



XIAN LENG HOLDINGS BERHAD

(Company No.468142-U)

ANNUAL REPORT 2017





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CORPORATE INFORMATION

Board of Directors:

Augustine A/L T.K. James
(Chairman and Independent Non-Executive Director)
Kuan Kai Seng
(Executive Director/ Chief Executive Officer)
Lee Kian Hu
(Senior Independent Non-Executive Director)
Tay Hui - Hui (Appointed w.e.f. 1 March 2017)
(Independent Non-Executive Director)
Dato' Ng Jet Heong (Appointed w.e.f. 25 May 2017)
(Executive Director)

Wong Koon Wai (Resigned w.e.f. 2 February 2017)
(Independent Non-Executive Director)

Audit Committee:

Lee Kian Hu (Chairman)
Augustine A/L T.K. James
Tay Hui - Hui
(Appointed w.e.f. 1 March 2017)

Wong Koon Wai
(Resigned w.e.f. 2 February 2017)

Nominating Committee:

Lee Kian Hu (Chairman)
Augustine A/L T.K. James
Tay Hui - Hui
(Appointed w.e.f. 1 March 2017)

Wong Koon Wai
(Resigned w.e.f. 2 February 2017)

Remuneration Committee:

Lee Kian Hu (Chairman)
Kuan Kai Seng
Augustine A/L T.K. James

Employees' Share Option Scheme Committee:

Kuan Kai Seng (Chairman)
Lee Kian Hu
Augustine A/L T.K. James

Secretaries:

Laang Jhe How (MIA 25193)
Tan Kah Koon (MAICSA 7066666)

Auditor:

CAS Malaysia PLT
(Formerly known as CAS Malaysia & CAS & Associates)
39-02, Jalan Permas 10/5
Bandar Baru Permas Jaya
81750 Masai, Johor Bahru
Johor Darul Takzim, Malaysia

Tel: 607- 386 9069
Fax: 607-387 9069

Share Registrar:

Insurban Corporate Services Sdn. Bhd.
149, Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur, Malaysia

Tel: 603-7729 5529
Fax: 603-7728 5948

Registered Office:

35, Jalan Penjaja 3
83000 Batu Pahat
Johor Darul Takzim, Malaysia

Tel: 607-433 0313
Fax: 607-431 3697

Principal Bankers:

Malayan Banking Berhad
Alliance Islamic Bank Berhad

Stock Exchange Listing:

Main Market of Bursa Malaysia Securities Berhad
(Bursa Securities)

Website:

www.xianleng.com.my

PROFILE OF DIRECTORS

| | Augustine A/L T.K. James | | Kuan Kai Seng | |
|---|---|--------------------------|---|--------------------------|
| Position | Chairman and Independent Non-Executive Director | | Chief Executive Officer and Executive Director | |
| Age | 60 | | 43 | |
| Gender | Male | | Male | |
| Nationality | Malaysian | | Malaysian | |
| Qualification field | Chartered Accountant | | Chartered Accountant | |
| Working experience & Occupation | <p>Mr Augustine James was articled with the firm of Messrs. Goonting & Chew, Public Accountants (M) based in Kuala Lumpur in mid 1977. Whilst being articled, he sat for the Malaysian Association of Certified Public Accountants exams.</p> <p>In 1983, he joined Messrs Aljeffri & Co. Chartered Accountants (M) also based in Kuala Lumpur. Messrs Aljeffri & Co, also a medium sized audit firm with six branches. He was later appointed a salaried partner of the firm. He was put in charge of the Insolvency division and managed the division for six years. He was also put in charge of the branches. One of the major tasks undertaken was to manage and supervise on behalf of the court appointed receiver, the operations of Lori Malaysia Berhad., which had more than two hundred prime movers and trailers for more than four years. In addition he was appointed the Receiver's Authorised Representative to undertake receivership assignments initiated by various financial institutions. He left Messrs Aljeffri & Co. on his own accord in early 1995 to manage his own firm styled under Messrs James & Co.</p> <p>Presently, Mr Augustine James is the named liquidator (appointed by court) in more than 30 Companies mostly involved in property development and property holding mostly in the Klang valley.</p> <p>Messrs. James & Co. Chartered accountants (M), has been in existence since early 1995. As the Managing partner of the firm he brings together 39 years of exposure in varied professional services rendered in the public practice. He has been exposed to a wide range of professional services including auditing, accounting, secretarial, taxation, receivership, business finance, business consultancy and etc.</p> | | <p>Mr Kuan Kai Seng holds a Bachelor degree in Accountancy from Nelson Polytechnic, New Zealand in December 1999 and Chartered Accountancy of the Institute Chartered Accountant of New Zealand in 2002. He is a member of New Zealand Institute of Chartered Accountants, Malaysian Institute of Chartered Accountants and Chartered Tax Institute of Malaysia.</p> <p>Mr Kuan joined Ernst & Young from March 1999 to September 2002, carrying out statutory audit on private limited and public limited companies.</p> <p>Subsequently, Mr Kuan was a Group Accountant in a local group of companies. His employment with the group of companies included three years overseas posting as an Assistant General Manager cum Head of Finance for the group's subsidiary in China. After that, he was in public practice as a chartered accountant in a member firm of MIA.</p> <p>Currently, Mr Kuan is oversees the planning, development and overall management of the Group. He has more than 5 years experience in the management of ornamental fish trades and operation of the fish farms.</p> | |
| Date of Appointment | 17 August 2012 | | 3 April 2012 | |
| Date of Resignation | N/A | | N/A | |
| Other directorships of public companies | Nil | | Karyon Industries Berhad Evergreen Fibreboard Berhad | |
| Membership of Board Committees | Member of Audit Committee Member of Nominating Committee Member of Remuneration Committee Member of Employees' Share Option Scheme Committee | | Member of Remuneration Committee Chairman of Employees' Share Option Scheme Committee | |
| Family relationship with any director and / or major shareholder of XLB | Nil | | Nil | |
| Conflict of interest with XLB, if any | Nil | | Nil | |
| Convictions for offences within the past 10 years other than traffic offences | Nil | | Nil | |
| Attendance at Board Meetings held during the financial year | No. of meetings held | No. of meetings attended | No. of meetings held | No. of meetings attended |
| | 4 | 4 | 4 | 4 |

PROFILE OF DIRECTORS

| | Lee Kian Hu | | Tay Hui - Hui | |
|---|--|--------------------------|--|--------------------------|
| Position | Senior Independent Non-Executive Director | | Independent Non-Executive Director | |
| Age | 43 | | 31 | |
| Gender | Male | | Female | |
| Nationality | Malaysian | | Malaysian | |
| Qualification field | Chartered Accountant | | Certified Company Secretary | |
| Working experience & Occupation | <p>Mr Lee Kian Hu holds a Bachelor Degree in Economics and Accounting from the University of Western Australia and is a member of the Certified Practising Accountant of Australia and a member of the Malaysian Institute of Accountants. After graduation, he gained experience working for a local accounting firm and moved on to an international accounting firm and was responsible for handling full set of audit job, corporate tax computation and leading the audit teams, system documentation and reviews, advisory on business law and companies act, rules and regulations, commercial and financial data analysis.</p> <p>Currently, Mr Lee is a Sole-proprietor of Hu & Co., Chartered Accountants in Johor Bahru, the Director of Hu & Co. Consultants Sdn. Bhd. and CH Management Consultants Sdn. Bhd. which are secretarial and management consulting firm, mainly providing various level of professional advisory services.</p> | | <p>Ms Tay Hui - Hui obtained a Diploma in Business from Kolej Aman in October 2009. Subsequently, she gained working experience from a local trading company and was responsible for handling accounting work and system documentation.</p> <p>After that, she joined with a local professional firm, Best Ventures Consultancy Services. She was responsible for carrying out audit work and tax computation on private limited companies. Meanwhile, she also assisted in secretarial works such as help clients prepare company resolutions, minutes and other statutory documents.</p> <p>After passed the qualifying examinations of the Malaysian Association of Company Secretaries (MACS) and accumulated 3 years of relevant company secretarial working experience, she successfully obtained the MACS member and become a Certified Company Secretary.</p> <p>Subsequently, she started develop her own business in Batu Pahat. Her business services include providing company secretarial, audit and tax services to clients.</p> | |
| Date of Appointment | 15 June 2012 | | 1 March 2017 | |
| Date of Resignation | N/A | | N/A | |
| Other directorships of public companies | Nil | | Karyon Industries Berhad | |
| Membership of Board Committees | Chairman of Audit Committee Chairman of Remuneration Committee Chairman of Nominating Committee Member of Employees' Share Option Scheme Committee | | Member of Audit Committee Member of Nominating Committee | |
| Family relationship with any director and / or major shareholder of XLB | Nil | | Nil | |
| Conflict of interest with XLB, if any | Nil | | Nil | |
| Convictions for offences within the past 10 years other than traffic offences | Nil | | Nil | |
| Attendance at Board Meetings held during the financial year | No. of meetings held | No. of meetings attended | No. of meetings held | No. of meetings attended |
| | 4 | 4 | N/A | N/A |

PROFILE OF DIRECTORS

| | Dato' Ng Jet Heong | | Wong Koon Wai | |
|---|--|---------------------------------|--|-------------------------------|
| Position | Executive Director | | Independent Non-Executive Director | |
| Age | 52 | | 42 | |
| Gender | Male | | Male | |
| Nationality | Malaysian | | Malaysian | |
| Qualification field | Business & Corporate Management | | Chartered Accountant | |
| Working experience & Occupation | <p>Dato' Ng Jet Heong holds a Bachelor Degree in Economics from University of Malaya. He started his career as a Finance Officer of Arab-Malaysian Finance Berhad. Subsequently, he joined Standard Chartered Bank Malaysia Berhad in 1990 as Business Development Manager.</p> <p>Dato' Ng became a Commission Dealer Representative with JB Securities Sdn Bhd in 1993 where he was responsible in dealing and trading for institutions and retail high net worth clients. He left the company in 2004 and joined PM Securities Sdn Bhd as an Associate Director.</p> <p>In 2008, he joined MIMB Investment Bank as Branch Head of Dealing, where he was in charge of growing and expanding retail businesses and managing a team of remisiers and dealers</p> <p>He joined M & A Securities Sdn Bhd as Head of Dealing in year 2011. His responsibilities included leading and managing remisiers and dealers, growing business contacts and expanding new branches across Malaysia. With a period of three (3) years later, he was promoted as an Independent Non Executive Director, a position he held till todate.</p> <p>Dato' Ng has also served as Executive Director of Yong Tai Berhad, a company listed on Bursa Malaysia Securities Berhad since August 2014 until March 2016.</p> | | <p>Mr Wong Koon Wai graduated with a Bachelor Degree in Business (Accountancy) from the Royal Melbourne Institute of Technology in 1999. He started his career in the audit and assurance profession in June 2000 and joined Crowe Horwath in May 2003. He was promoted to the position of Senior Manager before he left the firm 8 years later in 2011. Throughout his audit and assurance profession tenure, he has gained knowledge in external audit and corporate transactions locally and overseas.</p> <p>Mr Wong joined Oriental Castle Sdn Bhd in 2011 as its Financial Controller where he was responsible to oversee the finance and accounting functions of the company and its group of companies in Malaysia, Singapore, China, Vietnam and Indonesia. He left the company in 2012 and joined the Malaysian Institute of Accountants as its Director of the Professional Standards & Practices Division, where he was responsible for the overall leaderships, direction and coordination of all activities of the said division.</p> <p>In 2014, Mr Wong left the Malaysian Institute of Accountants and joined Poh & Tan as an Audit Principal where he was involved in liquidation, audit, GST and corporate advisory services. In 2015, he left Poh & Tan for Global Line Network Sdn Bhd, where he joined as its Chief Operating Officer and is responsible on planning, directing and coordinating the company's operational policies, rules, initiatives and goals.</p> | |
| Date of Appointment | 25 May 2017 | | 27 March 2015 | |
| Date of Resignation | N/A | | 02 February 2017 | |
| Other directorships of public companies | Nil | | Nil | |
| Membership of Board Committees | Nil | | Member of Audit Committee Member of Nominating Committee | |
| Family relationship with any director and / or major shareholder of XLB | Nil | | Nil | |
| Conflict of interest with XLB, if any | Nil | | Nil | |
| Convictions for offences within the past 10 years other than traffic offences | Nil | | Nil | |
| Attendance at Board Meetings held during the financial year | No. of meetings held N/A | No. of meetings attended N/A | No. of meetings held 4 | No. of meetings attended 4 |



PROFILE OF KEY MANAGEMENT

Mr Ong Boon Sheng, aged 42, male, has been the Executive Director of subsidiary companies of our Group since March 2015. He holds a Bachelor's Degree in Finance & Accountancy from University of Abertay Dundee.

He has over 15 years working experience including 6 years as an Administrative & Finance Manager for a multinational overseas company.

Back in Malaysia, he started his own business in trading and production of aqua products; eg arowana, flowerhorn, betta and guppy.

In year 2000, he moved on to the marketing jobs for a few local companies and also led the ISO project implementation and internal audit for those companies.

He provides independent advisory services on the inventory control system for Xian Leng Trading Sdn Bhd since year 2012 before his appointment as subsidiary companies' Executive Director.

Mr Lim Cheng Poh, aged 48, male, is currently the Farm Manager of Xian Leng Trading Sdn Bhd ("XLT").

He is involved in ornamental fish industry since 2003. He started working as Marketing Executive in Xian Leng retail outlet mainly the trading of ornamental fishes, aquarium accessories, feed and medication.

In year 2009, he was transferred to the ornamental fish farm of XLT taking charge of the farm development, operation and production of Arowanas and Stingrays.

He has more than 8 years experience in the management and operation of the farm. He is familiar with Arowana's & Stingray's environmental and ecology requirements, feeding dispositions and breeding pattern.

Ms Lim Choon Hong, aged 42, female, has been the Sales Manager of Xian Leng that involved in the ornamental fish industry since year 1998.

Over the last 19 years, she has been actively involved in the trading of ornamental fishes and aquarium accessories including feed and medication. Currently, she is leading on the marketing and sales functions, handling day to day retail and wholesale operation.

She started as a Sales and Marketing trainee in Batu Pahat ornamental fish centre where she was responsible for the marketing of aquarium accessories distribution throughout Peninsular Malaysia.

In year 2003, she was designated to supervise and handle the expansion of accessories' sales and marketing especially in Southern Region of Malaysia.

Ms Ho Wei Ying, aged 31, female, holds a Bachelor Degree in Accountancy from University of Bolton, United Kingdom.

Her career with Xian Leng began in 2004, where she held various positions in the areas of inventory, accounting and assisting the team of information technology of the Xian Leng Group.

In 2010, she was appointed as the Senior Finance Officer and subsequently further promoted to the post of Account and Finance Manager responsible for the account/financial analysis, reporting and controlling of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE PROFILE

Xian Leng Holdings Berhad (XLB) was incorporated in Malaysia under the Companies Act, 1965 on 28 August 1998 as a private limited company and was converted into a public company with its present name on 26 September 2000. XLB was successfully listed on the Second Board of the Bursa Malaysia Securities Berhad (Bursa Securities) on 5 December 2001, subsequently transferred to the Main Board of Bursa Securities on 4 September 2003, having the distinction of being the first company to do so in the fisheries sector.

The company's principal activities are investment holding and provision of management services. It is principally involved in the commercial captive breeding of the Asian Arowanas, Stingrays and other ornamental fishes as well as trade in related items such as aquarium tanks and accessories, fish feeds and medication. Xian Leng Holdings Berhad has four (4) subsidiaries namely Xian Leng Trading Sdn Bhd, Xian Leng Aquatic Merchant Sdn Bhd, Xian Leng Aquatic (Kluang) Sdn Bhd and Xian Leng Aquatic (Shah Alam) Sdn. Bhd.

OUR MISSION

We strive to be a first-class breeder and supplier of high value Asian Arowana, Stingray and other ornamental fishes with unmatched quality, achieved through continuous efforts in Research & Development.

OVERVIEW OF BUSINESS OPERATION

XLB is principally an investment holding and a provision of management services company with four (4) subsidiaries as stated below:

1. Xian Leng Trading Sdn Bhd ("XLT")

XLT was established in 1989 which is engaged in commercial captive breeding of the Asian Arowana, Stingray and other aquatic animals and property holding. Currently, XLT has three fish farms occupying approximately 70-acres of land. The captive-breeding of the Asian Arowana and Stingray are carried out in Xian Leng's farms which are located on a gentle slope of hill flush with green vegetation and next to a protected forest reserve in Parit Sulong and Kangkar Senangar, Johor Darul Takzim, Malaysia. While the other fish farm located in Sungai Suluh, is principally for the breeding and holding of the other popular ornamental fishes such as Japanese Carps, Cichlids, Anabantids and Goldfish.

2. Xian Leng Aquatic Merchant Sdn Bhd ("XLAM")

The principal activities of XLAM are the trading of ornamental fishes and aquarium accessories and property holding. XLAM was established in 1995 and this subsidiary trades in tropical fishes such as Japanese Carps, Barbs, Chihlids and Anabantids. The Company positions itself as a one-stop centre offering a wide range of ornamental fishes and related facilities at competitive prices. The ornamental fish trading centre situated in Batu Pahat town is engaged in the retailing of both local and exotic aquarium fishes as well as the related paraphernalia such as aquarium and accessories, fish feed and medication.

3. Xian Leng Aquatic (Shah Alam) Sdn Bhd ("XLASA")

XLASA was established in 2002 which is engaged in the supplying and installation of aquarium as well as trading of ornamental fishes and aquarium accessories. Nonetheless, it had ceased its operation and remained dormant during the financial year.

4. Xian Leng Aquatic (Kluang) Sdn Bhd ("XLAK")

XLAK has undertaken to develop a fish farm in the town of Kluang, Johor. This subsidiary was established in 2003 which is involved in the development of fish farming activities and engaged in the breeding and rearing of other tropical fishes such as Anabantid, Catfish, Angel Fish and trading of aquaculture products.

MANAGEMENT DISCUSSION AND ANALYSIS



OVERVIEW OF BUSINESS OPERATION (CONT'D)

RESEARCH & DEVELOPMENT

The success of Xian Leng in maintaining its leading edge over competitors in the business is largely due to strong commitment given to Research and Technology Development (RT&D), which have resulted in a number of breakthroughs. This has enabled the Company to improve its production efficiency with increased productivity and product quality. The technological breakthroughs achieved include the following:

- Improving the quality of the Malaysian Golden variety, which ranks No. 1 among Asian Arowana species and fetches the highest price.
- Creating “new” variants of the major varieties through genetic selection and cross-breeding.
- Enhancing the colour of the fish’s scales with intense hues and brilliance to improve its attractiveness.
- Improving the physical appearance and robustness of the fish through proper priming and careful nurturing of the fry.
- Perfecting environmental and fish farm management practices.
- Improving feed quality and culture systems.

OUR COMPETITIVE STRENGTH

The competitive advantage of Xian Leng lies in the head-start the company has over its competitors by being the first fishery company in Malaysia to register its name under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) for the international trade of Asian Arowana. Xian Leng has successfully taken advantage of this lead to broaden and establish an extensive customer base through active market promotion; undertake Research & Development (R&D) to produce more attractive products and timely expansion of farm facilities to increase production in order to meet rising demands. In addition, the status of Xian Leng as a public listed company has further enhanced its image and confidence in the corporate world.

OUR APPROACH & MANAGEMENT

The Company adopts a strong pro-environmental bias in the establishment of its fish farm. This bias is inherent in every aspect of the farm’s location, design and operation. The major features of this holistic environmental approach include:

- A location adjacent to a forest reserve that promises stability in terms of water supply and quality, microenvironment and meteorology.
- A farm design that maximizes land use without degradation. Extensive landscaping and planting of trees and ornamental plants are undertaken throughout the farm.
- Pond designs that enable effective scavenging of wastewater.
- Good water quality management to ensure a conducive aquatic environment for the farming and breeding of the fish as well as minimizing the risks associated with the discharge of effluents.
- The main mechanisms by which these quality standards are maintained are by low stocking densities and the extensive use of live feeds, which obviates from increased nutrient loads as well as avoidance in the use of hazardous chemicals and antibiotics, which will have an adverse effect on the natural ecosystem over the long term.



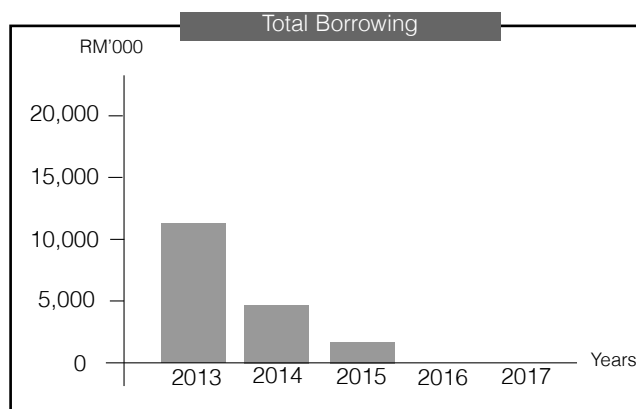
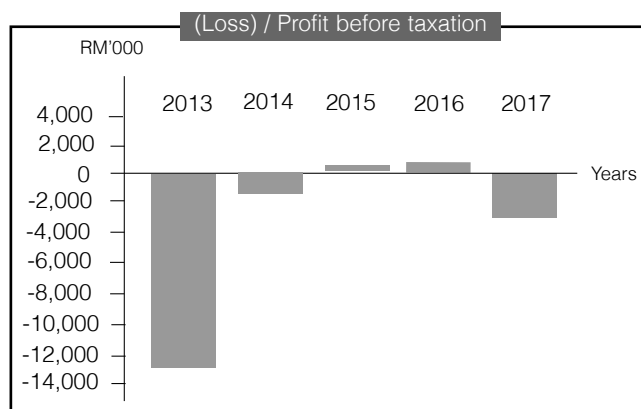
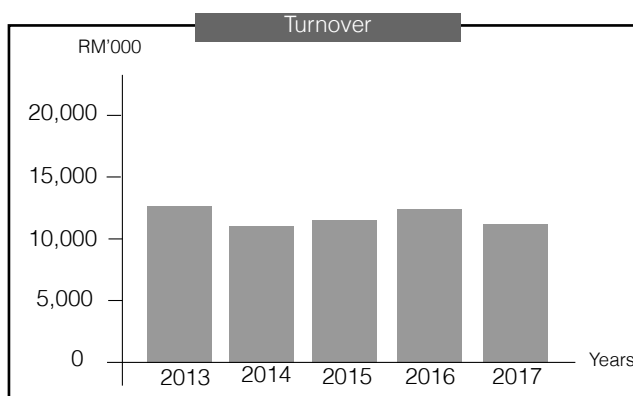
MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS STRATEGY

The Company intends to ride on its existing success as a leading breeder of top quality Asian Arowana, Stingray and other tropical fish to expand and capture the world market to increase its market share; and diversify into other high value ornamental fishes to meet the increasing local demand and for export. Broadly, the approach is to produce high quality ornamental fishes through research and development for the high-end market niche.

GROUP FINANCIAL HIGHLIGHTS

The financial results of Xian Leng Group for the past five (5) financial years ended 31 January 2017 are set out below:



| Description | Year Ended 31 Jan 2013 RM'000 | Year Ended 31 Jan 2014 RM'000 | Year Ended 31 Jan 2015 RM'000 | Year Ended 31 Jan 2016 RM'000 | Year Ended 31 Jan 2017 RM'000 |
|---------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Turnover | 12,994 | 10,854 | 12,707 | 12,900 | 10,933 |
| (Loss) / Profit before taxation | (12,965) | (1,982) | 646 | 763 | (3,831) |
| Total Borrowing | 11,585 | 4,926 | 1,480 | - | - |

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

For financial year ended 31 January 2017, the Group achieved revenue of RM10.933 million for the 12 months period ended as compared with RM12.900 million in the corresponding period last year. Turnover was decrease about 15% mainly due to the lower of sales volume and decreases of selling price of fishes compared to the previous corresponding period.

The Group registered a loss before tax of RM3.831 million as compared with profit before tax of RM0.763 million in the corresponding period last year. The reasons of higher loss before tax accounted in current period is mainly due to the provision of impairment loss on property, plant and equipment which amounting to RM1.585 million, decrease in sales volume and also selling price.

Presently the company's gearing ratio is zero. In long run this will be a good foundation in balance sheet for company future growth. Although, never ending challenges was pour down upon us and our team continue to take up the challenges with great attitude to improve our profit and loss as well as balance sheet.

OPERATING PERFORMANCE AND OUTLOOK

Fresh water stingray was our major success story in recent years. The whole team was really excited about it. The post El-nino has an impeccable effect on our Company, where our buyers have switched to cheaper substandard stingray from the backyard stingray breeders. These breeders took advantage to flood the market with substandard stingray. Furthermore, we were informed that more new farms has been sprouting around Guangzhou, China. This has cause pricing competition in China market. Sudden surge of supply in the overseas market and overseas competitors have lowered operating cost (i.e. no export related costs) has seriously affected our "stingray" market shares both in term of volume and pricing.

In the past our Stingray fish export selling price command much better margin as compared to our local Malaysia market. Due to the up-rising of backyard breeders, the situation has been reversed. Currently the local Stingray fish margin has better margin than overseas market. The management is repositioning ourselves to secure more local market share.

The Company is still facing work-force issue as the unresolved foreign worker issue continued. However, tremendous effort has been exerted by the Sales and Marketing team to recover the confidence of our buyers but the global economic slowdown continue causes consumer to be vigilant with their spending. Cost of living in Malaysia has doubled up and household spending power has reduced. More and more consumer has lesser disposable income to spend on non necessity hobby items. Costing on the other hand has increased tremendously due to higher inflation where logistic cost, labour cost, utilities and feeding cost have affected the total profit in this challenging economic condition.

Conversely, our goldfish sales last year has reached its new height compared to last couple of financial years. The imports of goldfish from other Asian countries to Japan were affected due to revision of the Japan's Act on the Protection of Fishery Resources effective January 2016. However, provisional conditions are given by Ministry of Agriculture, Forestry and Fisheries Japan (MAFF) to Malaysia in advance on goldfish quarantine method which caused the increased of goldfishes demand from Japan importers during that period of time.

Our marketing team is positive with this scenario; it indicates the ornamental fish consumer or player is still available and they are favoring gold fish mainly due to budget concern. Once the global economy recovers, we are ready to take on the effort to massively promote the sale of ornamental fishes to the market. Before that, we will still continue to harvest from our export market due to our reputation, technique and technology to deliver the best ornamental fishes to our consumer. Thus, our current farm capacity is behind the demand and the Company has on its last financial year, spent a total of RM300,000 for goldfish farm expansion.

CORPORATE SOCIAL RESPONSIBILITY

The Group practices good Corporate Social Responsibility (CSR) and commits to uphold the interest of our stakeholders in the work place, community and the environment.

Workplace

The Group recognizes the importance of having a conducive working environment for the employees. It emphasizes fair promotional and remuneration scheme for all employees regardless of age and gender. Accordingly, XLB currently employs a number of retirees and senior citizens for its operations.

It also recognizes the importance of employee's welfare and strives to improve on the quality of life for all, by putting in place various educational and career advancement programs.

In addition, social and recreational activities are frequently organized to encourage employees' interaction, as well as to cultivate team spirit among the employees. Meanwhile, the Group also ensures a healthy workplace, by providing a clean and safe working environment for all employees.

Community

The Group actively supports aquarium-visit-programmes organized by different educational institutions in the country. During these visits, the Group actively promotes and educates the participants with useful information on fishery and aquarium care tips to enhance their knowledge in this field.

The Group also provides internships trainings from time to time to various local institutions. Through this internships programme, students will have the opportunity to gain practical experience.

During the financial year, the Group had also contributed to local charities and disabled children.

Environment

The Group is committed to ensure that its activities will not have a significant negative impact on the environment. It strongly adopts pollution free breeding methods for its fish farming operations. A strong pro-environmental bias is adopted in the establishment of its fish farm as evidenced in every aspect starting from the farms' location to design, construction, management and operations.

In order to pledge higher donations in preserving the environment, the Group has undertaken initiative through a dollar for a dollar recycle and charity programme, The Group matches every dollar that the proceeds received from the sale of recyclable materials collected by the staff and channeled the funds to the environment protection group.

Promotion of Agro-Tourism Industry

In line with the country's effort to promote agro-tourism industry, the Group is committed to the promotion of such activities by opening to the public its impressive collection of fishes at its aquariums in Batu Pahat showroom. To date, the Batu Pahat showroom has been marked as one of the popular tourist destination to visit in Batu Pahat.



STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors ("Board") of XLB are committed to the high standards of corporate governance, prescribed in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012").

The Board is cognizant that it is accountable to its investors and shareholders for good corporate governance and continuously reviews and enhances the Company's process, practices and policies to ensure its business operations are in accordance to the principles of integrity, transparency, accountability and responsible business conduct, thereby reducing any potential untoward incidences. The Board is committed and strives to apply the recommendations of the MCCG 2012 to ensure that good corporate governance is practiced throughout the Group to effectively discharge its responsibilities to protect and enhance shareholders' value.

This statement describes the Company's application of the principles and the extent of compliances with the best practices of the MCCG 2012.

A. DIRECTORS

a) The Board

The Board is led and managed by an experienced and dynamic team who is responsible for the stewardship of the business and affairs of the Group with a view of enhancing shareholders' value.

The Board is responsible for establishing corporate goals and providing the strategic direction for the Group. The Board also plays the critical role in ensuring that sound and prudent policies and practices are in place and performs the oversight role on the management of the Company's business towards achieving its long term goals.

The Board has an effective working partnership with the Management in establishing the strategic direction and implementation of its goals. There is a clear division of responsibility between the Chairman and the Executive Directors to ensure that there is a balance of power and authority.

Presently, the Board has five (5) members comprising of two (2) Executive Directors, one (1) Senior Independent Non-Executive Director and two (2) Independent Non-Executive Directors.

Recommendation 3.1 of the MCCG 2012 states that the Board should undertake an assessment of its Independent Directors annually. The Board has conducted an assessment of independence of the Independent Non-Executive Directors and have determined that all the three (3) Independent Non-Executive Directors remain objective and independent.

The five (5) members of the Board are persons of high integrity and are responsible for overall governance of the Group by ensuring that the Group's internal control, risk management and reporting procedures are well in place. The current size and composition of the Board are considered adequate to provide mix of skills, experience and expertise. Furthermore, the Board is of the view that with the current Board size, the power and authority of Executive Directors and Independent Directors are balanced. The Board will continue to monitor and review the Board size and composition as may be needed.

The Board is of the view that while it is important to promote gender diversity, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge should remain a priority.

b) Board Meetings

The Board meets at least once every quarter and additional meetings are convened as and when necessary. Four (4) Board Meetings were held during the financial year ended 31 January 2017 and the attendance for each Director is as follows:-

| Name of Directors | Number of meeting attended | Percentage (%) |
|---|----------------------------|----------------|
| Augustine A/L T.K. James | 4/4 | 100% |
| Kuan Kai Seng | 4/4 | 100% |
| Lee Kian Hu | 4/4 | 100% |
| Wong Koon Wai (Resigned w.e.f. 2 February 2017) | 4/4 | 100% |
| Tay Hui - Hui (Appointed w.e.f. 1 March 2017) | N/A | N/A |
| Dato' Ng Jet Heong (Appointed w.e.f. 25 May 2017) | N/A | N/A |

STATEMENT OF CORPORATE GOVERNANCE

A. DIRECTORS (CONT'D)**c) Time Commitment**

All Directors had confirmed that they were not holding directorship more than five (5) public listed companies as prescribed in Paragraph 15.06 of the Main Market Listing Requirement.

d) Supply of information

The Directors have full and unrestricted access to all information and can also seek independent professional advice whenever such services are needed to assist them in carrying out their duties. All Directors are provided with the agenda together with the Board papers prior to the Board Meetings to allow sufficient time for the Directors to review, consider and deliberate knowledgeably on the issues and to obtain further information and explanations to facilitate informed decision making. All Directors have access to the advice and services of the Company Secretary.

e) Re-election

All directors are required to submit themselves for re-election every three (3) years. Full information is disclosed through the notice of meeting regarding directors who are retiring and who are willing to serve if re-elected.

f) Induction to Board Members and Members

All new Directors are required to undergo an orientation program to provide them with necessary information to enable them to contribute effectively from the date of their appointment. This includes internal briefings on the Group's operations and financial performance and organized site visits to the fish farms and offices. All Directors have attended the Mandatory Accreditation Program as required by Bursa Securities.

g) Board Charter

The Board has revised and adopted a Board Charter to promote the standards of Corporate Governance and defines among others the roles and responsibilities of the Board. The Board Charter is subject to review by the Board annually to ensure that it remains consistent with the Board's objectives and responsibilities. The Board Charter is also available on the Company's website www.xianleng.com.my.

h) Board Committee

The Board has a number of standing committees, all of which have written Terms of Reference clearly setting out their authority and duties, namely the Audit Committee, the Nominating Committee and the Remuneration Committee. All the Board Committees report to the Board. The Terms of Reference of all the Board Committees are also available on the Company's website at www.xianleng.com.my.

i) Audit Committee

The Audit Committee is to assist the Board of Directors in discharging its responsibilities relating to accounting and reporting practices of the Group; provides independent review of the Company's financial results and internal control system to ensure compliance with the statutory and accounting policy requirements.

Further details on the composition and summary of activities of the Audit Committee together with its report are presented on pages 16 to 17 of this Annual Report.

ii) Nominating Committee

The Committee's key functions are to make recommendations on all new appointments to the Board and membership of Board Committees.

The details on the duties and activities of the Nominating Committee is set out in the Nominating Committee Report of this Annual Report.

iii) Remuneration Committee

The Remuneration Committee is responsible to determine a procedure for developing a remuneration policy which will enable the Company to attract and retain directors with the relevant experience and expertise needed to run the Group successfully.

The composition and the summary of activities of the Remuneration Committee is set out on page 19 of this Annual Report.

STATEMENT OF CORPORATE GOVERNANCE

A. DIRECTORS (CONT'D)

h) Board Committee (Cont'd)

iv) Employee Share Option Committee

The functions of the ESOS Committee is to administer the implementation of the ESOS in accordance with the objectives and regulations set out in the By-Laws, make rules and regulations or impose such terms and conditions in such manner as it deemed fit and with such powers and duties as are conferred upon it by the Board.

Currently, the Company does not have any ESOS. However, the ESOS Committee is maintained for future ESOS proposal (if any).

B. DIRECTORS' TRAINING

Directors' training is an ongoing process as Directors recognise the need to continually develop and to update themselves on developments to keep them abreast with the current developments of the industry as well as the new statutory and regulatory requirements to enable them to discharge their duties effectively.

During the financial year ended 31 January 2017, the Directors have attended the following training programmes:-

| Directors | Seminars and briefings attended |
|--------------------------|---|
| Augustine A/L T.K. James | <ul style="list-style-type: none"> National Insolvency Conference on 11 October 2016 Valuation on Mergers and Acquisitions on 10 October 2016 Insolvency Conference on 26 May 2016 |
| Kuan Kai Seng | <ul style="list-style-type: none"> Deferred Tax – Applying Basic Principles to Complex Accounting on 14-15 December 2016 Boardroom-Bursa Malaysia's Sharing Session – IPO and Equity Crowd Funding on 27 June 2016 |
| Lee Kian Hu | <ul style="list-style-type: none"> New Companies Act 2016 - A Snapshot of Changes Big Data Analytics for Competitive Business Advantage |
| Tay Hui - Hui | <ul style="list-style-type: none"> National Tax Conference 2016 on 15 November 2016 The New Companies Act, 2016 on 27 August 2016 Mandatory Accreditation Programme (MAP) for Director of Public Listed Companies on 2-3 March 2016 |
| Dato' Ng Jet Heong | <ul style="list-style-type: none"> Module 1: Directors as Gatekeepers of Market Participants on 26 September 2016 Module 2A: Business Challenges and Regulatory Expectations on 27 September 2016 Module 3: Risk & Compliance Oversight-Action Plan for Board of Directors on 29 September 2016 Module 4: Current and Emerging Regulatory Issues in the Capital Market on 30 September 2016 |

C. RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Board recognises the importance of good communication with all shareholders and endeavours to provide timely and accurate disclosure of all material information of the Group to the shareholders and investors. Shareholders and investors are kept informed of all major developments within the Group by way of announcements via the Bursa Link, the Company's Annual Reports, website and other circulars to shareholders with an overview of the XLB Group's financial and operational performance.

The Annual General Meeting (AGM) of the Company represents the principal forum for dialogue and interaction with all shareholders. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report before the meeting. The Board encourages shareholders to participate in the question and answer session. Members of the Board as well as Auditors of the company are available to answer and provide explanations on queries raised during the meetings.

Notice of AGM and Annual Report are sent out to shareholders at least 21 days before the date of the meeting. In the case of re-election of Directors, the Board will ensure that full information is disclosed through the notice of meeting regarding Directors who are retiring and who are willing to serve if re-elected.

STATEMENT OF CORPORATE GOVERNANCE

C. RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved.

In line with the best practice of Corporate Governance, shareholders were notified of their rights to demand for poll voting during last AGM and the Board has passed the substantive Resolutions by way of poll voting.

D. CORPORATE DISCLOSURE POLICY

The Board is aware of the importance of timely and accurate material disclosure to the public and in compliance with Main Market Listing Requirements of Bursa Securities. This is to avoid confusion to the market and undermine the principle of orderly and fair market if the disclosures are incomplete or inaccurate.

The Board had delegated the authority to the Chief Executive Officer to approve all the announcements for release to Bursa Securities.

E. CODE OF CONDUCT

The Company has in place a Code of Conduct Policy and procedure. The Code of Conduct Policy and procedure is also available on the Company's website www.xianleng.com.my

F. WHISTLE BLOWING

The Company has in place a Whistle Blowing Policy and procedure. The email address is cilipadiXL@gmail.com. A full Whistle Blowing Policy enumerating its objective and reporting procedure are available on the Company's website at www.xianleng.com.my

G. STRATEGIES PROMOTING SUSTAINABILITY

The Group is committed to build a sustainable business by taking into consideration the impact on the environment, social and governance aspect of business operations.

H. ACCOUNTABILITY AND AUDIT**a) Financial Reporting**

In presenting the annual financial statements and quarterly announcement of its results, the Board aim to present a fair assessment of the Company's position and prospects. The annual financial statements and quarterly results are reviewed by the Audit Committee and recommended to the Board for approval before releasing to the public via the Bursalink.

The details of the financial statement of the Group and the Company are set out on pages 23 to 61 of this Annual Report.

b) Risk Management and Internal Controls

The Board acknowledges their responsibilities for the Group's to maintain a sound system of internal controls which covers financial control, operational and compliance controls as well as risk management to safeguard shareholders' investment and the Group's assets. As such, the Internal Audit ("IA") and Enterprise Risk Management ("ERM") functions were outsourced to an independent professional consulting firm. In this financial year, the Board has increased cycle time of IA to further enhance the Group's internal controls. The cost incurred for the IA & ERM functions in respect of the financial year ended 31 January 2017 is approximately RM40,000.00.

The Statement on Risk Management and Internal Control set out on pages 20 to 21 of this Annual Report provides an overview of the state of internal controls within the Group.

c) Relation with the External Auditors

The Board, through the AC, maintains a formal and transparent relationship with the External Auditors in seeking their professional advice and ensuring compliances with the applicable accounting standards.

The key features underlying the relationship of the Audit Committee with the External Auditors are included in the Audit Committee Report as detailed in this Annual Report.

STATEMENT OF CORPORATE GOVERNANCE



I. DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE PREPARATION OF THE AUDITED FINANCIAL STATEMENTS

The Board is responsible for ensuring that the financial statements of the Group and the Company are drawn up in accordance with applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 2016 and the Listing Requirements of Bursa Securities so as to give a true and fair view of the state of affairs of the Group and of the Company for the financial year.

In preparation of the financial statements for the year ended 31 January 2017, the Board is also responsible for the adoption of appropriate accounting policies and have applied them consistently in the financial statement with reasonable and prudent judgements and estimates. The Board is also satisfied that all relevant approved accounting standards have been followed in the preparation of the financial statements.

The Directors also have a general responsibility for taking such reasonable steps to preserve the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

This Statement is made in accordance with the resolution of the Board dated 22 May 2017.

AUDIT COMMITTEE REPORT

The formal role of the Audit Committee ("AC" or "the Committee") is set out in its terms of reference of Xian Leng Holdings Berhad's ("XLB") Board Charter, which are available on the Company's website at www.xianleng.com.my

A. MEMBERS AND MEETINGS ATTENDANCES

The AC comprises the following members. Four (4) AC Meetings were held for the financial year ended 31 January 2017 and details of attendance of each member at the AC Meetings are as follows:-

| Composition of Committee | Number of meeting attended | Percentage (%) |
|---|----------------------------|----------------|
| Lee Kian Hu (Chairman/ Senior Independent Non-Executive Director – Member of the MIA) | 4/4 | 100% |
| Augustine A/L T.K. James (Member/Independent Non-Executive Director – Member of the MIA) | 4/4 | 100% |
| Wong Koon Wai (Resigned on 2 February 2017) (Member/ Independent Non Executive Director – Member of the MIA) | 4/4 | 100% |
| Tay Hui - Hui (Appointed w.e.f. 1 March 2017) (Member/ Independent Non-Executive Director) | N/A | N/A |

The meetings were appropriately structured through the use of agendas, which were distributed to the members with sufficient notification.

B. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year ended 31 January 2017, the AC held a total of four (4) meetings. The principal activities undertaken by the AC were summarised as follows:-

- a) AC had reviewed the financial reportings and the quarterly unaudited financial results for the 4th quarter of 2016 and 1st, 2nd, 3rd quarters of 2017 at its meeting held on 28 March 2016, 24 June 2016, 28 September 2016, and 23 December 2016 respectively before recommending them for the Board's consideration and approval for announcement to the public;
- b) On 28 March 2016 the AC had reviewed, with the External Auditors, the audited financial statements of the Group for the financial year ended 31 January 2016 prior to submission to the Board for their consideration and approval respectively. The review was to ensure that the audited financial statements were drawn up in accordance with the provision of the Companies Act 1965 and applicable Financial Reporting Standards ("FRS") in Malaysia.
- c) On 23 December 2016, the AC reviewed the External Auditors' scope of work and the audit planning memorandum in respect of the financial statements of the XLB and its subsidiaries for the financial year ending 31 January 2017 prior to the commencement of audit. The External Auditors had also declared their independence in relation to their audit for the financial year ended 31 January 2017 to the AC.
- d) Reviewed the External Auditors' management letter and management's response;
- e) In the current financial year, the board has increased cycle time of internal audit to further enhance the Group's internal controls. The Internal Auditor had presented the Internal Audit Review Report to the AC on 28 September 2016 and 28 March 2017. Internal auditor also presented the Enterprise Risk Management Review Report to the AC on 28 March 2017.
- f) The AC had reviewed the internal audit review reports, which highlighted the risk profiles and assessments, recommendations and management response. The following identified business processes/ areas were covered by the Internal Auditors:-
 - Production and Inventory Management and Control System;
 - Sales and Collection System
 - Purchases and Payment System

AUDIT COMMITTEE REPORT



B. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR (CONT'D)

- g) The AC had reviewed the Enterprise Risk Management Review Report, which highlighted the significant risks faced by the Group. The on-going process for identifying and managing significant risks faced within the Group are reviewed by way of collect questionnaires from Head of department from all location in the Group. Appropriate controls to mitigate these risks are implemented.
- h) The AC had also conducted meetings with the External Auditors without the presence of the Executive Directors and employees of the Company on 28 March 2016 and 23 December 2016.

This report is made in accordance with the resolution of the Board dated 22 May 2017.

NOMINATION COMMITTEE REPORT

The formal role of the Nomination Committee ("NC" or "the Committee") is set out in its term of reference of Xian Leng Holdings Berhad's ("XLB") Board Charter, which are available on the Company's website at www.xianleng.com.my

A. MEMBERS

The NC comprises the following members.

| Composition of Committee | Number of meeting attended | Percentage (%) |
|---|----------------------------|----------------|
| Lee Kian Hu (Chairman/ Senior Independent Non-Executive Director – Member of the MIA) | 1/1 | 100% |
| Augustine A/L T.K. James (Member/Independent Non-Executive Director – Member of the MIA) | 1/1 | 100% |
| Wong Koon Wai (Resigned on 2 February 2017) (Member/ Independent Non Executive Director – Member of the MIA) | 1/1 | 100% |
| Tay Hui - Hui (Appointed w.e.f. 1 March 2017) (Member/ Independent Non-Executive Director) | N/A | N/A |

B. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The NC held a meeting during the financial year ended 31 January 2017. The principal activities undertaken by the NC were summarised as follows:-

- a) carry out an annual review for assessing the effectiveness of the Board as a whole, the board committee, each individual director, key management positions as well as external auditor, internal auditor and company secretary.

The assessment criteria of the board and board committees include an evaluation of the size and composition of the board and board committees, access to the information, accountability, processes, board and board committees' performances in relation to discharging its responsibilities, communication to management and standard of conduct by the directors and committee members.

The assessment criteria of the individual director include contribution to interaction, role and duties, knowledge, expertise, integrity, and time commitment.

- b) continue to identify training needed by individual director. Directors are encouraged to attend at least one training in each financial year. During this financial year, the directors have attended various training programmes which are outline in Page 13 of the Corporate Governance ("CG") Statement.

After the financial year, the NC also has meetings for the below matters:

- a) reviewed and recommended the appointment of new director, Ms Tay Hui - Hui to the board. The profile of Ms Tay Hui - Hui is set out in the Directors' profile section of the Annual Report. Ms Tay Hui – Hui had attended director mandatory accreditation programme on 2 March 2016. A formal of one to two days induction program is given by the Company which include, but not limited to;
- i) furnishing a copy of organization chart, last year annual report and at least the past 6 months previous board and committee minutes.
 - ii) Visit to key sites.
 - iii) Introduction of key management staffs.
- b) reviewed the evaluation of the retiring Directors and recommended to the board for re-election. Directors standing for re-election at the forthcoming Annual General meeting are:
- i) Lee Kian Hu (pursuant to Article 84 of the Company's Constitution)
 - ii) Tay Hui – Hui (pursuant to Article 91 of the Company's Constitution)
 - iii) Dato' Ng Jet Heong (pursuant to Article 91 of the Company's Constitution)
- c) carried out an assessment on independency of the Independent Director.
- d) reviewed the Succession Planning for the Board and Key Management Personnels.

REMUNERATION COMMITTEE REPORT

The formal role of the Remuneration Committee ("RC" or "the Committee") is set out in its term of reference of Xian Leng Holdings Berhad's ("XLB") Board Charter, which are available on the Company's website at www.xianleng.com.my

A. MEMBERS

The RC comprises the following members.

| Composition of Committee | Number of meeting attended | Percentage (%) |
|---|----------------------------|----------------|
| Lee Kian Hu (Chairman/ Senior Independent Non-Executive Director) | 1/1 | 100% |
| Augustine A/L T.K. James (Member/Independent Non-Executive Director) | 1/1 | 100% |
| Kuan Kai Seng (Member/ Non-Independent Executive Director) | 1/1 | 100% |

B. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The RC held a meeting during the financial year ended 31 January 2017. The principal activities undertaken by the RC were summarised as follows:-

- carry out an annual review for assessing the remuneration policy will enable the company to attract and retain directors with the relevant experience and expertise needed to run the Group successfully.
- reviewed and recommended the remuneration of executive Director and key management personnels for the board's approval.
- reviewed and recommended the director fee, to be determined by the Board with the approval from shareholders at the AGM.

C. DIRECTOR REMUNERATION

The aggregate Directors' remuneration paid or payable or otherwise made available to all Directors of the Company who served during the financial year is as follows:

| Category | Fees | Salaries | Other Emoluments | Allowance | Total |
|-------------------------|---------|----------|------------------|-----------|---------|
| RM | RM | RM | RM | RM | |
| Executive Directors | - | 40,000 | 5,752 | 6,272 | 52,024 |
| Non-Executive Directors | 147,385 | - | - | 21,750 | 169,135 |

The number of directors of the Company who served during the financial year and their total remuneration fall within the following bands:

| Range of remuneration (RM) | No. of Directors | |
|----------------------------|------------------|---------------|
| | Executive | Non-Executive |
| 50,000 and below | - | 1 |
| 50,001 - 100,000 | 1 | 2 |
| 100,001 - 150,000 | - | - |

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

A. RESPONSIBILITIES

The Board recognises that it is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. The Group's system of internal control includes operational and compliance controls. The system is designed to identify and manage rather than eliminate the risk of failure to achieve business objectives. The system serves to provide reasonable but not absolute assurance against the risk of material misstatement or loss.

B. KEY FEATURES OF INTERNAL CONTROL SYSTEM

The key elements of the Group's existing system of internal controls are described below:

- A clearly defined organisational structure with the lines of responsibility and delegated authority to the management and operating units.
- Written communication of company values, expected code of conduct and discipline to which employees have acknowledged at the time of employment.
- The Board continuously assesses key business risks with the assistance of Audit Committee.
- Financial results are reviewed quarterly by the Audit Committee and the Board.
- Directors and head of departments meet regularly to discuss operational, corporate, financial and key management issues.
- The Board has outsourced its internal audit function to an independent professional service firm to assess the adequacy and integrity of the Group's system of internal controls and to monitor compliance with procedures.
- Effective reporting system to ensure timely generation of financial information for management review.

C. KEY FEATURES OF RISK MANAGEMENT

The key elements of the Group's risk management are described below:

- The Board has appointed an independent professional service firm to assist in identify, evaluate and managed the significant risks that faced by the Group.
- The risks identified and control information are compiled in the risks registers.
- Risk management report is presented to the Audit Committee and the Board for review.
- The Board continuously assesses significant risks with the assistance of Audit Committee.

The components of risk management processes have put in place by the Group inclusive of:

- Sets the view by defining the focus for risk management process.
- Identification of risks that threatening and exploit opportunities to enhance achievement of set objectives.
- Systematic investigation to analyse on the nature of risk identified and the main factors lead to the risks arise.
- Comprehensively analysis the risk in relation to its probability of occurrence and the impact that likely to arise.
- Following the evaluation the risks can be prioritized in relation to their severity.
- Risk response measures include risk avoidance, risk control, risk sharing, and risk acceptance.
- Risk reported in the organization on regular basis.
- Risks are monitored on a regular basis to ensure company understand the risk portfolio and risk capacity.

The following are the significant risks identified by the Group:

- Market risk
- Product risk
- Water Quality and Water Supply Management risk
- Disease Outbreak risk

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



C. KEY FEATURES OF RISK MANAGEMENT (CONT'D)

The following are the significant risks identified by the Group (Cont'd):

- Fire, Flood Hazards and Power Outages risk
- Burglary risk
- Human Resource risk
- Credit risk
- Cash Management risk
- Information Technology System risk
- Compliance risk
- Sustainability risk
- Research and Development risk

D. REVIEW BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditor has reviewed this statement on Risk Management & Internal Control. The review was performed in accordance with Recommended Practice Guide (RPG) 5 issued by the Malaysian Institute of Accountants.

E. ASSURANCE MECHANISM

The Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Group, which has been deemed to be present throughout the financial year under review and up to the date of approval of the annual report and financial statements.

The Board, with the assistance of the internal audit and risk management functions, continuously reviews the adequacy and integrity of the Group's system of internal control and risk management, compliance with laws, regulations, rules, directives and guidelines. Control deficiencies and issues are highlighted and rectified by the management. Internal control procedures and security measures are introduced where necessary.

The Board has received assurance from the Chief Executive Officer and Account/Finance Manager that the Group's risk management and internal control system is operating adequately and effectively in all material aspects based on the current risk management and internal control of the Company.

The Board is of the view that the adequacy and effectiveness of the Group's Risk Management and Internal Control Systems are in place to provide reasonable assurance that the structure of controls and operations is adequate and appropriate to the Group.

Statement made in accordance with the resolution of the Board of Directors dated 22 May 2017.



ADDITIONAL COMPLIANCE INFORMATION

MATERIAL CONTRACT

There were no material contracts involving directors or major shareholders other than those entered in the ordinary course of business by the Company disclosed in the financial statements.

UTILISATION OF PROCEEDS

There were no proceeds raised by the Company during the financial year ended 31 January 2017.

SHARE BUY-BACK

During the financial year, the Company purchased a total of 10,000 ordinary shares of RM1 each in the month of October 2016 at a total cost of RM4,248.74.

As at 31 January 2017, a total of 380,000 shares bought back are being held as treasury shares with none of the shares being cancelled or distributed during the financial year.

OPTIONS AND CONVERTIBLE SECURITIES

During the financial year under review, the Company has not issued any options and convertible securities.

DEPOSITORY RECEIPT PROGRAM

During the financial year, the Company did not sponsor any Depository Receipt program.

SANCTIONS AND PENALTIES

There were no material sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

NON-AUDIT FEES

There were no non-audit fees paid to the external auditors by the Group and by the Company for the financial year ended 31 January 2017.

VARIATION IN RESULTS

There were no variances of 10% or more between the audited results for the financial year ended 31 January 2017 and the unaudited results previously announced.

PROFIT GUARANTEE

During the financial year, there were no profit guarantees given by the Company.

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiaries are described in Note 12 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

| | Group RM | Company RM |
|--|-------------|---------------|
| Loss for the year attributable to equity holders of the parent | (3,876,981) | (2,803,916) |

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the impairment losses of approximately RM1.58 million and RM2.79 million provided respectively on the Group's property, plant and equipment and the Company's investment in subsidiaries during the financial year as further disclosed in Note 2.26(a), Note 11 and Note 12 to the financial statements.

DIVIDENDS

No dividends have been paid or declared since the end of the previous year. The directors do not recommend that a dividend to be paid in respect of the current year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions except as disclosed in the financial statements.

SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any options to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

DIRECTORS

The directors of the Company in office at any time during the year or since the end of the financial year are:

Augustine A/L T.K James
Kuan Kai Seng
Lee Kian Hu
Tay Hui - Hui
Dato' Ng Jet Heong
Wong Koon Wai

- appointed on 01 March 2017
- appointed on 25 May 2017
- resigned on 02 February 2017

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

DIRECTORS' INTERESTS

According to the register of directors' shareholdings under Section 59 of the Companies Act, 2016, none of the directors in office at the end of the financial year had any interest in shares and options over shares in the Company or its related corporations during the financial year.

TREASURY SHARES

During the financial year, the Company repurchased 10,000 of its issued ordinary shares from the open market at an average price of RM0.42 per share. The total consideration paid for the repurchased including transaction costs was RM4,249. The shares repurchase are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016.

As at 31 January 2017, the Company held as treasury shares a total of 380,000 out of 72,704,500 issued ordinary shares. Further relevant details are disclosed in Note 17 to the financial statements.

DIRECTORS' REMUNERATIONS

The amounts of the remunerations of the directors or past directors of the Company comprising remunerations received/receivable from the Company during the financial year are as follows:

| | Group 2017 RM | Company 2017 RM |
|---|---------------------|-----------------------|
| Fees | 147,385 | 147,385 |
| Remunerations | 269,750 | 67,500 |
| Contribution to defined contribution plan | 30,352 | 5,752 |
| | 447,487 | 220,637 |

None of the directors or past directors of the Company have received any other benefits otherwise than in cash from the Company or any of its subsidiaries during the year.

No payment has been paid to or payable to any third party in respect of the services provided to the Company or any of its subsidiaries by the directors or past directors of the Company during the financial year.

Indemnifying directors, officers or auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been the director, officer or auditor of the Company, except for an indemnity given to the Chief Executive Officer pursuant to indemnification Agreement date 03 April 2012.

OTHER STATUTORY INFORMATION**(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 position 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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D)**(I) As at the end of the financial year (Cont'd)**

- (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(II) From the end of the financial year to the date of this report

- (b) The directors are not aware of any circumstances which would render:

- (i) the amount written off for bad debts or the amount of allowance for doubtful debts in respect of these financial statements inadequate to any substantial extent; and

- (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

- (c) The directors are not aware of any circumstances 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.

- (d) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

(III) As at the date of this report

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

- (f) There does not exist:

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

- (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

AUDITORS' REMUNERATIONS

Total amounts paid to or receivable by the auditors as remunerations for their services as auditors from the Company and its subsidiaries are as follows:

| | Group 2017 RM | Company 2017 RM |
|-----------------|---------------------|-----------------------|
| Statutory audit | 108,000 | 46,000 |

AUDITORS

The retiring auditors, CAS Malaysia PLT (Formerly known as CAS Malaysia & CAS & Associates), have indicated their willingness to be re-appointed.

On behalf of the Board of Directors

Augustine A/L T.K James
Director

Kuan Kai Seng
Director

Johor Bahru
Date: 29 May 2017

STATEMENT BY DIRECTORS

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

We, Augustine A/L T.K James and Kuan Kai Seng, being two of the directors of Xian Leng Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 23 to 60 are drawn up in accordance with the provisions of the Companies Act, 2016 and applicable Financial Reporting Standards 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 January 2017 and of their financial performance and cash flows for the year then ended.

The information set out in Note 24 to the financial statements have been prepared in accordance with the 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.

On behalf of the Board of Directors.

Augustine A/L T.K James
Director

Kuan Kai Seng
Director

Johor Bahru
Date: 29 May 2017

STATUTORY DECLARATION

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

I, Kuan Kai Seng, being the director primarily responsible for the financial management of Xian Leng Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 23 to 61 are in my opinion 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 Kuan Kai Seng at Johor Bahru)
in the State of Johor on 29 May 2017)

Kuan Kai Seng

Before me,

Lau Lay Sung
No. J246
Commissioner for Oaths

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBER OF XIAN LENG HOLDINGS BERHAD

Opinion

We have audited the financial statements of Xian Leng Holdings Berhad, which comprise the statement of financial position as at 31 January 2017 of the Group and of the Company, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 23 to 60.

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 January 2017 and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the Companies Act, 2016 in Malaysia.

Basis of opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of fish farms

The risk

The Group's fish farms recoverable amount stood at RM38,000,000 as disclosed in Note 11.1 to the financial statements.

The Group is required to performed an impairment test annually by comparing the carrying amount to the recoverable amount of assets as disclosed in Note 11.1 and Note 11.2 to the financial statements.

The key associated risk is the carrying amount may be higher than recoverable amount.

Our response

Our audit procedures included:

- (i) evaluating the compliance and adequacy of disclosures as required by FRS 136 Impairment of Assets and FRS 13 Fair Value Measurement.
- (ii) assessment of the competence, capabilities and objectivity of the professioner value, and verification of their qualifications.
- (iii) reviewing the appropriateness of sales comparison approach used to estimate the fair value for fish farms.
- (iv) enquiry and obtaining an understanding for all the pertinent factors and forces influencing value including recent transacted price of similar property within the vicinity, location, surrounding development, improvement on land and fish pond structure.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBER OF XIAN LENG HOLDINGS BERHAD

Key audit matters (Cont'd)

Valuation and accuracy of inventories

The risk

The balance of inventories are significant to the Group as it represents approximately 48% of the total current assets. The key associated risks with it are as follows:

- i) Livestocks disclosed in Note 13 to financial statement may not be valued appropriately.
- ii) Recorded quantity of livestock may not be accurate.

Our response

Our audit procedures included:

- (i) examining that the value of inventories stated in the financial position whether it is consistent with the accounting policy as disclosed in Note 2.13 to financial statements.
- (ii) reviewing the valuation of livestock whether the computation has included appropriate feeding cost, direct labour charge and production overhead cost.
- (iii) understanding the inventory control system and performed the relevant tests of controls to ascertain the employees of the fish farms complying with the procedures set up by the management.
- (iv) observing physical stock count to ensure that the counting procedures were properly carried out, test count some of the items on random basis, trace the respected counts to the quantity recorded in final stock lists, and verify that all inventory count tags were in placed.

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 Directors' 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 Directors' Report 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 Directors' Report and, in doing so, consider whether the Directors' Report 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 the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBER OF XIAN LENG HOLDINGS BERHAD



Auditors' responsibilities for the audit of the financial statements (Cont'd)

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

- 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 and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we 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 have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 266 of the Act.



REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBER OF XIAN LENG HOLDINGS BERHAD

Other reporting responsibilities

The supplementary information set out in Note 24 of the financial statements on page 61 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. 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 Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

CAS Malaysia PLT (LLP0009918-LCA) & AF: 1476
(Formerly known as CAS Malaysia & CAS & Associates
registered under the Accountants Act 1967)
Chartered Accountants

Lye Ghee Kang
No. 2710/02/19(J)
Chartered Accountant

Johor Bahru, Malaysia
Date: 29 May 2017

STATEMENTS OF PROFITS OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

| | Note | Group | | Company | |
|--|------|--------------------|----------------|--------------------|------------------|
| | | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Revenue | 3 | 10,933,179 | 12,900,410 | 432,000 | 384,000 |
| Other income | 4 | 191,719 | 21,137,052 | 660 | 1,129 |
| Employee benefits expense | 5 | (1,831,396) | (2,254,832) | (221,159) | (387,230) |
| Changes in inventories | | (1,110,535) | (517,592) | - | - |
| Purchases of inventories | | (6,041,318) | (5,033,791) | - | - |
| Depreciation | 11 | (1,541,540) | (2,022,780) | - | - |
| Impairment loss on investment in subsidiaries | 12 | - | - | (2,793,895) | - |
| Impairment loss on property, plant and equipment | 11 | (1,585,448) | (21,060,000) | - | - |
| Other expenses | | (2,845,207) | (2,350,994) | (221,364) | (312,148) |
| Operating (loss)/profit | 7 | (3,830,546) | 797,473 | (2,803,758) | (314,249) |
| Finance costs | 8 | - | (34,597) | - | - |
| (Loss)/Profit before tax | | (3,830,546) | 762,876 | (2,803,758) | (314,249) |
| Income tax expense | 9 | (46,435) | 1,916 | (158) | 78,654 |
| (Loss)/Profit net of tax and total comprehensive (loss)/profit for the year | | (3,876,981) | 764,792 | (2,803,916) | (235,595) |
| (Loss)/Profit per share attributable to equity holders of the Company (sen) : | | | | | |
| Basic and diluted | 10 | (5.4) | 1.1 | | |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 JANUARY 2017

| | Note | Group | | Company | |
|---|------|-------------------|-------------------|-------------------|-------------------|
| | | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 11 | 37,879,029 | 40,866,910 | - | - |
| Investments in subsidiaries | 12 | - | - | 27,029,545 | 29,823,440 |
| | | 37,879,029 | 40,866,910 | 27,029,545 | 29,823,440 |
| Current assets | | | | | |
| Inventories | 13 | 3,667,728 | 4,778,263 | - | - |
| Trade and other receivables | 14 | 1,455,658 | 1,426,384 | 7,521,377 | 7,543,277 |
| Prepayments | | 43,073 | 41,757 | 20,303 | 19,932 |
| Tax recoverable | | 44,173 | 92,666 | - | - |
| Cash and bank balances | | 2,409,014 | 1,478,511 | 46,190 | 57,825 |
| | | 7,619,646 | 7,817,581 | 7,587,870 | 7,621,034 |
| Total assets | | 45,498,675 | 48,684,491 | 34,617,415 | 37,444,474 |
| Equity and liabilities | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 15 | 1,535,325 | 856,124 | 274,281 | 293,333 |
| Provision for taxation | | 158 | - | 158 | - |
| | | 1,535,483 | 856,124 | 274,439 | 293,333 |
| Non-current liabilities | | | | | |
| Deferred tax liabilities | 16 | 24,000 | 7,945 | - | - |
| Total liabilities | | 1,559,483 | 864,069 | 274,439 | 293,333 |
| Equity attributable to equity holders of the Company | | | | | |
| Share capital | 17 | 72,704,500 | 72,704,500 | 72,704,500 | 72,704,500 |
| Reserves | | (28,765,308) | (24,884,078) | (38,361,524) | (35,553,359) |
| Total equity | | 43,939,192 | 47,820,422 | 34,342,976 | 37,151,141 |
| Total equity and liabilities | | 45,498,675 | 48,684,491 | 34,617,415 | 37,444,474 |
| Net current assets | | 6,084,163 | 6,961,457 | 7,313,431 | 7,327,701 |
| Net assets | | 43,939,192 | 47,820,422 | 34,342,976 | 37,151,141 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

| | Share capital | Non-Distributable Share premium | Treasury shares | Accumulated losses | Total equity |
|----------------------------|---------------|---------------------------------|-----------------|--------------------|--------------|
| | (Note 17) | | (Note 17) | | |
| | RM | RM | RM | RM | RM |
| Group | | | | | |
| At 31 January 2015 | 72,704,500 | 135,660 | (275,197) | (25,509,333) | 47,055,630 |
| Total comprehensive income | - | - | - | 764,792 | 764,792 |
| At 31 January 2016 | 72,704,500 | 135,660 | (275,197) | (24,744,541) | 47,820,422 |
| Total comprehensive loss | - | - | (4,249) | (3,876,981) | (3,881,230) |
| At 31 January 2017 | 72,704,500 | 135,660 | (279,446) | (28,621,522) | 43,939,192 |
| Company | | | | | |
| At 31 January 2015 | 72,704,500 | 135,660 | (275,197) | (35,178,227) | 37,386,736 |
| Total comprehensive loss | - | - | - | (235,595) | (235,595) |
| At 31 January 2016 | 72,704,500 | 135,660 | (275,197) | (35,413,822) | 37,151,141 |
| Total comprehensive loss | - | - | (4,249) | (2,803,916) | (2,808,165) |
| At 31 January 2017 | 72,704,500 | 135,660 | (279,446) | (38,217,738) | 34,342,976 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

| | Group | | Company | |
|---|-------------|--------------|-------------|------------|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Cash flows from operating activities | | | | |
| (Loss)/Profit before tax | (3,830,546) | 762,876 | (2,803,758) | (314,249) |
| Adjustments for: | | | | |
| Allowance for impairment loss on: | | | | |
| - Investment in subsidiaries | - | - | 2,793,895 | - |
| - Property, plant and equipment | 1,585,448 | 21,060,000 | - | - |
| - Trade receivables | 2,219 | 15,922 | - | - |
| Bad debts | 6,850 | 4,008 | - | - |
| Depreciation of property, plant and equipment | 1,541,540 | 2,022,780 | - | - |
| Gain on disposal of property, plant and equipment | (33,484) | - | - | - |
| Gain on foreign exchange: | | | | |
| - realised | - | (32,315) | - | - |
| - unrealised | (8,574) | - | - | - |
| Interest expense | - | 34,597 | - | - |
| Inventories written off | 7,011 | - | - | - |
| Loss on foreign exchange: | | | | |
| - realised | - | 22,019 | - | - |
| - unrealised | 996 | - | - | - |
| Property, plant and equipment written off | 301,337 | 231,242 | - | - |
| Reversal of impairment loss of: | | | | |
| - Property, plant and equipment | - | (21,060,000) | - | - |
| - Trade receivables | (6,850) | (4,008) | - | - |
| Operating (loss)/profit before changes in working capital | (434,053) | 3,057,121 | (9,863) | (314,249) |
| Receivables | (26,028) | 56,964 | 21,529 | 435,033 |
| Inventories | 1,103,524 | 517,592 | - | - |
| Payables | 679,998 | (649,256) | (19,052) | (66,601) |
| Cash generated from/(used in) operations | 1,323,441 | 2,982,421 | (7,386) | 54,183 |
| Taxes refund/(paid) | 18,271 | (55,172) | - | - |
| Interest paid | - | (34,597) | - | - |
| Net cash generated from/(used in) operating activities | 1,341,712 | 2,892,652 | (7,386) | 54,183 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | (440,960) | (30,624) | - | - |
| Proceeds from disposal of property, plant and equipment | 34,000 | - | - | - |
| Net cash used in investing activities | (406,960) | (30,624) | - | - |
| Cash flows from financing activity | | | | |
| Purchase of treasury shares | (4,249) | - | (4,249) | - |
| Net cash used in financing activity | (4,249) | - | (4,249) | - |
| Net increase/(decrease) in cash and cash equivalents | 930,503 | 2,862,028 | (11,635) | 54,183 |
| Cash and cash equivalents at beginning of year | 1,478,511 | (1,383,517) | 57,825 | 3,642 |
| Cash and cash equivalents at end of year | 2,409,014 | 1,478,511 | 46,190 | 57,825 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

1. 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 and principal place of business of the Company are located at No 35, Jalan Penjaja 3, 83000 Batu Pahat, Johor Darul Takzim.

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiaries are described in Note 12. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements for the year ended 31 January 2017 were authorised for issue in accordance with a resolution of the directors on 29 May 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Accounting framework

These financial statements comply with the provisions of the Companies Act, 2016 and applicable Financial Reporting Standards ("FRSs") in Malaysia.

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM").

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 February 2016, the Group and the Company adopted the following new and amended FRS which are relevant to the operations of the Group and of the Company for financial year ended 31 January 2017:

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2016

FRS 14 Regulatory Deferral Accounts
 Amendments to FRS 5, FRS 7, FRS 119 and FRS 134 (Annual Improvements to FRSs 2012 - 2014 Cycle)
 Amendments to FRS 10, FRS 12 and FRS 128 Investment Entities: Applying the Consolidation Exception
 Amendments to FRS 11 Accounting for Acquisitions of Interests in Joint Operations
 Amendments to FRS 101 Disclosure Initiative
 Amendments to FRS 116 and FRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
 Amendments to FRS 127 Equity Method in Separate Financial Statements

Adoption of the above standards did not have any significant effect on the financial performance and position of the Group and of the Company.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

| Description | Effective for annual periods beginning on or after |
|--|--|
| Amendments to FRS 12 (Annual Improvements to FRS 2014 - 2016 Cycle) | 1 January 2017 |
| Amendments to FRS 101 Disclosure Initiative | 1 January 2017 |
| Amendments to FRS 112 Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| FRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014) | 1 January 2018 |

The directors are of opinion that the standards above will have no material impact on the financial statement in the year of initial adoption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (Cont'd)

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework was applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities were initially allowed to defer adoption of the new MFRS Framework for an additional two year. i.e, be mandatory for annual periods beginning on or after 1 January 2014. However, on 7 August 2013, MASB further extends transitional period for another year, i.e, the adoption of the MFRS Framework by all entities for annual periods beginning on or after 1 January 2015. Further to 7 August 2013, on 2 September 2014, MASB again further extends the transition period, i.e, the adoption of the MFRS Framework by all entities for annual periods beginning on or after 1 January 2017.

However, on 22 July 2015, the IASB announced to further defer the effective date by one year to 1 January 2018. As a result, the effective date for Transitioning Entities to apply the Malaysian Financial Reporting Standards will also be deferred to annual periods beginning on or after 1 January 2018.

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 January 2019. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ending 31 January 2019 could be different if prepared under the MFRS Framework.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full except when there are indications of impairment, unrealised losses are not eliminated.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.4 Basis of consolidation (Cont'd)**

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.5 Business combination and goodwill

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

All other business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of FRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of FRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.8.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The cost of arowana broodstocks consist of the original purchase price of Asian Arowana. Landscaping expenditure including cost incurred on land clearing and upkeep of trees to maturity are capitalised under planting expenditure and are amortised over 25 years upon maturity of the trees.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|----------------|
| Broodstocks | 40 years |
| Fish ponds | 40 years |
| Planting expenditure, workers' quarters, shop houses and renovation | 10 to 50 years |
| Land development expenditure, roads and drainage, tools and equipment | 10 years |
| Motor vehicles | 5 years |
| Office equipment, furniture and fittings | 10 years |

Assets under construction are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Property, plant and equipment (Cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.10 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

A financial asset is recognised initially, at its fair value plus, in the case of a financial instrument not at Fair Value Through Profit or Loss ("FVTPL"), transaction costs that are directly attributable to the acquisition or issue of the financial asset.

The Group and the Company determine the classification of financial assets upon initial recognition. The categories include financial assets at Fair Value Through Profit or Loss ("FVTPL"), loans and receivables, Held-To-Maturity ("HTM") investments and Available-For-Sale ("AFS") financial assets.

(a) Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL, if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives).

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other income or other losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial assets (Cont'd)

(a) Financial assets at FVTPL (Cont'd)

Financial assets at FVTPL could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current, whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

The Group and the Company do not have any financial assets at FVTPL at the current and previous financial year ends.

(b) HTM investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs.

The Group and the Company do not have any HTM investments at the current and previous financial year ends.

(c) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process and when the loans and receivables are impaired or derecognised.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the financial year end; these are classified as non-current.

(d) AFS financial assets

AFS financial assets are financial assets that are designated as such or are not classified in any of the three preceding categories.

After initial recognition, AFS financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an AFS equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

AFS financial assets which are not expected to be realised within 12 months after the financial year end are classified as non-current assets.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of trade and other receivables is reduced by the impairment loss through the use of an allowance account. When the receivable becomes uncollectible, it is written off against the allowance account.

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

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.13 Inventories

Inventories represent livestock and consumables and are stated at the lower of cost (determined on the weighted average basis) and net realisable value. The cost of purchased livestock and consumables include the original purchase price and the costs of bringing these inventories to their present location and condition. In the case of internally bred livestock, costs include cost of feeding, direct labour, other direct costs and an appropriate share of breeding overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial liabilities (Cont'd)

The measurement of financial liabilities depends on their classification as described below:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in FRS 139 are satisfied. The Group and the Company do not have any financial liabilities at FVTPL in the current and previous financial years.

(b) Other financial liabilities

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

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.16 Employee benefits

(a) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plan

The Group and the Company make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.17 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset, or if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Leases (Cont'd)

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.18 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Management fees

Management fees are recognised when services are rendered.

(c) Dividend income

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

2.19 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Income taxes (Cont'd)

(b) Deferred tax (Cont'd)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

2.20 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which the obligation to pay is established.

2.21 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.22 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the Statements of Financial Position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company in the current and previous financial year ends.

2.23 Related parties

A party is related to an entity if:-

- (i) directly, or indirectly through one or more intermediaries, the party:-
 - controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the entity that gives it significant influence over the entity; or
 - has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venturer;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Related parties (Cont'd)

- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a closed member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, joint controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Closed members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with entity.

2.24 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants act in their economic best interest when pricing the asset or liability.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the financial year end.

2.25 Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

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

2.26 Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of property, plant and equipment

During the current financial year, the Company has carried out an impairment tests by estimating the recoverable amount of broodstocks, fish ponds, land development expenditure, roads and drainage, and tools and equipment dedicated to the breeding of arowana and stingrays ("Fish Farm"). Further details of impairment tests are disclosed in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Significant accounting judgements and estimates (Cont'd)

(b) Depreciation of broodstocks

The cost of arowana broodstocks is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these broodstocks to be approximately 40 years based on the expected reproductive life span of the Asian Arowana. Changes in the expected reproductive life span could result in the revision of future depreciation charges.

(c) Useful lives of plant and equipment

The cost of fish ponds and other related assets used in the breeding of ornamental fishes are depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these assets to be within 5 to 40 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 11.

(d) Impairment of receivables

The Group assesses at each reporting date whether there is any objective evidence that its receivables are impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar risk characteristics. The carrying amount of the Group's receivables at the reporting date is disclosed in Note 14.

(e) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the tax authorities.

Deferred tax assets are recognised for unused tax losses and allowances to the extent that it is probable that taxable profit will be available against which the losses and allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has not recognised deferred tax assets on approximately RM60 million (2016: RM59.3 million) of tax losses and allowances carried forward. These losses relate to subsidiaries that have a history of losses, which do not expire and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have no additional taxable temporary differences nor any tax planning opportunities available that could support the recognition of these losses and allowances as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses and allowances carried forward.

If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by RM14.4 million. Further details on taxes are disclosed in Notes 9 and 16.

3. REVENUE

| | Group | | Company | |
|-----------------------------------|------------|------------|------------|------------|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Sale of goods | 10,933,179 | 12,900,410 | - | - |
| Management fees from subsidiaries | - | - | 432,000 | 384,000 |
| | 10,933,179 | 12,900,410 | 432,000 | 384,000 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

4. OTHER INCOME

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Reversal for impairment loss of: | | | | |
| - Property, plant & equipment | - | 21,060,000 | - | - |
| - Receivables | 6,850 | 4,008 | - | 950 |
| Gain on disposal of property, plant and equipment | 33,484 | - | - | - |
| Gain on foreign exchange: | | | | |
| - realised | 93,883 | 32,315 | - | - |
| - unrealised | 8,574 | - | - | - |
| Other income | 6,928 | (1,271) | 660 | 179 |
| Rental received | 42,000 | 42,000 | - | - |
| | 191,719 | 21,137,052 | 660 | 1,129 |

5. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|-------------------------------|------------|------------|------------|------------|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Wages and salaries | 1,648,027 | 2,053,545 | 214,885 | 368,467 |
| Defined contribution plan | 127,777 | 148,029 | 5,752 | 18,040 |
| Social security contributions | 16,186 | 17,362 | 522 | 723 |
| Other benefits | 39,406 | 35,896 | - | - |
| | 1,831,396 | 2,254,832 | 221,159 | 387,230 |

Included in staff costs are salaries and other emoluments paid to executive directors amounting to RM281,211 (2016: RM317,471) and RM52,024 (2016: RM168,513) respectively as further disclosed in Note 6.

6. DIRECTORS' REMUNERATION

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Directors of the Group | | | | |
| Executive directors - salaries and other emoluments (Note 5) | 281,211 | 317,471 | 52,024 | 168,513 |
| Non-executive directors - fees and allowance | 169,135 | 218,717 | 169,135 | 218,717 |
| Total directors' remuneration | 450,346 | 536,188 | 221,159 | 387,230 |
| Directors of the Company | | | | |
| Executive: | | | | |
| Salaries and other emoluments | 250,859 | 282,531 | 46,272 | 150,473 |
| Defined contribution plan | 30,352 | 34,940 | 5,752 | 18,040 |
| | 281,211 | 317,471 | 52,024 | 168,513 |
| Non-executive: | | | | |
| Fees | 147,385 | 186,717 | 147,385 | 186,717 |
| Allowance | 21,750 | 32,000 | 21,750 | 32,000 |
| | 169,135 | 218,717 | 169,135 | 218,717 |
| | 450,346 | 536,188 | 221,159 | 387,230 |

| | Number of Directors | |
|-----------------------|---------------------|------|
| | 2017 | 2016 |
| Executive directors: | | |
| Below RM50,000 | - | 1 |
| RM50,001 - RM100,000 | 1 | - |
| RM100,001 - RM150,000 | - | 1 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

6. DIRECTORS' REMUNERATION (CONT'D)

| | Number of Directors | |
|--------------------------|---------------------|------|
| | 2017 | 2016 |
| Non-executive directors: | | |
| Below RM50,000 | 1 | 3 |
| RM50,001 - RM100,000 | 2 | - |

7. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging :

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Auditors' remuneration | 108,000 | 103,000 | 46,000 | 45,000 |
| Bad debts | 6,850 | 4,008 | - | - |
| Non-executive: directors' fees | 147,385 | 186,717 | 147,385 | 186,717 |
| Allowance for impairment loss on trade receivables | 2,219 | 15,922 | - | - |
| Depreciation of property, plant and equipment | 1,541,540 | 2,022,780 | - | - |
| Impairment loss on investment in subsidiaries | - | - | 2,793,895 | - |
| Impairment loss on property, plant and equipment | 1,585,448 | 21,060,000 | - | - |
| Loss on foreign exchange: | | | | |
| - realised | 40,311 | 22,019 | - | - |
| - unrealised | 996 | - | - | - |
| Property, plant and equipment written off | 301,337 | 231,242 | - | - |
| Inventories written off | 7,011 | - | - | - |
| Rental expense: | | | | |
| - farm | 36,000 | 36,000 | - | - |
| - premises | 168,000 | 168,000 | - | - |
| - land | 20,000 | 20,000 | - | - |

8. FINANCE COSTS

| | Group | |
|----------------------|------------|------------|
| | 2017 RM | 2016 RM |
| Interest expense on: | | |
| - bank overdrafts | - | 34,597 |

9. INCOME TAX EXPENSE

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Current income tax: | | | | |
| Malaysian income tax | 35,158 | 77,000 | 158 | - |
| Overprovision in prior year | (4,778) | (80,024) | - | (78,654) |
| | 30,380 | (3,024) | 158 | (78,654) |
| Deferred tax : | | | | |
| Relating to origination and reversal of temporary differences | 16,055 | 1,108 | - | - |
| | 16,055 | 1,108 | - | - |
| Income tax expense recognised in profit and loss | 46,435 | (1,916) | 158 | (78,654) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

9. INCOME TAX EXPENSE (CONT'D)

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 January 2017 and 2016 is as follows:

| | 2017 RM | 2016 RM |
|--|-------------|------------|
| Group | | |
| (Loss)/Profit before tax | (3,830,546) | 762,876 |
| Taxation at Malaysian statutory tax rate of 24% | (919,331) | 183,090 |
| Expenses not deductible for tax purposes | 75,199 | 90,922 |
| Effect of changes in tax rate on balance of deferred tax | - | (17,040) |
| Income not subject to taxation | (4,169) | (1,190) |
| Deferred tax assets not recognised during the year | 927,903 | 19,456 |
| Utilization from previously unrecognised tax credit | (38,344) | (197,130) |
| Qualifying capital expenditure | 9,955 | - |
| Overprovision of tax expense in prior years | (4,778) | (80,024) |
| Income tax expense recognised in profit or loss | 46,435 | (1,916) |
| Company | | |
| Loss before tax | (2,803,758) | (314,249) |
| Taxation at Malaysian statutory tax rate of 24% | (672,902) | (75,420) |
| Expenses not deductible for tax purposes | 708,816 | 58,642 |
| Deferred tax assets not recognised during the year | - | 17,006 |
| Utilization of previously unrecognised tax credit | (35,756) | - |
| Income not subject to tax | - | (228) |
| Overprovision of tax expense in prior years | - | (78,654) |
| Income tax expense recognised in profit or loss | 158 | (78,654) |

Current income tax is calculated at the statutory tax rate of 24% of the estimated assessable (loss)/profit for the year.

10. (LOSS) / EARNING PER SHARE

Basic (loss)/earning per share is calculated by dividing the (loss)/profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

As the conversions of all potential ordinary shares from options are not dilutive, the diluted (loss)/earning per share is equal to the basic (loss)/earning per share.

The following tables reflect the (loss)/profit and share data used in the computation of basic and diluted (loss)/earning per share for the years ended 31 January:

| | Group | |
|---|-------------|------------|
| | 2017 | 2016 |
| (Loss)/Profit for the year (RM) | (3,876,981) | 764,792 |
| Weighted average number of ordinary shares, excluding treasury shares, in issue | 72,324,500 | 72,334,500 |
| Basic and diluted (loss)/earning per share (sen) | (5.4) | 1.1 |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

11. PROPERTY, PLANT AND EQUIPMENT

| | * Freehold land, planting expenditure, workers' quarters, buildings, shop houses and renovation RM | Broodstocks RM | Land development expenditure, fish ponds, roads and drainage, tools and equipment RM | Motor vehicles, office equipment, furniture and fittings RM | Total RM |
|--|---|-------------------|--|---|-------------------|
| Group | | | | | |
| At 31 January 2017 | | | | | |
| Cost | | | | | |
| At 1 February 2016 | 17,754,053 | 63,545,817 | 148,885,459 | 2,011,047 | 232,196,376 |
| Additions | - | 64,700 | 257,057 | 119,203 | 440,960 |
| Disposals | - | - | - | (1,549) | (1,549) |
| Write off | - | (765,363) | - | (71,899) | (837,262) |
| At 31 January 2017 | 17,754,053 | 62,845,154 | 149,142,516 | 2,056,802 | 231,798,525 |
| Accumulated depreciation | | | | | |
| At 1 February 2016 | 1,431,080 | 20,781,333 | 73,382,447 | 1,954,800 | 97,549,660 |
| Depreciation charge for the year | 46,986 | 234,354 | 1,231,586 | 28,614 | 1,541,540 |
| Disposals | - | - | - | (1,033) | (1,033) |
| Write off | - | (464,026) | - | (71,899) | (535,925) |
| At 31 January 2017 | 1,478,066 | 20,551,661 | 74,614,033 | 1,910,482 | 98,554,242 |
| Accumulated impairment losses | | | | | |
| At 1 February 2016 | 384,173 | 40,003,998 | 53,361,086 | 30,549 | 93,779,806 |
| Impairment loss recognised in profit or loss | - | 1,585,448 | - | - | 1,585,448 |
| At 31 January 2017 | 384,173 | 41,589,446 | 53,361,086 | 30,549 | 95,365,254 |
| Net carrying amount | 15,891,814 | 704,047 | 21,167,397 | 115,771 | 37,879,029 |
| Group | | | | | |
| At 31 January 2016 | | | | | |
| Cost | | | | | |
| At 1 February 2015 | 17,754,053 | 63,902,253 | 148,951,135 | 2,008,747 | 232,616,188 |
| Additions | - | - | 28,324 | 2,300 | 30,624 |
| Disposal/Write off | - | (356,436) | (94,000) | - | (450,436) |
| At 31 January 2016 | 17,754,053 | 63,545,817 | 148,885,459 | 2,011,047 | 232,196,376 |
| Accumulated depreciation | | | | | |
| At 1 February 2015 | 1,383,109 | 19,938,952 | 72,487,626 | 1,936,387 | 95,746,074 |
| Depreciation charge for the year | 47,971 | 967,575 | 988,821 | 18,413 | 2,022,780 |
| Disposal/Write off | - | (125,194) | (94,000) | - | (219,194) |
| At 31 January 2016 | 1,431,080 | 20,781,333 | 73,382,447 | 1,954,800 | 97,549,660 |
| Accumulated impairment losses | | | | | |
| At 1 February 2015 | 384,173 | 18,943,998 | 74,421,086 | 30,549 | 93,779,806 |
| Impairment loss recognised in profit or loss | - | 21,060,000 | - | - | 21,060,000 |
| Reversal of impairment loss recognised in profit or loss | - | - | (21,060,000) | - | (21,060,000) |
| At 31 January 2016 | 384,173 | 40,003,998 | 53,361,086 | 30,549 | 93,779,806 |
| Net carrying amount | 15,938,800 | 2,760,486 | 22,141,926 | 25,698 | 40,866,910 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

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

* Freehold land, planting expenditure, workers' quarters, buildings, shop houses and renovation comprise the following:

| Group | Freehold land RM | Workers' quarters RM | Buildings, shop houses and renovation RM | Total RM |
|--------------------------------------|---------------------|-------------------------|---|-------------------|
| At 31 January 2017 | | | | |
| Cost | | | | |
| At 1 February 2016 | 14,361,028 | 1,392,114 | 2,000,911 | 17,754,053 |
| Additions / (Disposals) | - | - | - | - |
| At 31 January 2017 | 14,361,028 | 1,392,114 | 2,000,911 | 17,754,053 |
| Accumulated depreciation | | | | |
| At 1 February 2016 | - | 462,561 | 968,519 | 1,431,080 |
| Depreciation charge for the year | - | 27,767 | 19,219 | 46,986 |
| Additions / (Disposals) | - | - | - | - |
| At 31 January 2017 | - | 490,328 | 987,738 | 1,478,066 |
| Accumulated impairment losses | | | | |
| At 1 February 2016/31 January 2017 | - | 379,640 | 4,533 | 384,173 |
| Net carrying amount | 14,361,028 | 522,146 | 1,008,640 | 15,891,814 |
| At 31 January 2016 | | | | |
| Cost | | | | |
| At 1 February 2015 | 14,361,028 | 1,392,114 | 2,000,911 | 17,754,053 |
| Additions / (Disposals) | - | - | - | - |
| At 31 January 2016 | 14,361,028 | 1,392,114 | 2,000,911 | 17,754,053 |
| Accumulated depreciation | | | | |
| At 1 February 2015 | - | 434,794 | 948,315 | 1,383,109 |
| Depreciation charge for the year | - | 27,767 | 20,204 | 47,971 |
| Additions / (Disposals) | - | - | - | - |
| At 31 January 2016 | - | 462,561 | 968,519 | 1,431,080 |
| Accumulated impairment losses | | | | |
| At 1 February 2015/31 January 2016 | - | 379,640 | 4,533 | 384,173 |
| Net carrying amount | 14,361,028 | 549,913 | 1,027,859 | 15,938,800 |

11.1 Impairment loss and subsequent reversal

The management has carried out impairment tests by engaging professional valuer to estimate the recoverable amount of the fish farm and no further impairment is required. The Management has carried out impairment tests on the broodstock by assessing its value-in-use and an impairment loss of RM1,585,448 was recognised in the current financial year.

The market value of fish farm consists of freehold land and improvement costs is valued at RM38 million on 06 December 2016 by VPC Alliance (JB) Sdn Bhd, an independent professional valuer, registered with the Board of Valuers, Appraisers and Estate Agents, based on the Comparison Method.

The estimate of fair value of the fish farm was determined by using the Comparison Method. Sales price of assets in close proximity are adjusted for differences in key attributes such as location, surrounding development, improvement on land and fish pond structure.

During the previous financial year ended 31 January, 2016, the recoverable amount was determined based on value-in-use calculations using cash flow projections approved by management covering a five-year period from FY2017 to FY2021. The principal assumptions used in the cash flow projections were as follows:

- Selling price of arowanas and stingrays forecasted to stay constant as current average selling price from FY2017 onwards respectively for the duration of the cash flow projection;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

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

11.1 Impairment loss and subsequent reversal (Cont'd)

- The management forecasts that production of arowana fish fries would reduce by 35% per annum throughout the cash flow projection and stingray production will increase by 50% in FY 2017 and thereafter remain constant from FY2018.
- Sales of lower grade arowanas and other tropical fish forecasted to stay constant over the remaining year.
- Variable costs expected to remain by 2.8% per annum for the duration of the cash flow projection.
- Discount rate of 12%;

The impairment loss recognised during the current financial year has been allocated to individual assets constituting the fish farms as follows:

| Group | Impairment loss in 2017 RM | (Reversal)/ Impairment loss in 2016 RM |
|--------------|-------------------------------------|--|
| Broodstocks: | 1,585,448 | 21,060,000 |
| Fish ponds | - | (21,060,000) |
| | 1,585,448 | - |

Impairment loss was solely allocated to Broodstocks as the sales of Arowana has been deteriorating for the past 3 years and the management forecasts that production of arowana fish fries would reduce by 30% in the following year and remain the same production output from FY2018.

During the previous financial year ended 31 January 2016, the Company carried out a review of the recoverable amounts for Fish Farms. It was noted that the sales of Stingray has increased significantly over the past three years. Therefore, the management was in view that the Fish Ponds can be used for production of fish other than Arowana to generate income in the future. The review had led to the recognition of reversal of impairment of Fish Ponds amounting to RM21,060,000 and further impairment of Arowana fishes amounting to RM21,060,000. The previously impaired Fish Ponds was reversed to the extent of the foreseeable future cash generated by Stingray and other fishes.

11.2 Fair value information

Fair value of fish farms are categorised as follows:

| Group | 2017 Level 3 RM | 2016 Level 3 RM |
|------------|-----------------------|-----------------------|
| Fish farms | 38,000,000 | Not Applicable |

Level 3 fair value

Level 3 fair values of fish farms have been generally derived using the sales comparison approach. Sales price of assets in close proximity are adjusted for differences in key attributes such as location, surrounding development, improvement on land and fish pond structure. The most significant input into this valuation approach is price per square acre of comparable assets. The price used per square acre is within the range of RM250,000 - RM500,000.

Valuation processes applied by the Group for Level 3 fair value

The fair value of fish farms is determined by external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

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

11.2 Fair value information (Cont'd)

Highest and best use

The Group's fish farm is currently broodstocks, fish ponds, land development expenditure, roads and drainage and tools and equipment. The highest and best use of the fish farms should be breeding of ornamental fish. The fish farms have been properly maintained for continuing its existing business activities.

11.3 Property, plant and equipment written off

During the current financial year, the Group wrote off a net carrying amount of approximately RM301,337 (2016: RM231,242) in respect of broodstocks.

12. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|--------------------------------------|-------------------|-------------------|
| | 2017 RM | 2016 RM |
| Unquoted shares, at cost | | |
| At beginning and end of the year | 59,000,000 | 59,000,000 |
| Accumulated impairment losses | | |
| At beginning of the year | 29,176,560 | 29,176,560 |
| Allowance for impairment losses | 2,793,895 | - |
| At end of the year | 31,970,455 | 29,176,560 |
| Net carrying amount | 27,029,545 | 29,823,440 |

| Name of Subsidiaries | Effective Interest Held | | Principal Activities |
|---|-------------------------|-----------|--|
| | 2017 % | 2016 % | |
| Xian Leng Trading Sdn. Bhd. | 100 | 100 | Commercial captive breeding of Asian Arowana and other ornamental fishes and property holding. |
| Xian Leng Aquatic Merchant Sdn. Bhd. | 100 | 100 | Trading of ornamental fishes and aquarium accessories. |
| Xian Leng Aquatic (Shah Alam) Sdn. Bhd. | 100 | 100 | Supplying and operating aquariums and trading of ornamental fishes and aquarium accessories. However, the company had ceased its operation and remained in-active during the financial year. |
| Xian Leng Aquatic (Kluang) Sdn. Bhd. | 100 | 100 | Breeding and rearing of fishes and trading of aquaculture products. |

All subsidiaries are audited by CAS Malaysia PLT (Formerly known as CAS Malaysia & CAS & Associates)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

13. INVENTORIES

| | Group | |
|--------------------------------------|------------|------------|
| | 2017 RM | 2016 RM |
| At cost: | | |
| Livestocks | 1,251,509 | 1,725,415 |
| Consumables and aquarium accessories | 1,616,516 | 1,808,752 |
| | 2,868,025 | 3,534,167 |
| At net realisable value: | | |
| Livestocks | 806,459 | 1,244,096 |
| | 3,674,484 | 4,778,263 |
| Less: | | |
| Provision for slow moving stock | (6,756) | - |
| | 3,667,728 | 4,778,263 |

The cost of inventories of the Group recognised as an expense during the financial year amounted to RM7,188,453 (2016 : RM5,551,383).

14. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--|------------|------------|-------------|-------------|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Trade receivables | 1,262,601 | 1,216,325 | - | - |
| Less: Allowance for impairment | (2,219) | (15,922) | - | - |
| Trade receivables, net | 1,260,382 | 1,200,403 | - | - |
| Other receivables: | | | | |
| Due from subsidiaries | - | - | 12,578,481 | 12,616,281 |
| Less: Allowance for impairment | - | - | (5,074,004) | (5,074,004) |
| Due from subsidiaries, net | - | - | 7,504,477 | 7,542,277 |
| Deposits | 122,300 | 111,402 | 16,900 | 1,000 |
| Sundry receivables | 72,976 | 114,579 | - | - |
| | 195,276 | 225,981 | 7,521,377 | 7,543,277 |
| Total trade and other receivables | 1,455,658 | 1,426,384 | 7,521,377 | 7,543,277 |

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2016: 30 to 90 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Aging analysis of trade receivables

The aging analysis of the Group's trade receivables is as follows:

| | Group | |
|--|------------|------------|
| | 2017 RM | 2016 RM |
| Neither past due nor impaired | 1,195,383 | 1,164,244 |
| 1 to 30 days past due not impaired | 4,835 | 10,374 |
| 31 to 60 days past due not impaired | 3,485 | 22,152 |
| 61 to 90 days past due not impaired | - | 439 |
| 91 to 120 days past due not impaired | - | 183 |
| More than 121 days past due not impaired | 56,679 | 3,011 |
| | 64,999 | 36,159 |
| Impaired | 2,219 | 15,922 |
| | 1,262,601 | 1,216,325 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

14. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

Receivables that are neither past due nor impaired

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

None of these balances have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM64,999 (2016: RM36,159) that are past due at the reporting date but not impaired.

The trade receivables that are past due but not impaired are unsecured in nature.

(b) Other receivables

These balances are generally unsecured and non-interest bearing.

The movement of the allowance accounts used to record the impairment on the Company's non-trade receivables are as follows:

Movement in allowance accounts:

| | 2017 RM | 2016 RM |
|--|------------|------------|
| At beginning of the financial year | 5,074,004 | 5,074,954 |
| Less: Allowance for impairment - written back (Note 4) | - | (950) |
| Add: Allowance for impairment | - | - |
| At the end of the financial year | 5,074,004 | 5,074,004 |

15. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|--------------------------------|------------|------------|------------|------------|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Trade payables | 374,648 | 190,641 | - | - |
| Other payables: | | | | |
| Accruals | 571,044 | 523,411 | 223,664 | 252,152 |
| Deposits received | 270,210 | 24,000 | - | - |
| Due to subsidiaries | - | - | - | 33,200 |
| Sundry payables | 287,780 | 101,240 | 47,022 | - |
| Amount due to directors | 31,643 | 16,832 | 3,595 | 7,981 |
| | 1,160,677 | 665,483 | 274,281 | 293,333 |
| Total trade and other payables | 1,535,325 | 856,124 | 274,281 | 293,333 |

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 days (2016: 30 to 90 days) terms.

(b) Other payables

These amounts are typically unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

16. DEFERRED TAXATION

Deferred tax assets have not been recognised in respect of the following items:

| | Group | | Company | |
|-------------------------------|------------|------------|------------|------------|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Unused tax losses | 7,987,959 | 7,660,111 | 1,092,242 | 1,241,222 |
| Unabsorbed capital allowances | 52,093,198 | 51,664,615 | - | - |

The unused tax losses and unabsorbed capital allowances of the Group and the Company are available indefinitely for offsetting against future taxable profits of the respective entities, subject to guidelines issued by the tax authority.

17. SHARE CAPITAL

| | Number of ordinary shares of RM1 each | | Amount | |
|---------------------------|---------------------------------------|-------------|------------|-------------|
| | 2017 | 2016 | 2017 RM | 2016 RM |
| At beginning/end of year: | | | | |
| Authorised | - | 100,000,000 | - | 100,000,000 |
| Issued and fully paid | 72,704,500 | 72,704,500 | 72,704,500 | 72,704,500 |

Pursuant to Section 74 of the Companies Act 2016, all shares issued before or upon commencement of the Act shall have no par or nominal value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Treasury shares

This amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance.

The shareholders of the Company, by a resolution passed at the 17th annual general meeting held on 24 June 2016, renewed their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year 31 January 2017, the Company repurchased 10,000 of its issued ordinary shares from the open market at an average price of RM0.42 per share. The total consideration paid for the repurchase was RM4,249, comprising consideration paid of RM4,200 and transaction costs of RM49. The repurchase transactions were financed by internally generated funds.

All shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016. There had been no resale or cancellation of treasury shares during the financial year.

Of the total 72,704,500 (2016: 72,704,500) issued and fully paid ordinary shares as at 31 January 2017, 380,000 (2016: 370,000) are held as treasury shares by the Company. As at 31 January 2017, the number of outstanding ordinary shares in issue after the setoff is therefore 72,324,500 (2016 : 72,334,500) ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

18. SIGNIFICANT RELATED PARTY TRANSACTIONS

- (a) Information regarding outstanding balances due from subsidiaries as at 31 January 2017 are disclosed in the respective notes.
- (b) Compensation of key management personnel
The key management personnel of the Group are the directors and their remuneration are disclosed in Note 6.

19. COMMITMENTS

Operating lease commitments – as lessee

The Group has entered into a lease of land with a tenure of 20 years. The contract includes a renewal option. The Group is restricted from subleasing the leased land to third parties.

The lease payments recognised in profit or loss for the financial year ended 31 January 2017 amounted to RM20,000 (2016: RM20,000).

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

| | Group | |
|--|------------|------------|
| | 2017 RM | 2016 RM |
| Not later than 1 year | 20,000 | 20,000 |
| Later than 1 year but not later than 5 years | 100,000 | 100,000 |
| Later than 5 years | 40,000 | 60,000 |
| | 160,000 | 180,000 |

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign exchange risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (primarily cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit exposure. The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Credit risk concentration profile

At the reporting date, approximately 8% (2016: 17%) of the Group's trade and other receivables were due from a major customer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY (CONT'D)

(a) Credit risk (Cont'd)

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 14

Financial assets that are either past due or impaired

Information regarding trade and other receivables that are either past due or impaired is disclosed in Note 14.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

In the management of liquidity risk, the Group and the Company monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

| | On demand or within one year RM | One to five years RM | Over five years RM | Total RM |
|-------------------------------|---------------------------------------|----------------------------|--------------------------|-------------|
| At 31 January 2017 | | | | |
| Group | | | | |
| Financial liabilities: | | | | |
| Trade and other payables | 1,535,325 | - | - | 1,535,325 |
| <hr/> | | | | |
| Company | | | | |
| Financial liabilities: | | | | |
| Trade and other payables | 274,281 | - | - | 274,281 |
| <hr/> | | | | |
| At 31 January 2016 | | | | |
| Group | | | | |
| Financial liabilities: | | | | |
| Trade and other payables | 856,124 | - | - | 856,124 |
| <hr/> | | | | |
| Company | | | | |
| Financial liabilities: | | | | |
| Trade and other payables | 293,333 | - | - | 293,333 |
| <hr/> | | | | |

(c) Foreign exchange risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in Japanese Yen (JPY), Renminbi (RMB), Indonesian Rupiah (IDR) and United States Dollar (USD). Other than the above, there are no significant foreign exchange exposures. Approximately 23% (2016 : 32%) of the Group's sale is denominated in USD and; approximately 60% (2016: 54%) of the Group's purchases are denominated in JPY, USD, RMB and IDR respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY (CONT'D)

(c) Foreign exchange risk (Cont'd)

The net unhedged financial assets and financial liabilities of the Group that are not denominated in the functional currency are as follows:

| | 2017 RM | 2016 RM |
|---------------------------------|------------|------------|
| (Net liabilities)/assets | | |
| USD | 541,272 | 59,954 |
| JPY | 59,338 | 33,989 |
| RMB | (19,993) | (20,790) |

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's (loss)/profit before tax to a reasonably possible change in the USD, JPY and RMB exchange rates against the functional currency of the respective Group entities, with all other variables held constant.

| | 2017 RM | 2016 RM |
|------------------------------|------------|------------|
| USD/RM | | |
| - Strengthened 5% (2016: 1%) | 27,064 | 600 |
| - Weakened 5% (2016: 1%) | (27,064) | (600) |
| JPY/RM | | |
| - Strengthened 5% (2016: 1%) | 2,967 | 340 |
| - Weakened 5% (2016: 1%) | (2,967) | (340) |
| RMB/RM | | |
| - Strengthened 5% (2016: 1%) | (1,000) | (208) |
| - Weakened 5% (2016: 1%) | 1,000 | 208 |

(d) Fair values

None of the Group's or the Company's financial assets or liabilities are carried at fair value. The carrying amounts of these financial assets and liabilities are measured at Level 3 fair value hierarchy and are reasonable approximations of fair values due primarily to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

21. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. 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 years ended 31 January 2017 and 31 January 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises borrowings and trade and other payables, less cash and bank balances whereas total capital comprises the equity attributable to equity holders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

21. CAPITAL MANAGEMENT (CONT'D)

| | Note | Group | | Company | |
|--|------|-------------|-------------|------------|------------|
| | | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Trade and other payables | 15 | 1,535,325 | 856,124 | 274,281 | 293,333 |
| Less: Cash and bank balances | | (2,409,014) | (1,478,511) | (46,190) | (57,825) |
| Net (assets) / debt | | (873,689) | (622,387) | 228,091 | 235,508 |
| Equity attributable to the owners of the parent, representing total capital | | 43,939,192 | 47,820,422 | 34,342,976 | 37,151,141 |
| Capital and net debt | | 43,065,503 | 47,198,035 | 34,571,067 | 37,386,649 |
| Gearing ratio | | - | - | 1% | 1% |

22. FINANCIAL INSTRUMENTS

The financial instruments of the Group and the Company as at the reporting date are categorised into the following classes:

| | Note | 2017 RM | 2016 RM |
|---|------|------------|------------|
| Group | | | |
| (a) Loans and receivables | | | |
| Trade and other receivables | 14 | 1,455,658 | 1,426,384 |
| Cash and bank balances | | 2,409,014 | 1,478,511 |
| | | 3,864,672 | 2,904,895 |
| (b) Financial liabilities measured at amortised cost | | | |
| Trade and other payables | 15 | 1,535,325 | 856,124 |
| Company | | | |
| (a) Loans and receivables | | | |
| Trade and other receivables | 14 | 7,521,377 | 7,543,277 |
| Cash and bank balances | | 46,190 | 57,825 |
| | | 7,567,567 | 7,601,102 |
| (b) Financial liabilities measured at amortised cost | | | |
| Trade and other payables | 15 | 274,281 | 293,333 |

23. SEGMENT INFORMATION

No segment information is presented as the Group's activities are predominantly in the breeding and trading of ornamental fishes and are conducted in Malaysia.

Major customer

The following was major customer with revenue equal to or more than 10% of Group Revenue:-

| | Revenue | |
|------------|------------|------------|
| | 2017 RM | 2016 RM |
| Customer A | - | 3,799,000 |
| Customer B | 2,302,191 | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

24. SUPPLEMENTARY INFORMATION - BREAKDOWN OF (ACCUMULATED LOSSES)/RETAINED EARNINGS INTO REALISED AND UNREALISED

The breakdown of the (accumulated losses)/retained earnings of the Group and of the Company as at 31 January 2017 into realised and unrealised (losses)/earnings is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2011 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Total accumulated losses of the Company and its subsidiaries: | | | | |
| - Realised losses | (25,796,583) | (24,674,494) | (38,217,738) | (35,413,822) |
| - Unrealised losses | (25,566) | (7,945) | - | - |
| | (25,822,149) | (24,682,439) | (38,217,738) | (35,413,822) |
| Less: Consolidation adjustments | (2,799,373) | (62,102) | - | - |
| Accumulated losses per financial statements | (28,621,522) | (24,744,541) | (38,217,738) | (35,413,822) |

DESCRIPTION OF PROPERTIES

The Top 10 land and buildings in terms of highest net book value owned by XLB Group are as follows:

| Location | Tenure | Land area/ built-up area Acre./Rood. Pole | Description/ existing use | Net Book value as at 31.1.2017 (RM) | Date of Acquisition |
|--|----------|--|---|---|------------------------|
| 1. GM 1037, Lot No. 7902 (Preceding Title No. EMR 2963) Parit Sabak, Mukim Sri Medan Daerah Batu Pahat Johor Darul Takzim | Freehold | 6.3.08 6.80 ac. | Agriculture land & Building (19 years old) | 3,769,080 | 09.09.1999 |
| 2. GM 1039, Lot No. 7896 (Preceding Title No. EMR 3801) Parit Sabak, Mukim Sri Medan Daerah Batu Pahat Johor Darul Takzim | Freehold | 8.3.38 8.99 ac. | Agriculture land | 3,366,060 | 07.09.1999 |
| 3. HSM 877, HSM 22 (Preceding Title No. QT(M) 22) Lot No. 5918 and MLO 1184, Sungai Suloh, Mukim Minyak Beku Daerah Batu Pahat Johor Darul Takzim | Freehold | 4.3.10 4.81 ac. | Agriculture land & Building (20 years old) | 2,055,937 | 23.12.1989 |
| 4. GM 309, GM 1085 (Preceding Title No. EMR 309, EMR 3704) Lot No. 7895 and Lot No.6368, Mukim Sri Medan Daerah Batu Pahat Johor Darul Takzim | Freehold | 11.1.21 11.38 ac. | Agriculture land | 1,520,400 | 04.07.1994 |
| 5. GM 1038, Lot No. 7903 (Preceding Title No. EMR 4040) Parit Jakap, Mukim Sri Medan Daerah Batu Pahat Johor Darul Takzim | Freehold | 1.3.27 1.92 ac. | Agriculture land | 945,530 | 09.09.1999 |
| 6. GRN 87142 Lot No.864 (Preceding Title No. C.T 8769) Mukim Sri Medan, Daerah Batu Pahat Johor Darul Takzim | Freehold | 10.0.00 10.00 ac. | Agriculture land | 388,000 | 30.09.2003 |
| 7. GRN 87145 Lot No. 865 (Preceding Title No. C.T 8770) Mukim Sri Medan, Daerah Batu Pahat Johor Darul Takzim | Freehold | 10.0.00 10.00 ac. | Agriculture land | 388,000 | 30.09.2003 |
| 8. GRN 410778 Lot No. 5248 (Preceding Title No. HSD 38342 PTB No.4543) Bandar Penggaram Daerah Batu Pahat, Johor Darul Takzim | Freehold | 1,650 sq.ft. | 3-Storey Shop office building (16 years old) | 338,807 | 15.06.2001 |
| 9. GRN 87148 Lot No. 866 (Preceding Title No. C.T 8771) Mukim Sri Medan, Daerah Batu Pahat Johor Darul Takzim | Freehold | 9.0.21 9.13 ac. | Agriculture land | 354,290 | 30.09.2003 |
| 10. GRN 87138 Lot No. 863 (Preceding Title No. C.T 8768) Mukim Sri Medan, Daerah Batu Pahat Johor Darul Takzim | Freehold | 9.0.00 9.00 ac. | Agriculture land | 349,200 | 30.09.2003 |

ANALYSIS OF SHAREHOLDINGS

AS AT 17 MAY 2017

| | | | |
|-------------------|---|------------------------|--------------|
| Class of Shares | : | Ordinary Shares | |
| Share Capital | : | Issued & Fully Paid Up | RM72,704,500 |
| Voting Rights | : | 1 Vote Per Share | |
| Number of Holders | : | 1,185 | |

Distribution of Shareholdings

| No. of Holders | Size of Holdings | No. of Shares | Percentage (%) |
|----------------|--------------------------|-------------------------|----------------|
| 13 | 1 - 99 | 600 | 0.00 |
| 409 | 100 - 1,000 | 181,750 | 0.25 |
| 498 | 1,001 - 10,000 | 2,258,150 | 3.12 |
| 189 | 10,001 - 100,000 | 6,884,400 | 9.52 |
| 75 | 100,001 - 3,616,224(*) | 57,864,300 | 80.01 |
| 1 | 3,616,225 and above (**) | 5,135,300 | 7.10 |
| 1,185 | | 72,324,500 ¹ | 100.00 |

Remark : * Less than 5% of issued shares
 ** 5% and above of issued shares

1. Excluding a total of 380,000 XLB shares bought-back by XLB and retained as treasury shares as at 17 May 2017.

List of 30 Largest Shareholdings

| No. | Name | No. of shares held | Percentage (%) of issued capital* |
|-----|--|--------------------|-----------------------------------|
| 1 | The Best Source Holdings Pte Ltd | 5,135,300 | 7.10 |
| 2 | Standout Achievement Sdn Bhd | 3,100,000 | 4.29 |
| 3 | Khoo Hai Chew | 3,068,000 | 4.24 |
| 4 | Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad for Low Pheng (Smart) | 2,599,300 | 3.59 |
| 5 | Lim Kim Kang | 2,356,000 | 3.26 |
| 6 | BT Capital Sdn Bhd | 2,353,300 | 3.25 |
| 7 | Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad for Wee Teck Peng(Smart) | 2,085,800 | 2.88 |
| 8 | Teo Chin Leng | 2,045,500 | 2.83 |
| 9 | Yung Hok Leung | 2,035,200 | 2.81 |
| 10 | Lim Wan Hong | 1,881,400 | 2.60 |
| 11 | Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kam Chan Seng | 1,872,600 | 2.59 |
| 12 | Chua Choong Kiat @ Chua Ong Choong Kiat | 1,849,100 | 2.56 |
| 13 | Goh Bee Huey | 1,711,000 | 2.37 |
| 14 | Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kelvin Lim Teck Kwang | 1,597,600 | 2.21 |
| 15 | Chiew Kian Chai | 1,560,000 | 2.16 |
| 16 | Ong Jia Ling | 1,330,100 | 1.84 |
| 17 | Koh Lay Chern | 1,297,500 | 1.79 |
| 18 | Ng Huan Tong | 1,244,800 | 1.72 |
| 19 | Lin ZhongPeng | 1,162,700 | 1.61 |
| 20 | Lian Ah Peng | 1,094,000 | 1.51 |
| 21 | Public Invest Nominees (Asing) Sdn Bhd Exempt An For Phillip Securities Pte Ltd (Clients) | 1,007,000 | 1.39 |
| 22 | Eng Hup Ee | 1,006,100 | 1.39 |
| 23 | Lai Keng Chong | 1,000,000 | 1.38 |
| 24 | Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tey Rose | 980,000 | 1.36 |
| 25 | Tan Ah Pon @ Tan Yee Lan | 941,000 | 1.30 |
| 26 | Koo Kok Poh | 926,200 | 1.28 |
| 27 | Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Pheng | 925,000 | 1.28 |
| 28 | Ng Han Guan | 910,500 | 1.26 |
| 29 | Kenanga Nominees (Asing) Sdn.Bhd. Kuroko Company Limited (04KU108-004) | 900,000 | 1.24 |
| 30 | Tan Lei Joo | 800,000 | 1.11 |

Note :

* Excluding a total of 380,000 XLB shares bought-back by XLB and retained as treasury shares as at 17 May 2017.

ANALYSIS OF SHAREHOLDINGS

AS AT 17 MAY 2017

List of Substantial Shareholders

| | Direct Interest | | Indirect Interest | |
|----------------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | No. of shares held | % of Issued capital * | No. of shares held | % of Issued capital * |
| The Best Source Holdings Pte Ltd | 5,135,300 | 7.10 | 0 | 0.00 |

Note :

* Excluding a total of 380,000 XLB shares bought-back by XLB and retained as treasury shares as at 17 May 2017.

List of Directors' Shareholdings in the Company

| Name of Director | Direct Interest | | Indirect Interest | |
|-------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | No. of shares held | % of Issued capital * | No. of shares held | % of Issued capital * |
| Augustine A/L T.K.James | Nil | 0.00 | Nil | 0.00 |
| Kuan Kai Seng | Nil | 0.00 | Nil | 0.00 |
| Lee Kian Hu | Nil | 0.00 | Nil | 0.00 |
| Tay Hui - Hui | Nil | 0.00 | Nil | 0.00 |
| Dato' Ng Jet Heong | Nil | 0.00 | Nil | 0.00 |

Note :

* Excluding a total of 380,000 XLB shares bought-back by XLB and retained as treasury shares as at 17 May 2017.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 18th Annual General Meeting of Xian Leng Holdings Berhad will be held at The Katerina Hotel, Opal Room, Level M, No. 8, Jalan Zabadah, 83000 Batu Pahat, Johor, Malaysia on Wednesday, 26 July 2017 at 9:30 a.m to transact the following businesses:-

AGENDA

AS ORDINARY BUSINESS:

- | | |
|--|--|
| <ol style="list-style-type: none"> 1. To receive the Audited Financial Statements of the Company and of the Group for the financial year ended 31 January 2017 and the Reports of the Directors and Auditors thereon. 2. To approve the Directors' fees and benefits amounting to RM200,000.00 for the financial year ended 31 January 2017. 3. To re-elect Mr. Lee Kian Hu, who retires pursuant to Article 84 of the Company's Constitution. 4. To re-elect Ms. Tay Hui - Hui, who retires pursuant to Article 91 of the Company's Constitution. 5. To re-elect Dato' Ng Jet Heong, who retires pursuant to Article 91 of the Company's Constitution. 6. To re-appoint Messrs CAS Malaysia PLT as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration. | <p style="text-align: right;">Resolution on Proxy Form</p> <p>(Please refer Explanatory Note 1)</p> <p>(Resolution 1)</p> <p>(Resolution 2)</p> <p>(Resolution 3)</p> <p>(Resolution 4)</p> <p>(Resolution 5)</p> |
|--|--|

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following Resolution as Ordinary Resolution:-

- | | |
|---|-----------------------|
| <ol style="list-style-type: none"> 7. ORDINARY RESOLUTION AUTHORITY TO ISSUE SHARES | <p>(Resolution 6)</p> |
|---|-----------------------|

"THAT, subject always to the Companies Act 2016, the Company's Constitution and the approvals of the relevant governmental/regulatory authorities, if applicable, the Directors be and are hereby empowered, pursuant to Section 75 and Section 76 of the Companies Act 2016, to issue shares in the Company from time to time and 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 issued pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

- | | |
|--|-----------------------|
| <ol style="list-style-type: none"> 8. ORDINARY RESOLUTION PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK | <p>(Resolution 7)</p> |
|--|-----------------------|

"THAT subject to the Companies Act, 2016 ("Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental authorities, the Company be and is hereby authorised to purchase and/or hold such amount of ordinary shares in the Company's issued and paid-up share capital through Bursa Securities from time to time, upon such terms and conditions as the Directors may deem fit in the interest of the Company PROVIDED THAT:-

- a. The maximum aggregate number of ordinary shares which may be purchased and/or held by the Company shall not exceed ten per cent (10%) of the issued and paid-up share capital of the Company at any one time;
- b. The maximum amount of funds to be allocated for the purpose of purchasing its own shares shall not exceed the aggregate amount of the share premium and retained profits of the Company;
- c. The authority conferred by this resolution shall commence immediately upon passing of this ordinary resolution and will continue to be in force until
 - i. the conclusion of the next Annual General Meeting of the Company, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions; or
 - ii. the expiration of the period within which the next Annual General Meeting after that date is required to be held; or
 - iii. revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

NOTICE OF ANNUAL GENERAL MEETING

8. **ORDINARY RESOLUTION
PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK (CONT'D)**

AND THAT the Board of Directors ("Board") be and are hereby authorised to decide at their discretion either to retain the Purchased Shares as treasury shares (as defined in Section 127 of the Act) and/or to cancel the Purchased Shares and/or to retain the Purchased Shares as treasury shares for distribution as share dividends to the shareholders of the Company and/or resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or cancelled subsequently and/or to retain part of the Purchased Shares as treasury shares in such other manner as may be permitted by the Act, rules, regulations, guidelines, requirements and/or orders of Bursa Securities and other relevant authorities for the time being in force;

AND THAT the Board be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise or to effect the aforesaid share buy-back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments as may be required or imposed by the relevant authorities and to do all such acts and things (including executing all documents) as the Board may deem fit and expedient in the best interests of the Company."

9. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD,
XIAN LENG HOLDINGS BERHAD

LAANG JHE HOW (MIA 25193)
TAN KAH KOON (MAICSA 7066666)
Company Secretaries

Kuala Lumpur
31 May 2017

NOTES:-

1. In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 19 July 2017 shall be eligible to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend, participate, speak and vote on his/ her behalf.
2. A member of the Company who is entitled to attend, participate, speak and vote at this meeting is entitled to appoint not more than two (2) proxies, and in the case of a corporation, a duly authorised representative to attend, participate, speak and vote in its stead.
3. A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.
4. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.
6. The original instrument appointing a proxy must be deposited at the Registered Office of the Company situated at 35, Jalan Penjaja 3, 83000 Batu Pahat, Johor, Malaysia, not less than twenty-four (24) hours before the time set for holding this meeting or at any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES

1. Item 1 of the Agenda

The item is meant for discussion only, as the provision of Section 340(1) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item is not put forward for voting.

2. Ordinary Resolution 6 – Proposed Authority to issue shares

The Company wishes to renew the mandate on the authority to issue shares pursuant to Section 75 of the Companies Act 2016 at the 18th Annual General Meeting of the Company (hereinafter referred to as the "General Mandate").

The Company had been granted a general mandate by its shareholders at the 17th Annual General Meeting of the Company held on 24 June 2016 (hereinafter referred to as the "Previous Mandate").

As at the date of this notice, the Previous Mandate granted by the shareholders had not been utilised and hence no proceeds were raised therefrom.

The General Mandate will enable the Directors of the Company to issue shares any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and / or acquisitions.

3. Ordinary Resolution 7 - Renewal of Authority for the Company to Purchase its Own Shares

Resolution 7, if passed, will renew the authority granted by the shareholders of the Company at the 17th Annual General Meeting held on 24 June 2016 and continue to empower the Directors of the Company to purchase shares of the Company ("Proposed Share Buy-Back")

Please refer to the circular to shareholders in relation to Renewal of Authority for the Company to Purchase its Own Shares dated 31 May 2017.

STATEMENT ACCOMPANYING

NOTICE OF ANNUAL GENERAL MEETING

1. Details of individuals who are standing for election as Directors

No individual is standing for election as Director at this Annual General Meeting.

2. Statement relating to the general mandate for issue of securities in accordance with Rule 6.03(3) of the MAIN Market Listing Requirements of Bursa Malaysia Securities Berhad

Detail of the General Mandate for the Authority to issue shares pursuant to Section 75 of the Companies Act 2016 are set out in Explanatory Notes (2) of the Notice of Annual General Meeting.

FORM OF PROXY

XIAN LENG HOLDINGS BERHAD (468142-U)

I/We.....NRIC No./Passport No./Company No.....

of.....

being a member/members of **XIAN LENG HOLDINGS BERHAD**, hereby appoint

| | | | |
|-----------|-----------------------|-----------------------------|---|
| Full Name | NRIC No./Passport No. | Proportion of Shareholdings | |
| | | No. of Shares | % |
| Address | | | |

* and/* or failing him/her (*delete as appropriate)

| | | | |
|-----------|-----------------------|-----------------------------|---|
| Full Name | NRIC No./Passport No. | Proportion of Shareholdings | |
| | | No. of Shares | % |
| Address | | | |

or failing him/her/them, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at The Katerina Hotel, Opal Room, Level M, No. 8, Jalan Zabedah, 83000 Batu Pahat, Johor, Malaysia on Wednesday, 26 July 2017 at 9:30 a.m. or any adjournment thereof and *my/our proxy is to vote as indicated below:-

| Item | Agenda | RESOLUTION | *FOR | *AGAINST |
|----------------------------|---|------------|------|----------|
| 1. | To receive Audited Financial Statements and Reports for the financial year ended 31 January 2017. | | | |
| ORDINARY BUSINESS:- | | | | |
| 2. | To approve Directors' fees and benefits. | 1 | | |
| 3. | To re-elect Mr. Lee Kian Hu, who retires pursuant to Article 84 of the Company's Constitution. | 2 | | |
| 4. | To re-elect Ms. Tay Hui - Hui, who retires pursuant to Article 91 of the Company's Constitution. | 3 | | |
| 5. | To re-elect Dato' Ng Jet Heong, who retires pursuant to Article 91 of the Company's Constitution. | 4 | | |
| 6. | To re-appoint Messrs CAS Malaysia PLT as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration. | 5 | | |
| SPECIAL BUSINESS :- | | | | |
| 7. | Authority issue shares | 6 | | |
| 8. | Proposed Renewal of Authority for Share Buy Back | 7 | | |

(Please indicate with an "X" in the space provided and to show how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion).

Dated this.....day of.....2017

.....
Signature(s) / Common Seal of Shareholder(s)

* Strike out whichever is inapplicable

| | |
|--------------------|--|
| CDS Account No. | |
| No. of shares held | |

NOTES:-

- In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 19 July 2017 shall be eligible to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend, participate, speak and vote on his/ her behalf.
- A member of the Company who is entitled to attend, participate, speak and vote at this meeting is entitled to appoint not more than two (2) proxies, and in the case of a corporation, a duly authorised representative to attend, participate, speak and vote in its stead.
- A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.
- Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.
- The original instrument appointing a proxy must be deposited at the Registered Office of the Company situated at 35, Jalan Penjaja 3, 83000 Batu Pahat, Johor, Malaysia, not less than twenty-four (24) hours before the time set for holding this meeting or at any adjournment thereof.

Fold this flap for sealing

**AFFIX
STAMP**

The Company Secretary
XIAN LENG HOLDINGS BERHAD
(468142-U)
35, JALAN PENJAJA 3,
83000 BATU PAHAT,
JOHOR DARUL TAKZIM,
MALAYSIA

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