

**COMPANY : XIN HWA HOLDINGS BERHAD**  
**SUBJECT : OTHERS**  
**DESCRIPTION : APPOINTMENT OF KPMG MANAGEMENT & RISK CONSULTING SDN. BHD. TO CONDUCT AN INDEPENDENT INVESTIGATIVE REVIEW**

Further to the announcements of the Company (“XHH”) made on 14 February 2019 and 30 April 2019, the Board of Directors (“Board”) wishes to inform that KPMG Management & Risk Consulting Sdn. Bhd. (“KPMG”) has submitted their findings to the Audit & Risk Management Committee (“ARMC”) and the Board.

#### **EVENT THAT LED TO THE CONDUCT OF INDEPENDENT REVIEW**

The Board had recently been alerted on alleged irregularities on some transactions and payments with several companies. The Board therefore appointed KPMG to conduct an independent investigative review on these allegations to ascertain whether there is any irregularity.

#### **FINDINGS**

KPMG has completed their review, mainly covered the period from January 2017 to December 2018, and has submitted their report to the ARMC and the Board, which indicates that out of the 8 allegations, 3 allegations had some basis or substantiated. The 3 allegations are:

1. Dividend payment of a subsidiary of XHH was paid to a third party instead of the registered shareholder, but the arrangement was meant to settle a personal debt and with instruction from the registered shareholder;
2. The subsidiary’s company funds had been used to pay personal expenses of the executive directors. These payments were partially made out of directors’ fees and the remaining payments were recognised as debts owed by the directors to the company which have since been repaid; and
3. There were payments made on behalf of a substantial shareholder. However, the amount paid had since been fully repaid by the substantial shareholder.

In the course of their review, KPMG also noted:

- a. There were provisions of financial assistance by a subsidiary of XHH to several companies in the form of interest-free advances and payments mainly relate to those companies’ operating expenses. Some of these advances and payments had since been repaid;
- b. The revision of the executive directors’ remuneration was not tabled to the Remuneration Committee (“RC”) and the Board as required under the Company’s Directors’ Remuneration Policy and Procedure. The matter had since been addressed by the RC and the Board; and
- c. There was a variance between the bonus approved and paid in a year to a director of a subsidiary.

#### **MEASURES OR STEPS TAKEN/TO BE TAKEN BY THE BOARD**

The Board is in the process of appointing solicitors to review the report of KPMG and to advise the Board on any non-compliance with any law and/or Listing Requirements.

Further announcement would be made after the Company obtaining the relevant advice from the solicitors.

This announcement is dated 11 June 2019.