) Diluted

Diluted earnings per ordinary share equals basic earnings per ordinary share as there were no dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

20. DIVIDENDS

	Group and Company			
	2016		2015	
	Single tier dividend per share sen	Amount of dividend RM'000	Single tier dividend per share sen	Amount of dividend RM'000
Final dividends paid	**8**	**6,013**	7	5,261
Interim dividend paid	**3**	**2,254**	3	2,255
	11	**8,267**	10	7,516

A final single tier dividend in respect of the financial year ended 31 December 2016 of 8 sen per ordinary share and a special final single tier dividend of 3 sen per ordinary share, amounting to RM8,267,226 has been proposed by the Directors after the reporting period for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. This dividend, if approved by shareholders, would be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2017.

21. EMPLOYEES BENEFITS

Total employee benefits recognised in profit or loss were as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries, wages, overtime, bonuses, allowances and commissions	**40,428**	37,752	**2,464**	29
Contributions to defined contribution plan	**3,564**	3,339	**307**	-
Social security contributions	**348**	319	**2**	-
	44,340	41,410	**2,773**	29

(a) Included in the employee benefits of the Group and of the Company are Executive Directors' remuneration amounting to RM2,905,643 (2015: RM2,310,012) and RM2,136,540 (2015: RM29,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

21. EMPLOYEES BENEFITS (continued)

(b) The remuneration of Directors and other key management personnel during the financial year was as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Directors' remuneration payable to:				
Executive Directors:				
- fees	**115**	115	**15**	15
- other emoluments	**2,791**	2,195	**2,122**	14
	2,906	2,310	**2,137**	29
Non-executive Directors:				
- fees	**180**	180	**180**	180
- other emoluments	**36**	36	**36**	36
	216	216	**216**	216
Other key management personnel				
- other emoluments	**1,626**	1,246	**636**	-
	1,626	1,246	**636**	-
	4,748	3,772	**2,989**	245

The estimated monetary value of benefits-in-kind received by the Directors and other key management personnel other than in cash from the Group amounted to RM79,415 (2015: RM77,463) and RM31,100 (2015: RM30,576) respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

22. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

The Company has controlling related party relationship with its direct and indirect subsidiaries.

The relationships between the Group and the related parties, other than those disclosed elsewhere in the financial statements, are as follows:

Identities of related parties		Relationship with the Group
Pong Codan Marketing Sdn. Bhd.	}	Companies in which family members of the
Pong Codan Rubber (M) Sdn. Bhd.	}	Executive Directors of the Company have
	}	substantial financial interests.

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sales to:				
- Pong Codan Marketing Sdn. Bhd.	**18**	14	**-**	-
- Pong Codan Rubber (M) Sdn. Bhd.	**46**	43	**-**	-
Purchases from:				
- Pong Codan Marketing Sdn. Bhd.	**(949)**	(909)	**-**	-
- Pong Codan Rubber (M) Sdn. Bhd.	**(359)**	(311)	**-**	-
Dividend income receivable from subsidiaries	**-**	-	**5,350**	-
Interest income receivable from subsidiaries	**-**	-	**2,755**	3,168
Management fee receivable from subsidiaries	**-**	-	**2,568**	-

The related party transactions described above were entered into in the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

23. OPERATING SEGMENTS

(a) Business segments

The Group has three (3) reportable segments, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology, business and marketing strategies. The reportable segments are summarised as follows:

Manufacturing : Manufacturing and marketing of automotive parts and accessories, and moulds and dies.

Trading : Marketing, distribution and trading of automotive parts and accessories.

Investment : Investment holding.

Other operating segments that do not meet the quantitative thresholds of an individual reporting segment comprised an inactive subsidiary.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses, such as goodwill impairment.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude assets used primarily for corporate purposes.

Segment liabilities exclude deferred tax liabilities.

2016	**Manufacturing RM'000**	**Trading RM'000**	**Investment RM'000**	**Other operating segments RM'000**	**Total RM'000**
Revenue					
Total revenue	**200,576**	**123,941**	**12,632**	**-**	**337,149**
Inter-segment revenue	**(91,754)**	**(869)**	**(12,632)**	**-**	**(105,255)**
Revenue from external customers	**108,822**	**123,072**	**-**	**-**	**231,894**
Interest income	**82**	**91**	**7**	**-**	**180**
Finance costs	**(440)**	**(776)**	**-**	**-**	**(1,216)**
Net finance expenses	**(358)**	**(685)**	**7**	**-**	**(1,036)**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

23. OPERATING SEGMENTS (continued)

(a) Business segments (continued)

2016	Manufacturing RM'000	Trading RM'000	Investment RM'000	Other operating segments RM'000	Total RM'000
Depreciation of property, plant and equipment	(24,676)	(2,894)	-	-	(27,570)
Amortisation of intangible assets	-	(5)	-	-	(5)
Segment profit/(loss) before income tax	37,773	(166)	(790)	(7)	36,810
Tax expense	(6,467)	1,729	(2,082)	-	(6,820)
Other material non-cash items:					
- Gain/(Loss) on disposal of property, plant and equipment	376	(2)	-	-	374
- Fair value adjustment on investment properties	-	900	-	-	900
- Impairment losses on trade receivables	-	(110)	-	-	(110)
- Inventories written (down)/back	(245)	16	-	-	(229)
Additions to non-current assets other than financial instruments	37,210	851	-	-	38,061
Segment assets	219,526	138,531	95,083	195	453,335
Segment liabilities	21,976	28,952	2,049	3	52,980

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

23. OPERATING SEGMENTS (continued)

(a) Business segments (continued)

2015	Manufacturing RM'000	Trading RM'000	Investment RM'000	Other operating segments RM'000	Total RM'000
Revenue					
Total revenue	179,307	110,945	16,717	-	306,969
Inter-segment revenue	(82,743)	(283)	(16,717)	-	(99,743)
Revenue from external customers	96,564	110,662	-	-	207,226
Interest income	54	85	4	-	143
Finance costs	(141)	(753)	-	-	(894)
Net finance expenses	(87)	(668)	4	-	(751)
Depreciation of property, plant and equipment	(22,276)	(2,940)	-	-	(25,216)
Amortisation of intangible assets	(104)	(19)	-	-	(123)
Segment profit/(loss) before income tax	**32,443**	**(5,189)**	**(679)**	**(5)**	**26,570**
Tax expense	(4,159)	(314)	(2,847)	-	(7,320)
Other material non-cash items:					
- Gain on disposal of property, plant and equipment	5	133	-	-	138
- Impairment losses on trade receivables	-	(264)	-	-	(264)
- Inventories written down	(53)	(606)	-	-	(659)
Additions to non-current assets other than financial instruments	31,607	2,976	10	-	34,593
Segment assets	**171,553**	**117,694**	**108,661**	**36**	**397,944**
Segment liabilities	**20,529**	**23,620**	**1,132**	**2**	**45,283**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

23. OPERATING SEGMENTS (continued)

(a) Business segments (continued)

Reconciliations of reportable segment profit or loss and liabilities to the corresponding amounts of the Group are as follows:

	2016 RM'000	2015 RM'000
Profit for the financial year		
Profit before tax	**36,810**	26,570
Tax expense	**(6,820)**	(7,320)
Profit for the financial year/per consolidated statement of profit or loss and other comprehensive income	**29,990**	19,250

	2016 RM'000	2015 RM'000
Liabilities		
Total liabilities for reportable segments	**52,980**	45,283
Deferred tax liabilities	**28,018**	22,614
Group's liabilities/per consolidated statement of financial position	**80,998**	67,897

(b) Geographical segments

The Group operates mainly in Malaysia, ASEAN and Non ASEAN (such as Middle East, Central and South America, Europe, Africa and China). The revenue disclosed in geographical segments are based on the geographical location of its customers.

The following table provides an analysis of the Group's segment revenue, non-current assets and capital expenditure by geographical segment:

	Revenue		Non-current assets		Capital expenditure	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	**110,522**	100,505	**300,286**	263,818	**37,913**	34,404
ASEAN	**36,345**	30,575	**26,639**	22,632	**136**	188
Non ASEAN	**85,027**	76,146	**144**	248	**12**	1
	231,894	207,226	**327,069**	286,698	**38,061**	34,593

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

24. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group target gearing ratio is less than 40% determined as the proportion of net debt to equity. The Group and the Company includes within net debt, loans and borrowings, trade and other payables and current tax liabilities, less cash and bank balances. Capital represents equity attributable to the owners of the parent.

The gearing ratios of the Group and of the Company are as follows:

		Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Borrowings		**35,213**	28,656	**-**	-
Employment benefit obligation		**48**	32	**-**	-
Trade and other payables		**17,335**	15,819	**1,498**	242
Current tax liabilities		**384**	776	**-**	153
Total liabilities		**52,980**	45,283	**1,498**	395
Less: Cash and bank balances		**(24,172)**	(23,669)	**(379)**	(164)
Net debt		**28,808**	21,614	**1,119**	231
Total equity		**372,337**	330,047	**132,823**	134,125
Net debt	(A)	**28,808**	21,614	**1,119**	231
Total equity plus, net debt	(B)	**401,145**	351,661	**133,942**	134,356
Gearing ratio	(A)/(B)	**7.18%**	6.15%	**0.84%**	0.17%

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 31 December 2016.

The Group is not subject to any other externally imposed capital requirements.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control system, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to foreign currency risk, liquidity and cash flow risk, credit risk and interest rate risk. Information on the management of the related exposures is detailed below.

(i) Foreign currency risk

The Group is exposed to transactional currency risk. Such exposures arise from substantial purchases of raw materials and moulds from Taiwan, China, Thailand and South Korea. These purchases are mainly invoiced in New Taiwan Dollar ("NTD") and USD. The Group exports to ASEAN and Non ASEAN regions are mainly denominated in USD.

The Group did not enter into any forward foreign exchange contract during the financial year.

<u>Sensitivity analysis for foreign currency risk</u>

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the USD exchange rate against the respective functional currencies of the Group entities, with all other variables held constant.

	Group	
	2016	**2015**
	RM'000	**RM'000**
Profit after tax		
USD/RM		
- strengthen by 5% (2015: 5%)	**790**	752
- weaken by 5% (2015: 5%)	**(790)**	(752)

Any change in NTD, IDR and RMB exchange rates against the respective functional currencies of the Group entities would not have any significant impact to the Group's financial statements.

(ii) Liquidity and cash flow risks

It is the Group's policy to ensure its ability to service its cash obligation in the future by way of measures and forecasts of its cash commitments, monitoring and maintaining a level of cash and bank balances deemed adequate to the Group's operations and development activities. The Group also maintains flexibility in funding by keeping committed credit lines available.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Liquidity and cash flow risks (continued)

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations.

As at 31 December 2016 **Group**	**On demand or within one year RM'000**	**One to five years RM'000**	**Over five years RM'000**	**Total RM'000**
Financial liabilities				
Trade and other payables	**17,335**	**-**	**-**	**17,335**
Borrowings	**35,421**	**-**	**-**	**35,421**
Total undiscounted financial liabilities	**52,756**	**-**	**-**	**52,756**
Company				
Financial liabilities				
Trade and other payables	**1,498**	**-**	**-**	**1,498**
Total undiscounted financial liabilities	**1,498**	**-**	**-**	**1,498**

As at 31 December 2015 **Group**	**On demand or within one year RM'000**	**One to five years RM'000**	**Over five years RM'000**	**Total RM'000**
Financial liabilities				
Trade and other payables	15,819	-	-	15,819
Borrowings	28,716	307	-	29,023
Total undiscounted financial liabilities	44,535	307	-	44,842
Company				
Financial liabilities				
Trade and other payables	242	-	-	242
Total undiscounted financial liabilities	242	-	-	242

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

26. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

26.1 New MFRSs adopted during the financial year

The Group and Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year.

Title	Effective Date
MFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to MFRS 10, MFRS 12, MFRS 128 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to MFRS 101 *Disclosure Initiative*	1 January 2016
Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to MFRS 127 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to MFRSs *Annual Improvements to MFRSs 2012 - 2014 Cycle*	1 January 2016

There is no material impact upon the adoption of these Standards and Amendments during the financial year, other than the adoption of Amendments to MFRS 101 *Disclosure Initiative*, which resulted in the following:

(a) Grouping together supporting information for items presented in the statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows, in the order in which each statement and each line item is presented.

(b) Disclosures of only significant accounting policies comprising the measurement bases used in preparing the financial statements and other accounting policies that are relevant to the financial statements.

26.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company.

Title	Effective date
Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014 – 2016 Cycle*	1 January 2017
Amendments to MFRS 107 *Disclosure Initiative*	1 January 2017
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

26. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

26.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017 (continued)

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company. (continued)

Title	Effective date
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	See MFRS 4 Paragraphs 46 and 48
MFRS 16 *Leases*	1 January 2019
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	Deferred

The Group and the Company is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for the future financial years.

27. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Lot 5043, Jalan Teratai, Meru, 41050 Klang, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2016 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 28 February 2017.

28. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision for management services. The principal activities of the subsidiaries are set out in Note 2 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

29. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia.

However, Note 31 to the financial statements set out in page 113 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

The new MFRSs and amendments to MFRSs adopted during the financial year are set out in Note 26.1 to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements and on a going concern basis.

30. COMPANIES ACT 2016

The Companies Act 2016 ("CA2016") was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism has appointed 31 January 2017 as the date on which CA2016 comes into operation except Section 241 and Division 8 of Part III of CA2016. CA2016 was enacted to replace the Companies Act, 1965.

The Companies Commission of Malaysia has clarified that CA2016 should be complied with for the preparation of financial statements, Directors' Report and auditors' report thereon commencing from the financial year/period ended 31 January 2016. The main changes in CA2016 that will affect the financial statements of the Group and the Company upon the commencement of CA2016 on 31 January 2017 are:

(i) removal of the authorised share capital; and
(ii) shares of the Company will cease to have par or nominal value.

The adoption of CA2016 is not expected to have any financial impact on the Group and the Company for the year ending 31 December 2017 as any accounting implications will only be applied prospectively. The effect of adoption mainly will be on disclosures to the annual report and financial statements for the year ending 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (continued)

31. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of the reporting period may be analysed as follows:

	2016		2015	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Total retained earnings before consolidation adjustments				
- Realised	**333,547**	**53,456**	303,334	54,758
- Unrealised	**(17,563)**	**-**	(19,340)	-
	315,984	**53,456**	283,994	54,758
Less: Consolidation adjustments	**(82,379)**	**-**	(72,109)	-
Total Group/Company retained earnings as per consolidated financial statements	**233,605**	**53,456**	211,885	54,758

LIST OF PROPERTIES
as at 31 December 2016

Location	Description / Existing Use	Land Area / Built-Up Area	Tenure / Approximate Age of Building	Date of Last Revaluation or Acquisition	Net Book Value (RM'000)
HS(M) 22101 No. PT 29778 & GM 1827 (Lot 5026 - Lot 5028) Mukim of Kapar District of Klang Selangor	Industrial land and building/ Office and factory	31,240 sq m/ 28,545 sq m	Freehold/ 18 - 25 years	09.09.16	32,374
GM 3890 Lot 5043 Mukim of Kapar District of Klang Selangor	Industrial land and building/ Office and warehouse	10,918 sq m/ 9,486 sq m	Freehold/ 14 years	09.09.16	11,957
GM 1672 Lot 5044 Mukim of Kapar District of Klang Selangor	Industrial land and building/ Warehouse	10,031 sq m/ 19,037 sq m	Freehold/ 14 years	09.09.16	14,936
HS(M) 35401 No. PT 54723 (Lot 5045) Mukim of Kapar District of Klang Selangor	Industrial land and building/ Factory	10,085 sq m/ 7,269 sq m	Freehold/ 16 years	09.09.16	9,469
GM 1859 Lot 5046 Mukim of Kapar District of Klang Selangor	Industrial land and building/ Office and factory	10,669 sq m/ 8,527 sq m	Freehold/ 14 years	09.09.16	10,465
HS(M) 36093 No. PT 56761 (Lot 5047 - 5048) Mukim of Kapar District of Klang Selangor	Industrial land and building/ Factory	20,109 sq m/ 12,447 sq m	Freehold/ 6 years	09.09.16	17,962

LIST OF PROPERTIES
as at 31 December 2016 (continued)

Location	Description / Existing Use	Land Area / Built-Up Area	Tenure / Approximate Age of Building	Date of Last Revaluation or Acquisition	Net Book Value (RM'000)
GM 5108 Lot 5060 Mukim of Kapar District of Klang Selangor	Vacant agricultural land	12,141 sq m/ -	Freehold/ -	09.09.16	4,000
GM 5105 Lot 5061 Mukim of Kapar District of Klang Selangor	Vacant agricultural land	12,141 sq m/ -	Freehold/ -	09.09.16	4,000
GM 5592 Lot 5062 Mukim of Kapar District of Klang Selangor	Vacant agricultural land	12,141 sq m/ -	Freehold/ -	09.09.16	4,000
GM 5582 Lot 5065 Mukim of Kapar District of Klang Selangor	Vacant industrial land	12,141 sq m/ -	Freehold/ -	09.09.16	6,500
Pajakan Negeri (WP) 26293 - 26295 Lot 47051 - 47053 Mukim Batu District of Kuala Lumpur Wilayah Persekutuan KL	Industrial land and building/ Rented out as office and warehouse	4,425 sq m/ 2,334 sq m	Leasehold of 99 years expiring on 16.06.2067/ 43 years	14.09.16	9,500
Pajakan Negeri (WP) 26296 - 26297 Lot 47054 - 47055 Mukim Batu District of Kuala Lumpur Wilayah Persekutuan KL	Industrial land and building/ Rented out as office and warehouse	2,839 sq m/ 2,726 sq m	Leasehold of 99 years expiring on 16.06.2067/ 43 years	14.09.16	7,000

LIST OF PROPERTIES
as at 31 December 2016 (continued)

Location	Description / Existing Use	Land Area / Built-Up Area	Tenure / Approximate Age of Building	Date of Last Revaluation or Acquisition	Net Book Value (RM'000)
PN 24531 & PN 27157 Lot 16474 & 16475 Mukim Batu District of Kuala Lumpur Wilayah Persekutuan KL	Industrial land and building/ Office and warehouse	4,590 sq m/ 4,932 sq m	Leasehold of 99 years expiring on 16.06.2067/ 4 years	14.09.16	15,399
Pajakan Negeri CL015413797 Miles 5 ½ Tuaran Road District of Kota Kinabalu, Sabah	Industrial land and building/ Office and warehouse	3,565 sq m/ 1,812 sq m	Leasehold of 60 years expiring on 31.12.2072/ 10 years	28.09.16	5,966
Hak Milik No. 5223 - 5230 Jl. Raya Kamal Muara Kelurahan Kamal Muara Kec. Penjaringan Kotamadya Jakarta Utara DKI Indonesia	Industrial land and building/ Office and warehouse	11,830 sq m/ 7,540 sq m	Leasehold of 30 years expiring on 07.01.2043/ 28 years	26.09.16	25,495

ANALYSIS OF SHAREHOLDINGS
as at 20 March 2017

Issued Share Capital	:	RM75,156,600.00
Class of Shares	:	Ordinary shares
No. of Shareholders	:	1,287
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS
(Based on the Record of Depositors)

Size of Shareholdings	Shareholders	%	Shareholdings	%
1 – 99	67	5.21	551	0.00
100 – 1,000	240	18.65	181,462	0.24
1,001 – 10,000	713	55.40	3,063,200	4.08
10,001 – 100,000	204	15.85	6,426,825	8.55
100,001 – less than 5% of issued shares	60	4.66	24,751,675	32.93
5% and above of issued shares	3	0.23	40,732,887	54.20
TOTAL	1,287	100.00	75,156,600	100.00

Note: 5% of issued shares = 3,757,830 shares

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS
(Based on the Register of Substantial Shareholders)

	No. of Shares Held			
Name	**Direct**	**%**	**Indirect**	**%**
Kam Foong Keng	25,620,942	34.09	-	-
Wong Ah Moy @ Wong Yoke Len	10,036,945	13.35	370,100[1]	0.49
Yeoman 3-Rights Value Asia Fund	5,075,000	6.75	-	-
Yeoman Capital Management Pte Ltd	115,000	0.15	5,165,000[2]	6.87
Yeo Seng Chong	420,000	0.56	5,280,000[3]	7.03
Lim Mee Hwa	-	-	5,700,000[4]	7.58

Note:

1 Deemed interested in the shares held by L F Kim Holdings Sdn. Bhd. in which she is a shareholder and director.

2 Deemed interested in the shares held by Yeoman Capital Management Pte Ltd ("YCMPL") on behalf of all its clients in its role as investment manager and YCMPL has voting control over all the said shares.

3 Deemed interested in the direct and indirect interests held by YCMPL pursuant to Section 8(4) of the Companies Act 2016 through his 50% shareholding in YCMPL.

4 Deemed interested in the direct and indirect interests held by YCMPL pursuant to Section 8(4) of the Companies Act 2016 through her 50% shareholding in YCMPL and the direct interest held by Yeo Seng Chong.

ANALYSIS OF SHAREHOLDINGS
as at 20 March 2017 (continued)

DIRECTORS' INTERESTS
(Based on the Register of Directors' Shareholdings)

	No. of Shares Held			
Name	**Direct**	**%**	**Indirect**	**%**
Kam Foong Keng	25,620,942	34.09	-	-
Chin Jit Sin	838,200	1.12	-	-
Kam Foong Sim	1,807,425	2.40	-	-
Wong Yoke Nyen	10,000	0.01	-	-
Danny Ng Siew L'Leong	-	-	-	-
Datuk Dr. Anis Bin Ahmad	-	-	-	-

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ANALYSIS OF SHAREHOLDINGS
as at 20 March 2017 (continued)

THIRTY (30) LARGEST SHAREHOLDERS
(Based on the Record of Depositors)

Name	Shareholdings	%
1. Kam Foong Keng	25,620,942	34.09
2. Wong Ah Moy @ Wong Yoke Len	10,036,945	13.35
3. DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG Singapore for Yeoman 3-Rights Value Asia Fund (PTSL)	5,075,000	6.75
4. Kam Kin Foong	1,877,125	2.50
5. Yogeswaran A/L Subramaniam	1,705,000	2.27
6. Patricia Lim Pek Yew	1,630,200	2.17
7. Lee Kam Tai	1,629,925	2.17
8. Wong Fong Ngoh	1,439,600	1.92
9. Kam Foong Sim	1,132,425	1.51
10. Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chan Chong Soon (E-KPG)	900,000	1.20
11. Chin Jit Sin	838,200	1.12
12. Wong Fong Ngoh	744,000	0.99
13. JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teo Kwee Hock (STA 1)	700,000	0.93
14. JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teo Siew Lai (Margin)	680,500	0.91
15. Kam Foong Sim	675,000	0.90
16. Lien, Li-Yu	463,300	0.62
17. Lim Pin Kong	445,500	0.59
18. Lin, Chih-Chun	429,500	0.57
19. Lim Ying Ying	424,100	0.56
20. Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte Ltd For Yeo Seng Chong	390,000	0.52
21. Lim Khuan Eng	390,000	0.52
22. Lim Pin Kong	390,000	0.52
23. CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An for DBS Bank Ltd (SFS)	380,000	0.51
24. L F Kim Holdings Sdn. Bhd.	370,100	0.49
25. Koay Keng Ling	354,000	0.47
26. Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account - Ambank (M) Berhad for Lim Pei Tiam @ Liam Ahat Kiat (SMART)	323,200	0.43
27. Amsec Nominees (Asing) Sdn. Bhd. Pledged Securities Account for Tseng, Wan-I	306,000	0.41
28. HK Wong Holdings Sdn. Bhd.	300,000	0.40
29. HLIB Nominees (Asing) Sdn. Bhd. Lim & Tan Securities Pte Ltd for Lam Lai Cheng	285,000	0.38
30. Koay Keng Huat	283,100	0.38
TOTAL	**60,218,662**	**80.15**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twentieth (20th) Annual General Meeting of **NEW HOONG FATT HOLDINGS BERHA**D will be held at Banyan & Casuarina Rooms, Ground Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 1 June 2017 at 10.00 a.m. for the following purposes:

A G E N D A

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.

2. To approve a final single tier dividend of eight (8) sen per ordinary share and a special final single tier dividend of three (3) sen per ordinary share in respect of the financial year ended 31 December 2016. **Ordinary Resolution 1**

3. To re-elect the following Directors who are retiring by rotation pursuant to Article 78 of the Articles of Association of the Company, and who being eligible, offer themselves for re-election:

   (i) Madam Kam Foong Keng **Ordinary Resolution 2**

   (ii) Mr Wong Yoke Nyen **Ordinary Resolution 3**

4. To re-appoint Datuk Dr. Anis bin Ahmad as Director of the Company. **Ordinary Resolution 4**

5. To approve the Directors' Fees of RM195,000 for the financial year ended 31 December 2016. **Ordinary Resolution 5**

6. To approve the Benefits Payable up to an aggregate amount of RM70,000 for the Non-Executive Directors from 1 January 2017 until the next Annual General Meeting of the Company. **Ordinary Resolution 6**

7. To re-appoint Messrs BDO as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

SPECIAL BUSINESS

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

8. **PROPOSED AUTHORITY UNDER SECTION 76 OF THE COMPANIES ACT 2016 FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES**

   "THAT pursuant to Section 76 of the Companies Act 2016, the Directors be and are hereby authorised 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 issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issue; **Ordinary Resolution 8**

NOTICE OF ANNUAL GENERAL MEETING (continued)

8. **PROPOSED AUTHORITY UNDER SECTION 76 OF THE COMPANIES ACT 2016 FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES (continued)**

   AND FURTHER THAT the Directors of the Company whether solely or jointly, be authorised to complete and do all such acts and things (including executing such relevant documents) as he/they may consider necessary, expedient or in the interest of the Company to give effect to the aforesaid mandate."

9. **RETENTION OF DATUK DR. ANIS BIN AHMAD AS INDEPENDENT DIRECTOR**

   "THAT, subject to the passing of Resolution 4 above, and in accordance with the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), Datuk Dr. Anis bin Ahmad be and is hereby retained as Independent Non-Executive Director of the Company and be designated as such until the conclusion of the next Annual General Meeting, subject to the provisions of the relevant regulatory authorities." **Ordinary Resolution 9**

10. **RETENTION OF MR DANNY NG SIEW L'LEONG AS INDEPENDENT DIRECTOR**

    "THAT, in accordance with the MCCG 2012, Mr Danny Ng Siew L'Leong be and is hereby retained as Independent Non-Executive Director of the Company and be designated as such until the conclusion of the next Annual General Meeting, subject to the provisions of the relevant regulatory authorities." **Ordinary Resolution 10**

11. **RETENTION OF MR WONG YOKE NYEN AS INDEPENDENT DIRECTOR**

    "THAT, subject to the passing of Resolution 3 above, and in accordance with the MCCG 2012, Mr Wong Yoke Nyen be and is hereby retained as Independent Non-Executive Director of the Company and be designated as such until the conclusion of the next Annual General Meeting, subject to the provisions of the relevant regulatory authorities." **Ordinary Resolution 11**

12. To transact any other business for which due notice has been given in accordance with the Companies Act 2016 and the Company's Articles of Association.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

FURTHER NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Twentieth (20th) Annual General Meeting of the Company, a final single tier dividend of eight (8) sen per ordinary share and a special final single tier dividend of three (3) sen per ordinary share for the financial year ended 31 December 2016 will be paid on 7 July 2017 to Depositors whose names appear in the Record of Depositors on 16 June 2017.

A depositor shall qualify for entitlement only in respect of:

(a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 16 June 2017 in respect of transfers; and
(b) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

TAI YIT CHAN (MAICSA 7009143)
CHOONG LEE WAH (MAICSA 7019418)
Company Secretaries

Selangor Darul Ehsan
25 April 2017

NOTICE OF ANNUAL GENERAL MEETING (continued)

Notes:

1. Every member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote for him/her. A proxy may but need not be a member of the Company. If the proxy is not a member, he/she need not be an advocate, an approved company auditor or a person approved by the Registrar in a particular case. If a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.

2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (“Authorised Nominee”), it may appoint up to 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.

3. Where a member of the Company is an exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.

4. Only a depositor whose name appears in the Company’s Record of Depositors as at 25 May 2017 shall be regarded as a member and entitled to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend and vote on his/her behalf.

5. The Proxy Form must be signed by the appointer or if the appointer is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.

6. The original signed and/or sealed copy of the Proxy Form must be deposited at the Registered Office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than twenty-four (24) hours before the time appointed for the taking of the poll at the meeting or any adjournment thereof.

7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the Annual General Meeting will be put to vote by way of poll.

EXPLANATORY NOTES

1. Ordinary Resolution 4 – Re-appointment of Datuk Dr. Anis bin Ahmad as Director of the Company

With the Companies Act 2016 coming into force on 31 January 2017, there is no age limit for directors.

At the Nineteenth (19th) Annual General Meeting of the Company held on 2 June 2016, Datuk Dr. Anis bin Ahmad (“Datuk Dr. Anis”) who is above the age of seventy (70) years, was re-appointed pursuant to Section 129 (6) of the Companies Act, 1965 to hold office until the conclusion of the Twentieth (20th) Annual General Meeting. His term of office will end at the conclusion of the Twentieth (20th) Annual General Meeting and he has offered himself for re-appointment.

The proposed Ordinary Resolution 4, if passed, will enable Datuk Dr. Anis to continue to act as Director of the Company and he shall be subject to retirement by rotation at a later date.

The Nomination Committee (“NC”) of the Company has assessed the criteria and contribution of Datuk Dr. Anis and recommended his re-appointment. The Board has endorsed the NC’s recommendation that Datuk Dr. Anis be re-appointed as Director of the Company.

NOTICE OF ANNUAL GENERAL MEETING (continued)

2. **Ordinary Resolution 8 – Proposed Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares**

   The Ordinary Resolution 8 proposed under item 8 of the Agenda is a general mandate for issuance of shares by the Company under Section 76 of the Companies Act 2016. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares in the Company speedily up to an amount not exceeding in total 10% of the total number of issued shares of the Company for such purposes as the Directors consider would be in the interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

   This authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for purpose of funding investment project(s), working capital and/or acquisition(s).

3. **Ordinary Resolution 9 – Retention of Datuk Dr. Anis as Independent Director**

   Datuk Dr. Anis, who has served the Board as Independent Non-Executive Director for a tenure of exceeding nine (9) years, will be retained as Independent Director if this resolution is passed. In observing the recommendation under the MCCG 2012 in relation to tenure of an Independent Director, the Board, after having assessed the independence of Datuk Dr. Anis, considers him to be independent and recommends that Datuk Dr. Anis be retained as Independent Non-Executive Director of the Company. The details of his assessment and justifications are contained in the Statement on Corporate Governance of the Annual Report.

4. **Ordinary Resolution 10 – Retention of Mr Danny Ng Siew L'Leong as Independent Director**

   Mr Danny Ng Siew L'Leong ("Mr Ng"), who has served the Board as Independent Non-Executive Director for a tenure of exceeding nine (9) years, will be retained as Independent Director if this resolution is passed. In observing the recommendation under the MCCG 2012 in relation to tenure of an Independent Director, the Board, after having assessed the independence of Mr Ng, considers him to be independent and recommends that Mr Ng be retained as Independent Non-Executive Director of the Company. The details of his assessment and justifications are contained in the Statement on Corporate Governance of the Annual Report.

5. **Ordinary Resolution 11 – Retention of Mr Wong Yoke Nyen as Independent Director**

   Mr Wong Yoke Nyen ("Mr Wong"), who has served the Board as Independent Non-Executive Director for a tenure of exceeding nine (9) years, will be retained as Independent Director if this resolution is passed. In observing the recommendation under the MCCG 2012 in relation to tenure of an Independent Director, the Board, after having assessed the independence of Mr Wong, considers him to be independent and recommends that Mr Wong be retained as Independent Non-Executive Director of the Company. The details of his assessment and justifications are contained in the Statement on Corporate Governance of the Annual Report.

Personal data privacy:

By submitting an instrument appointing proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

I/We ………………………………………………………………………………(full name of shareholder in block letters) and

NRIC No. / Passport No. / Company No. …………………………………… (new)…………………………………………. (old)

of ……

(full address) being a member of NEW HOONG FATT HOLDINGS BERHAD, hereby appoint …………………………

………………………………………………………………………… (full name in block letters & NRIC No. of proxy) or failing him/her,

……………………………………………………………………………………… (full name in block letters & NRIC No. of proxy)

or failing which, the Chairman of The Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Twentieth (20th) Annual General Meeting of the Company to be held at Banyan & Casuarina Rooms, Ground Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 1 June 2017 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:

		AGENDA	FOR	AGAINST
1	Ordinary Resolution 1	Approval of a final single tier dividend of 8 sen and a special final single tier dividend of 3 sen		
2	Ordinary Resolution 2	Re-election of Madam Kam Foong Keng as Director		
3	Ordinary Resolution 3	Re-election of Mr Wong Yoke Nyen as Director		
4	Ordinary Resolution 4	Re-appointment of Datuk Dr. Anis bin Ahmad as Director		
5	Ordinary Resolution 5	Approval of Directors' Fees of RM195,000		
6	Ordinary Resolution 6	Approval of Benefits Payable up to an aggregate amount of RM70,000 for the Non-Executive Directors		
7	Ordinary Resolution 7	Re-appointment of Auditors and to authorise Directors to fix their remuneration		
8	Ordinary Resolution 8	Proposed Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares		
9	Ordinary Resolution 9	Retention of Datuk Dr. Anis bin Ahmad as Independent Director		
10	Ordinary Resolution 10	Retention of Mr Danny Ng Siew L'Leong as Independent Director		
11	Ordinary Resolution 11	Retention of Mr Wong Yoke Nyen as Independent Director		

(Please indicate with a cross (X) in the space provided on how you wish your vote to be cast in respect of the above resolutions. If you do not do so, the proxy may vote or abstain at his/her discretion.)

Signed this ………….. day of ……………………… 2017

No. of Ordinary Shares held	
CDS Account No.	

………………………………………………..

Signature/Common Seal of Member

Notes:

1. Every member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote for him/her. A proxy may but need not be a member of the Company. If the proxy is not a member, he/she needs not be an advocate, an approved company auditor or a person approved by the Registrar in a particular case. If a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("Authorised Nominee"), it may appoint up to 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.
3. Where a member of the Company is an exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.
4. Only a depositor whose name appears in the Company's Record of Depositors as at 25 May 2017 shall be regarded as a member and entitled to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend and vote on his/her behalf.
5. The Proxy Form must be signed by the appointer or if the appointer is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.
6. The original signed and/or sealed copy of the Proxy Form must be deposited at the Registered Office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than twenty-four (24) hours before the time appointed for the taking of the poll at the meeting or any adjournment thereof.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the Annual General Meeting will be put to vote by way of poll.

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Affix
Stamp

THE COMPANY SECRETARY
NEW HOONG FATT HOLDINGS BERHAD (425709-K)

Registered Office:
c/o Boardroom Corporate Services (KL) Sdn. Bhd.
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya, Selangor Darul Ehsan

Please fold here

New Hoong Fatt Holdings Berhad (425709-K)
Lot 5043, Jalan Teratai, Meru, 41050 Klang, Selangor, Malaysia
Tel: 603 3392 6818 Fax: 603 3392 6808
Email: enquiries@newhoongfatt.com.my
Website: www.newhoongfatt.com.my