

## MIRA INFORM REPORT

<b>Report No. :</b>	534964
<b>Report Date :</b>	20.10.2018

### IDENTIFICATION DETAILS

<b>Name :</b>	ARROW SYSTEMS SDN. BHD.
<b>Registered Office :</b>	No. 1, Persiaran Perindustrian Pengkalan 15, Kawasan Perindustrian Pengkalan, 31500 Lahat, Perak, Malaysia.
<b>Country :</b>	Malaysia
<b>Financials (as on) :</b>	31.03.2017
<b>Date of Incorporation :</b>	24.02.1994
<b>Com. Reg. No.:</b>	290524-U
<b>Legal Form :</b>	Private Limited
<b>Line of Business :</b>	The Subject is principally engaged in the assembly and trading in food processing equipment and packaging machine.
<b>No. of Employees :</b>	70 [2018]

**RATING & COMMENTS**

(Mira Inform has adopted New Rating mechanism w.e.f. 23<sup>rd</sup> January 2017)

**MIRA's Rating :**

C

Credit Rating	Explanation	Rating Comments
C	Medium High Risk	Business dealings permissible preferably on secured basis

<b>Status :</b>	Moderate
<b>Payment Behaviour :</b>	Slow
<b>Litigation :</b>	Clear

**NOTES :**

Any query related to this report can be made on e-mail : [infodept@mirainform.com](mailto:infodept@mirainform.com) while quoting report number, name and date.

**ECGC Country Risk Classification List**

Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
Malaysia	A2	A2

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

**MALAYSIA - ECONOMIC OVERVIEW**

Malaysia, an upper middle-income country, has transformed itself since the 1970s from a producer of raw materials into a multi-sector economy. Under current Prime Minister NAJIB, Malaysia is attempting to achieve high-income status by 2020 and to move further up the value-added production chain by attracting investments in high technology, knowledge-based industries and services. NAJIB's Economic Transformation Program is a series of projects and policy measures intended to accelerate the country's economic growth. The government has also taken steps to liberalize some services sub-sectors. Malaysia is vulnerable to a fall in world commodity prices or a general slowdown in global economic activity.

The NAJIB administration is continuing efforts to boost domestic demand and reduce the economy's dependence on exports. Domestic demand continues to anchor economic growth, supported mainly by private consumption, which accounts for 53% of GDP. Nevertheless, exports - particularly of electronics, oil and gas, and palm oil - remain a significant driver of the economy. In 2015, gross exports of goods and services were equivalent to 73% of GDP. The oil and gas sector supplied about 22% of government revenue in 2015, down significantly from prior years amid a decline in commodity prices and diversification of government revenues. Malaysia has embarked on a fiscal reform program aimed at achieving a balanced budget by 2020, including rationalization of subsidies and the 2015 introduction of a 6% value added tax. Sustained low commodity prices throughout the period not only strained government finances, but also shrunk Malaysia's current account surplus and weighed heavily on the Malaysian ringgit, which was among the region's worst performing currencies during 2013-17. The ringgit hit new lows following the US presidential election amid a broader selloff of emerging market assets.

Bank Negara Malaysia (the central bank) maintains adequate foreign exchange reserves; a well-developed regulatory regime has limited Malaysia's exposure to riskier financial instruments, although it remains vulnerable to volatile global capital flows. In order to increase Malaysia's competitiveness, Prime Minister NAJIB raised possible revisions to the special economic and social preferences accorded to ethnic Malays under the New Economic Policy of 1970, but retreated in 2013 after he encountered significant opposition from Malay nationalists and other vested interests. In September 2013 NAJIB launched the new Bumiputra Economic Empowerment Program, policies that favor and advance the economic condition of ethnic Malays.

Malaysia signed the 12-nation Trans-Pacific Partnership (TPP) free trade agreement in February 2016, although the future of the TPP remains unclear following the US withdrawal from the agreement. Along with nine other ASEAN members, Malaysia established the ASEAN Economic Community in 2015, which aims to advance regional economic integration.

Source : CIA

## **EXECUTIVE SUMMARY**

REGISTRATION NO.	: 290524-U
COMPANY NAME	: ARROW SYSTEMS SDN. BHD.
FORMER NAME	: N/A
INCORPORATION DATE	: 24/02/1994
COMPANY STATUS	: EXIST
LEGAL FORM	: PRIVATE LIMITED
LISTED STATUS	: NO
REGISTERED ADDRESS	: NO. 1, PERSIARAN PERINDUSTRIAN PENGKALAN 15, KAWASAN PERINDUSTRIAN PENGKALAN, 31500 LAHAT, PERAK, MALAYSIA.
BUSINESS ADDRESS	: NO 1, PERSIARAN PERINDUSTRIAN PENGKALAN 15, KAWASAN PERINDUSTRIAN PENGKALAN, 31500 LAHAT, PERAK, MALAYSIA.
TEL.NO.	: 05-3217968
FAX.NO.	: 05-3228329
EMAIL	: SALES@ARROWSYSTEMSONLINE.COM
WEB SITE	: WWW.ARROWSYSTEMSONLINE.COM
CONTACT PERSON	: LEONG WENG KHIN ( DIRECTOR )
INDUSTRY CODE	: 281
PRINCIPAL ACTIVITY	: ASSEMBLY AND TRADING IN FOOD PROCESSING EQUIPMENT AND PACKAGING MACHINE
AUTHORISED CAPITAL	: MYR 1,000,000.00 DIVIDED INTO ORDINARY SHARE 1,000,000.00 OF MYR 1.00 EACH.
ISSUED AND PAID UP CAPITAL	: MYR 700,000.00 DIVIDED INTO ORDINARY SHARES 200,000 CASH AND 500,000 OTHERWISE OF MYR 1.00 EACH.
SALES	: MYR 22,590,841 [2017]
NET WORTH	: MYR (336,159) [2017]
STAFF STRENGTH	: 70 [2018]
BANKER (S)	: UNITED OVERSEAS BANK (MALAYSIA) BHD SOUTHERN BANK BERHAD
LITIGATION	: CLEAR
DEFAULTER CHECK	: CLEAR
FINANCIAL CONDITION	: POOR
PAYMENT	: SLOW
MANAGEMENT	: AVERAGE
CAPABILITY	
COMMERCIAL RISK	: MODERATE
CURRENCY EXPOSURE	: MODERATE
GENERAL REPUTATION	: SATISFACTORY
INDUSTRY OUTLOOK	: AVERAGE GROWTH

## **HISTORY / BACKGROUND**

The Subject is a private limited company and is allowed to have a minimum of one and a maximum of forty-nine shareholders. As a private limited company, the Subject shall have a minimum one director. A private limited company is a separate legal entity from its shareholders. As a separate legal entity, the Subject is capable of owning assets, entering into contracts, sue or be sued by other companies. The liabilities of the shareholders are to the extent of the equity they have taken up and the creditors cannot claim on shareholders' personal assets even if the Subject is insolvent. The Subject is governed by the Companies Act, 1965 and the company must file its annual returns, together with its financial statements with the Registrar of Companies.

The Subject is principally engaged in the (as a / as an) assembly and trading in food processing equipment and packaging machine.

The Subject is not listed on Bursa Malaysia (Malaysia Stock Exchange).

### Former Address(es)

Address	As At Date
NO.36,JLN.PERIND.PENKALAN 2A, KAWASAN PERIND.PENKALAN, IPOH, 31500, PERAK, MALAYSIA	15/02/2013
41, JALAN MEDAN IPOH 6, BANDAR BARU MEDAN IPOH, 31400, PERAK, MALAYSIA	17/07/2014

### Share Capital History

Date	Authorised Shared Capital	Issue & Paid Up Capital
18/04/2014	MYR 1,000,000.00	MYR 700,000.00
15/02/2013	MYR 500,000.00	MYR 400,000.00
31/03/2007	MYR 500,000.00	MYR 200,000.00

The major shareholder(s) of the Subject are shown as follows :

### Current Shareholder(s) :

Name	Address	IC/PP/Loc No	Shareholding	(%)
MR. CHAN KOK HENG +	21,SALASAR ROKAM 24, TMN IPOH JAYA, IPOH,PERAK, 31350 IPOH, PERAK, MALAYSIA.	660724-08-5657 A0472951	525,000.00	75.00
MR. LEONG WENG KHIN +	33 FOO NYIT TSE STREET,FALIM, IPOH, 30200 IPOH, PERAK, MALAYSIA.	690316-08-6201 A1239041	175,000.00	25.00
			700,000.00	100.00

+ Also Director

## **DIRECTORS**

### DIRECTOR 1

Name Of Subject : MR. LEONG WENG KHIN  
Address : 33 FOO NYIT TSE STREET, FALIM, IPOH, 30200 IPOH, PERAK, MALAYSIA.  
Other Address(es) : 5, LEBUH CANTON, TAMAN MANSION, 30250 IPOH, PERAK, MALAYSIA.  
IC / PP No : A1239041  
New IC No : 690316-08-6201  
Nationality : MALAYSIAN  
Date of : 29/02/1996  
Appointment

### INTEREST CHECK

Interest in : see below  
companies  
Interest in business : none in our databank  
Former interest : see below

### INTEREST IN COMPANY

N o	Local No	Company	Designat ion	App Date	Shareholding No.	%	Profit/(loss) After Tax	Finan cial Year	Status	As At
1	290524 U	ARROW SYSTEMS SDN. BHD.	Director	29/02/1996	175,000 .00	25.00	MYR346,759 .00	2017	-	21/09/2018
2	719747 P	AVIVION SNACK FOOD MANUFACT URER SDN. BHD.	Sharehol der	-	20,000.00	20.00	MYR(399,21 0.00)	2008	Disolv ed by Registrar	21/09/2018
3	110565 7V	LASUKI FOOD TECHNOLO GY SDN. BHD.	Sharehol der	-	1.00	50.00	MYR(168,45 1.00)	2017	-	21/09/2018
4	659767 K	OSCAR PACKAGING MATERIALS SDN. BHD.	Director	03/09/2004	1.00	50.00	MYR(1,576.00)	2017	-	21/09/2018
5	905763 X	WISE CHOICE FOOD INDUSTRIES SDN. BHD.	Director	24/06/2010	3,001.00	30.00	MYR(222,91 0.00)	2017	-	21/09/2018

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FORMER INTEREST

No	Local No	Company	Designation	App Date	Withdrawn Date	Shareholding	Status
1	1105657V	LASUKI FOOD TECHNOLOGY SDN. BHD.	Director	20/08/2014	27/01/2017	-	-

DIRECTOR 2

Name Of Subject : MR. CHAN KOK HENG  
Address : 21,SALASAR ROKAM 24, TMN IPOH JAYA, IPOH,PERAK, 31350 IPOH, PERAK, MALAYSIA.  
Other Address(es) : NO. 27 LALUAN BERCHAM SELATAN 3/3, TAMAN IPOH BOULEVARD TIMUR, 31400 IPOH, PERAK, MALAYSIA.  
IC / PP No : A0472951  
New IC No : 660724-08-5657  
Date of Birth : 24/07/1966  
Nationality : MALAYSIAN  
Date of Appointment : 13/01/1994

INTEREST CHECK

Interest in companies : see below  
Interest in business : none in our databank  
Former interest : see below

INTEREST IN COMPANY

N	Local No	Company	Designation	App Date	Shareholding No.	Shareholding %	Profit/(loss) After Tax	Financial Year	Status	As At
1	290524U	ARROW SYSTEMS SDN. BHD.	Director	13/01/1994	525,000.00	75.00	MYR346,759.00	2017	-	21/09/2018
2	659767K	OSCAR PACKAGING MATERIALS SDN. BHD.	Director	03/09/2004	1.00	50.00	MYR(1,576.00)	2017	-	21/09/2018
3	776422H	RESTAURANT C U VILLAGE SDN. BHD.	Director	08/06/2007	1.00	50.00	MYR(14,375.00)	2007	-	21/09/2018
4	905763X	WISE CHOICE FOOD INDUSTRIE	Director	24/06/2010	7,001.00	70.00	MYR(222,910.00)	2017	-	21/09/2018

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S SDN.  
BHD.

**FORMER INTEREST**

No	Local No	Company	Designation	App Date	Withdrawn Date	Shareholding	Status
1	1199295V	EMPIRE FOOD CHOICE SDN. BHD.	Director	23/08/2016	05/04/2017	-	-
2	1199295V	EMPIRE FOOD CHOICE SDN. BHD.	Shareholder	-	-	202	-

**FORMER DIRECTOR(S)**

Name	Address	IC/PP No	Appointed Date	Withdrawn Date
LIEW YOON KEE	309 TAMAN NAGA EMAS, KAMPAR, PERAK, MALAYSIA	490318-08-5273	10/03/1994	12/05/1999
LEW FOO CHAY	NO. 31 JALAN DESA 2/4, BANDAR COUNTRY HOME, RAWANG, SELANGOR, MALAYSIA	460918-08-5835	10/03/1994	12/05/1999
CHAN QUAN CHEW	31 PERSIARAN CECIL RAE, TAMAN CANNING, IPOH, PERAK, IPOH, PERAK, MALAYSIA	610131-08-5605	13/04/1994	12/06/2000

Note : The above information was generated from our database.

**MANAGEMENT**

- 1) Name of Subject Position : LEONG WENG KHIN : DIRECTOR

**AUDITOR**

Firm No	Firm Name	Address	As At Date
AF0080	DELOITTE PLT (LLP0010145-LCA)	LEVEL 16, MENARA LGB, 1 JALAN WAN KADIR, TAMAN TUN DR ISMAIL, 60000 KUALA LUMPUR, WILAYAH PERSEKUTUAN, MALAYSIA.	31/03/2017
AF0853	M.F. CHAI & CO.	NO. 81, JALAN MARKET, 30000 IPOH, PERAK, MALAYSIA.	31/03/2013

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## **COMPANY SECRETARIES**

- 1) Company Secretary : MR. CHAN CHEE KHEONG  
IC / PP No : A4707466  
New IC No : 541214-08-5831  
Address : 116, TAMAN GOLDEN DRAGON, KAMPAR, PERAK., 31900 KAMPAR, PERAK, MALAYSIA.  
Date of Appointment : 30/06/2014

## **BANKING**

Banking relations are maintained principally with :

- 1) Name : UNITED OVERSEAS BANK (MALAYSIA) BHD  
2) Name : SOUTHERN BANK BERHAD

## **ENCUMBRANCE (S)**

Charge No	Creation Date	Charge Description	Chargee Name	Total Charge	Status
1	23/03/1996	N/A	CIMB BANK BERHAD	MYR 420,000.00	Satisfied
2	27/08/1997	AGREEMENT & 1ST PARTY CHARGE	CIMB BANK BERHAD	MYR 90,000.00	Satisfied
3	21/09/2000	N/A	CIMB BANK BERHAD	MYR 144,000.00	Satisfied
4	31/03/2006	N/A	UNITED OVERSEAS BANK (MALAYSIA) BERHAD.	-	Satisfied
5	31/03/2006	N/A	UNITED OVERSEAS BANK (MALAYSIA) BERHAD.	-	Satisfied
6	31/03/2006	N/A	UNITED OVERSEAS BANK (MALAYSIA) BERHAD.	-	Satisfied
7	12/01/2009	N/A	UNITED OVERSEAS BANK (MALAYSIA) BERHAD.	-	Unsatisfied
8	10/03/2009	N/A	UNITED OVERSEAS BANK (MALAYSIA) BERHAD.	-	Unsatisfied
9	10/03/2009	N/A	UNITED OVERSEAS BANK (MALAYSIA)	-	Unsatisfied

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10	10/03/2009	N/A	BERHAD. UNITED OVERSEAS BANK (MALAYSIA)	-	Unsatisfied
11	10/03/2009	N/A	BERHAD. UNITED OVERSEAS BANK (MALAYSIA)	-	Unsatisfied
12	10/03/2009	N/A	BERHAD. UNITED OVERSEAS BANK (MALAYSIA)	-	Unsatisfied
13	10/03/2009	N/A	BERHAD. UNITED OVERSEAS BANK (MALAYSIA)	-	Unsatisfied
14	28/06/2010	N/A	BERHAD. UNITED OVERSEAS BANK (MALAYSIA)	-	Unsatisfied
15	05/09/2014	N/A	BERHAD. AMBANK (M) BERHAD	-	Unsatisfied
16	05/11/2014	N/A	BERHAD. UNITED OVERSEAS BANK (MALAYSIA)	-	Unsatisfied
17	05/11/2014	N/A	BERHAD. UNITED OVERSEAS BANK (MALAYSIA)	-	Unsatisfied
18	28/03/2018	N/A	BERHAD. UNITED OVERSEAS BANK (MALAYSIA)	-	Unsatisfied

## **CIVIL LITIGATION CHECK - SUBJECT COMPANY AS A DEFENDANT**

\* A check has been conducted in our databank against the Subject whether the Subject has been involved in any litigation. Our databank consists of 99% of the wound up companies in Malaysia.

No legal action was found in our databank.

No winding up petition was found in our databank.

## **CRIMINAL CHECK - SUBJECT COMPANY AS A DEFENDANT**

\* A check has been conducted in our databank against the Subject whether the Subject has been involved in any litigation. Our databank consists of 99% of the wound up companies in Malaysia.

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No criminal record was found in our databank.

## **CIVIL LITIGATION CHECK - SUBJECT COMPANY AS A PLAINTIFF**

*\* A check has been conducted in our databank against the Subject whether the Subject has been involved in any litigation. Our databank consists of 99% of the wound up companies in Malaysia.*

No plaintiff record was found in our databank.

## **CRIMINAL RECORDS CHECK - SUBJECT COMPANY AS A PLAINTIFF**

*\* A check has been conducted in our databank against the Subject whether the Subject has been involved in any litigation. Our databank consists of 99% of the wound up companies in Malaysia.*

No plaintiff record was found in our databank.

## **DEFAULTER CHECK AGAINST SUBJECT**

*\* We have checked through the Subject in our defaulters' database which comprised of debtors that have been listed by our customers and debtors that have been placed or assigned to us for collection.*

No defaulter record & debt collection case was found in our defaulters' databank

## **RED ALERT FROM CENTRAL BANK OF MALAYSIA**

*\* A check has been conducted with the Central Bank of Malaysia whether the Subject has carried out any illegal or suspicious financial activities.*

The Subject has not been carried out any illegal money services business without licence under the Money Services Business Act 2011.

The Subject has not been placed under the Financial Consumer Alert list by the Central Bank of Malaysia.

## **INVESTOR ALERT BY SECURITIES COMMISSION MALAYSIA & BURSA MALAYSIA**

\* A check has been conducted with the Securities Commission Malaysia whether the Subject has involved in any unlicensed capital market activities under the Securities Laws and Bursa Malaysia should the Subject is listed as Practice Note (PN) 17 or Guidance Note (GN) 3.

The Subject has not been carried out any unlicensed capital market activities.

### **PAYMENT RECORD**

#### SOURCES OF RAW MATERIALS:

Local : YES  
Overseas : YES  
Import : ASIA,GERMANY  
Countries

### **CLIENTELE**

Local : YES Percentage : 20%  
Domestic : MALAYSIA  
Markets  
Overseas : YES Percentage : 80%  
Export Market : WORLDWIDE  
Credit Term : 30 - 90 DAYS  
Payment Mode : CHEQUES  
LETTER OF CREDIT (LC)  
TELEGRAPHIC TRANSFER (TT)  
Type of : FOOD MANUFACTURERS  
Customer

### **OPERATIONS**

Products manufactured : FOOD PROCESSING EQUIPMENT AND PACKAGING MACHINE  
Member(s) / Affiliate(s) : MALAYSIA FOOD & BEVERAGE INDUSTRY  
Ownership of premises : OWNED  
Total Number of Employees:  
YEAR 2018

GROUP N/A  
COMPANY 70

Branch : NO  
Other Information:

The Subject is principally engaged in the (as a / as an) assembly and trading in food processing equipment and packaging machine.

The Subject sells a wide range of products which include:

- \* Wafer Stick Baking Machine
- \* Ballmill Machine
- \* Potato Snack Manufacturing Line
- \* Toasted Puff Extruder
- \* Others

The Subject also provides assembly services for the machines.

Besides that the Subject also offers food manufacturing, coding and marking machinery.

The packaging machines are especially suited to solid, granular and powdered goods.

The complete range of products includes horizontal and vertical automatic packaging machines, using either pillow type of three-side seal flexible packaging. Speciality machines for packaging rice and detergent are also available.

According to the Subject, it identifies and studies the customer's needs before recommending suitable packaging methods, materials and machinery.

It also offer scheduled preventive services and fast deployment of servicemen for repair services.

The Customers have the option of signing a maintenance contract with the SC for schedule preventive services. Preventive services can prevent extensive damages to the machine, which could have started with some minor malfunctions.

The Subject has strong and effecient technical support team.

## **RECENT DEVELOPMENT**

We have checked with the Malaysian National News Agency's (BERNAMA) database, but no recent development was noted during the time of inspection.

## **CURRENT INVESTIGATION**

Latest fresh investigations carried out on the Subject indicated that :

Telephone Number Provided By : 053217968  
Client  
Current Telephone Number : 05-3217968  
Match : YES  
Address Provided by Client : NO. 1, PERSIARAN PERIINDUSTRIAN PENGKALAN 15 KAWASAN  
PERIINDUSTRIAN PENGKALAN 31500 IPOII PERAK  
Current Address : NO 1, PERSIARAN PERINDUSTRIAN PENGKALAN 15, KAWASAN  
PERINDUSTRIAN PENGKALAN, 31500 LAHAT, PERAK, MALAYSIA.  
Match : NO  
Latest Financial Accounts : YES

Other Investigations

We contacted one of the staff from the Subject and he provided some information.

The provided town is incorrect.

## **FINANCIAL ANALYSIS**

Profitability

Turnover	:	Erratic	[	2013 - 2017	]
Profit/(Loss) Before Tax	:	Decreased	[	2013 - 2017	]
Return on Shareholder Funds	:	Unfavourable	[	(103.15%)	]
Return on Net Assets	:	Unfavourable	[	(182.66%)	]

The fluctuating turnover reflects the fierce competition among the existing and new market players. The Subject's profit fell sharply because of the high operating costs incurred. The Subject's unfavourable returns on shareholders' funds indicate the management's inefficiency in utilising its assets to generate returns.

Liquidity

Current Ratio	:	Unfavourable	[	0.84 Times	]
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Due to its weak liquidity position, the Subject will be faced with problems in meeting all its short term obligations if no short term loan is obtained or additional capital injected into the Subject.

Solvency

Liability Ratio	:	Unfavourable	[	(90.77 Times)	]
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The Subject has an unfavourable liabilities ratio and it may face financial difficulties if no additional capital is injected.

Overall Assessment :

The Subject recorded lower profits as its turnover showed a erratic trend. The Subject's management was unable

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to control its costs efficiently as its profit showed a downward trend. The Subject's liquidity was at an acceptable range. If the Subject is able to obtain further short term financing, it should be able to meet all its short term obligations. The Subject has high financial risks. If its shareholders do not inject more capital into the company or if its business performance does not improve, its going concern may be in question.

Overall financial condition of the Subject : POOR

## **MALAYSIA ECONOMIC / INDUSTRY OUTLOOK**

Major Economic Indicators:	2014	2015	2016	2017*	2018**
Population ( Million )	30.0	31.0	31.6	32.1	32.9
Gross Domestic Products ( % )	6.0	4.6	4.2	5.3	5.4
Domestic Demand ( % )	6.4	6.2	4.3	6.3	6.4
Private Expenditure ( % )	7.9	6.9	7.8	7.4	7.3
Consumption ( % )	6.5	6.1	5.1	6.9	6.8
Investment ( % )	12.0	8.1	10.0	9.3	8.9
Public Expenditure ( % )	2.3	4.2	3.3	5.3	5.5
Consumption ( % )	2.1	4.3	2.0	2.7	1.3
Investment ( % )	2.6	(1.0)	1.1	3.4	3.8
Balance of Trade ( MYR Million )	82,480	91,577	88,145	94,593	96,993
Government Finance ( MYR Million )	(37,414)	(37,194)	(38,401)	(39,887)	(39,790)
Government Finance to GDP / Fiscal Deficit ( % )	(3.4)	(3.2)	(3.1)	(3.0)	(2.8)
Inflation ( % Change in Composite CPI )	3.2	4.0	2.1	3.5	3.0
Unemployment Rate	2.9	3.1	3.4	3.4	3.3
Net International Reserves ( MYR Billion )	428	441	451	450	423
Average Risk-Weighted Capital Adequacy Ratio ( % )	4.00	3.50	-	-	-
Average 3 Months of Non-performing Loans ( % )	2.10	2.00	1.90	-	-
Average Base Lending Rate ( % )	6.85	6.79	6.81	6.73	-
Business Loans Disbursed( % )	18.6	2.2	-	-	-
Foreign Investment ( MYR Million )	43,486.6	43,435.0	-	-	-
Consumer Loans ( % )	-	-	-	-	-
Registration of New Companies ( No. )	49,203	45,658	43,255	47,871	-
Registration of New Companies ( % )	6.1	(7.2)	(5.3)	10.7	-
Liquidation of Companies ( No. )	33,226	34,667	36,778	38,632	-
Liquidation of Companies ( % )	0.5	4.3	6.1	5.0	-
Registration of New Business ( No. )	332,723	364,230	376,720	484,029	-
Registration of New Business ( % )	1.0	9.0	3.0	29.0	-
Business Dissolved ( No. )	26,966	-	-	-	-
Business Dissolved ( % )	48.5	-	-	-	-
Sales of New Passenger Cars ( ' 000 Unit )	588.3	591.3	514.6	527.8	-
Cellular Phone Subscribers ( Million )	44.0	44.2	44.0	-	-
Tourist Arrival ( Million Persons )	27.4	25.7	30.2	30.1	-
Hotel Occupancy Rate ( % )	63.6	58.8	61.2	-	-

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Credit Cards Spending ( % )	5.8	6.8	6.3	-	-
Bad Cheque Offenders (No.)	-	-	-	-	-
Individual Bankruptcy ( No.)	22,351	18,457	19,588	18,227	-
Individual Bankruptcy ( % )	1.7	(17.4)	6.1	(7.0)	-
<b>INDUSTRIES ( % of Growth ):</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017*</b>	<b>2018**</b>
Agriculture	2.0	1.3	(5.1)	5.6	2.4
Palm Oil	6.7	7.0	(12.7)	11.8	-
Rubber	(10.4)	(11.0)	(6.3)	10.8	-
Forestry & Logging	(4.2)	(7.2)	(3.0)	(15.0)	-
Fishing	2.7	2.1	2.2	0.2	-
Other Agriculture	6.2	6.0	5.1	2.4	-
Industry Non-Performing Loans ( MYR Million )	303.8	343.7	420.3	-	-
% of Industry Non-Performing Loans	1.4	1.5	1.8	-	-
Mining	3.3	5.3	2.2	0.5	0.9
Oil & Gas	3.0	3.5	4.5	-	-
Other Mining	46.6	47.1	42.6	-	-
Industry Non-performing Loans ( MYR Million )	63.5	180.1	190.0	-	-
% of Industry Non-performing Loans	0.3	0.8	0.8	-	-
Manufacturing #	6.1	4.9	4.4	5.5	5.3
Exported-oriented Industries	7.1	6.5	4.3	6.5	-
Electrical & Electronics	11.8	9.2	6.8	9.3	-
Rubber Products	(1.3)	5.1	5.0	6.9	-
Wood Products	7.8	7.0	7.8	7.3	-
Textiles & Apparel	10.8	7.5	7.5	7.4	-
Domestic-oriented Industries	7.7	4.7	3.4	6.2	-
Food, Beverages & Tobacco	6.1	8.9	7.5	11.0	-
Chemical & Chemical Products	1.4	3.5	4.5	3.5	-
Plastic Products	2.7	3.9	5.1	-	-
Iron & Steel	2.8	1.6	2.2	-	-
Fabricated Metal Products	2.8	4.6	5.6	4.6	-
Non-metallic Mineral	6.9	6.8	6.3	5.4	-
Transport Equipment	14.4	5.2	(3.1)	4.7	-
Paper & Paper Products	4.7	3.2	5.4	5.8	-
Crude Oil Refineries	13.0	14.3	13.7	-	-
Industry Non-Performing Loans ( MYR Million )	5,730.8	4,243.7	4,214.1	-	-
% of Industry Non-Performing Loans	25.6	19.0	18.5	-	-
Construction	11.7	8.2	7.4	7.6	7.5
Industry Non-Performing Loans ( MYR Million )	1,666.4	1,638.0	1,793.9	-	-
% of Industry Non-Performing Loans	7.5	7.3	7.9	-	-
Services	6.6	5.1	5.6	5.9	5.8
Electric, Gas & Water	3.8	3.6	5.4	2.5	2.6
Transport, Storage & Communication	7.70	7.55	6.85	7.35	7.30
Wholesale, Retail, Hotel & Restaurant	7.70	6.65	6.65	7.05	6.65

Finance, Insurance & Real Estate	5.15	2.90	4.70	5.70	5.90
Government Services	6.3	4.0	4.9	4.4	4.5
Other Services	4.8	4.7	4.8	5.3	5.3
Industry Non-Performing Loans ( MYR Million )	5,373.5	6,806.6	7,190.6	-	-
% of Industry Non-Performing Loans	24.1	30.5	31.5	-	-

\* Estimate / Preliminary

\*\* Forecast

# Based On Manufacturing Production Index

## **INDUSTRY ANALYSIS**

MSIC

CODE

281 : Manufacture of general purpose machinery

INDUSTRY MACHINERY

:

Malaysia is presently the leading manufacturer of automation machinery and equipment (M&E) in the ASEAN region with a total of 22 companies in production. The machinery and equipment industry assumes an important role in the industrial development of the country, in view of its extensive linkages to major economic sectors, such as manufacturing, construction, transportation, mining and agriculture. The industry supports a large number of Small and Medium Enterprises (SMEs), which are capable of producing machinery and equipment for both domestic and export markets. In turn, the industry is supported by a wide range of important engineering services, which mainly involve SMEs.

Exports of machinery, appliances and parts continued to post double-digit growth of 14.3% driven largely by specialized machinery for specific industries, particularly for civil engineering as well as the manufacture of semiconductors and parts. In addition, higher demand also emanated from general industrial machinery and equipment, particularly heating and cooling equipment as well as pumps, compressors, fans and parts. Key export destinations for machinery, appliances and parts were Singapore, Thailand, the US, China and Vietnam. In 2015, machinery and equipment investment turned around to record a positive growth of 5.8%. According to MATRADE Malaysia, the exports of machinery, appliances and parts to Japan had increased by RM98 million in 2015 compared to 2014. However, export to China is decreased in 2015. Moreover, Machinery, appliances and parts also one of the major import products in Malaysia that is 8.9% of all total import products.

Under Budget 2016, Government will focus into chemical, electrical and electronics, machinery and equipment, aerospace and medical devices industries as well as services. For this, RM730 million is allocated to funds under the Malaysian Investment Development Authority (MIDA).

The Government has identified the M&E industry to be one of the key areas for growth and development. The growth will focus on the manufacture of high value-added and high technology M&E. For the further development of the M&E industry, six strategic thrusts have been set during the Third Industrial Master Plan (IMP3), 2006 - 2020 period:-

- Promoting Malaysia as a regional production, trading and distribution centre for M&E
- Rising the development and promotion of selected specialized and high technology M&E
- Strengthening the engineering support industries and support services
- Developing Malaysian Standards for machinery and equipment
- Developing sufficient highly skilled workforce

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- Strengthening the institutional support for the further development of the industry

OVERALL INDUSTRY OUTLOOK : Average Growth

## ***CREDIT RISK EVALUATION & RECOMMENDATION***

Incorporated in 1994, the Subject is a Private Limited company, focusing on assembly and trading in food processing equipment and packaging machine. The Subject has been in business for over two decades. It has built up a strong clientele base and satisfactory reputation will enable the Subject to further enhance its business in the near term. The Subject is expected to enjoy a stable market shares. With an issued and paid up capital of MYR 700,000 contributed by individual shareholders, the Subject may face difficulties in its attempt to further expand its business in the future. Thus, the Subject should put more efforts on its business to gain higher market share while competing aggressively in the market.

Over the years, the Subject has established an extensive clientele base in the market. Besides catering to the local market, the Subject has penetrated into other countries. With the contribution of both local and overseas customers, the Subject is likely to be exposed to lower commercial risk. Hence, we believe that the Subject has better business expansion opportunities in the future. The Subject has a total workforce of 70 employees in its business operations. Overall, we regard that the Subject's management capability is average. This indicates that the Subject has greater potential to improve its business performance and raising income for the Subject.

Financially, the Subject registered a higher turnover compared to previous year. However, its profits showed a reverse trend. The lower profit achieved was a result of higher operating cost and increased competition. The Subject has generated an unfavourable return on shareholders' funds indicating that the management was inefficient in utilising its funds to generate return. Due to its weak liquidity position, the Subject may face working capital deficiency in meeting its short term financial obligations if no fresh capital are injected into the Subject. The Subject has an unfavourable liabilities ratio and it may face financial difficulties if no additional capital is injected. The Subject's unfavourable financial performance over the years has wiped out its shareholders' funds to a deficit of MYR -336,159. Therefore, the Subject as a going concern is much dependent on its ability to generate sufficient cash flow and obtain additional financing to meet its future obligations.

The Subject's supplier are from both the local and overseas countries. This will eliminates the risk of dependency on deliveries from a number of key suppliers and insufficient quantities of its raw materials. Overall the Subject has a good control over its resources.

The industry shows an upward trend and this trend is very likely to sustain in the near terms.

Based on the above unfavourable condition, we regard granting credit to the Subject to be quite risky. Hence, credit is not recommended.

## **FINANCIALS**

### PROFIT AND LOSS ACCOUNT

THE FINANCIAL STATEMENTS WERE PREPARED IN ACCORDANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS(FRS)

ARROW SYSTEMS SDN. BHD.

Financial Year End	2017-03-31	2016-03-31	2015-03-31	2014-03-31	2013-03-31
Months	12	12	12	12	12
Consolidated Account	Company	Company	Company	Company	Company
Audited Account	YES	YES	YES	YES	YES
Unqualified	YES	YES	YES	YES	YES
Auditor's Report (Clean Opinion)					
Financial Type	SUMMARY	SUMMARY	SUMMARY	SUMMARY	SUMMARY
Currency	MYR	MYR	MYR	MYR	MYR
TURNOVER	22,590,841	17,504,046	18,084,771	12,140,321	13,385,788
Total Turnover	22,590,841	17,504,046	18,084,771	12,140,321	13,385,788
PROFIT/(LOSS) FROM OPERATIONS	614,035	1,131,207	39,693	(3,195,264)	374,810
PROFIT/(LOSS) BEFORE TAXATION	614,035	1,131,207	39,693	(3,195,264)	374,810
Taxation	(267,276)	(182,691)	(16,000)	60,182	(108,100)
PROFIT/(LOSS) AFTER TAXATION	346,759	948,516	23,693	(3,135,082)	266,710
RETAINED PROFIT/(LOSS) BROUGHT FORWARD					
As previously reported	(1,382,918)	(2,331,434)	(2,355,127)	1,079,955	813,245
As restated	(1,382,918)	(2,331,434)	(2,355,127)	1,079,955	813,245
PROFIT AVAILABLE FOR APPROPRIATION	(1,036,159)	(1,382,918)	(2,331,434)	(2,055,127)	1,079,955
DIVIDENDS - Ordinary (paid &	-	-	-	(300,000)	-

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proposed)

RETAINED PROFIT/(LOSS) CARRIED FORWARD	(1,036,159)	(1,382,918)	(2,331,434)	(2,355,127)	1,079,955
	=====	=====	=====	=====	=====
	=	=	=	=	=
<b>BALANCE SHEET</b>					
<b>ARROW SYSTEMS SDN. BHD.</b>					
<b>ASSETS</b>					
<b>EMPLOYED:</b>					
FIXED ASSETS LONG TERM INVESTMENTS/OTHER ASSETS	3,401,373	2,895,420	3,000,391	2,342,163	2,991,324
TOTAL LONG TERM INVESTMENTS/OTHER ASSETS	1,884,557	-	500,000	569,300	-
	-----	-----	-----	-----	-----
TOTAL LONG TERM ASSETS	5,285,930	2,895,420	3,500,391	2,911,463	2,991,324
<b>CURRENT ASSETS</b>					
TOTAL CURRENT ASSETS	24,890,127	17,099,896	14,081,755	11,108,869	13,024,753
	-----	-----	-----	-----	-----
TOTAL ASSET	30,176,057	19,995,316	17,582,146	14,020,332	16,016,077
	=====	=====	=====	=====	=====
	==	==	==	==	==
<b>CURRENT LIABILITIES</b>					
TOTAL CURRENT LIABILITIES	29,510,766	19,639,758	18,061,748	14,878,452	13,636,981
	-----	-----	-----	-----	-----
NET CURRENT ASSETS/(LIABILITIES)	(4,620,639)	(2,539,862)	(3,979,993)	(3,769,583)	(612,228)
	-----	-----	-----	-----	-----
<b>LONG TERM LIABILITIES</b>					
TOTAL LONG TERM LIABILITIES	1,001,450	1,038,476	1,151,832	797,007	899,141
	-----	-----	-----	-----	-----
TOTAL NET ASSETS	(336,159)	(682,918)	(1,631,434)	(1,655,127)	1,479,955
	=====	=====	=====	=====	=====
	==	==	==	==	==
<b>SHARE CAPITAL</b>					
Ordinary share capital	700,000	700,000	700,000	700,000	400,000

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TOTAL SHARE CAPITAL RESERVES	700,000	700,000	700,000	700,000	400,000
Retained profit/(loss) carried forward	(1,036,159)	(1,382,918)	(2,331,434)	(2,355,127)	1,079,955
TOTAL RESERVES	(1,036,159)	(1,382,918)	(2,331,434)	(2,355,127)	1,079,955
SHAREHOLDERS' FUNDS/EQUITY	(336,159)	(682,918)	(1,631,434)	(1,655,127)	1,479,955
FINANCIAL RATIO	=====	=====	=====	=====	=====
ARROW SYSTEMS SDN. BHD.	==	==	==	==	==
TYPES OF FUNDS					
Net Liquid Assets	(4,620,639)	(2,539,862)	(3,979,993)	(3,769,583)	(612,228)
Net Current Assets/(Liabilities)	(4,620,639)	(2,539,862)	(3,979,993)	(3,769,583)	(612,228)
Net Tangible Assets	(336,159)	(682,918)	(1,631,434)	(1,655,127)	1,479,955
Net Monetary Assets	(5,622,089)	(3,578,338)	(5,131,825)	(4,566,590)	(1,511,369)
BALANCE SHEET ITEMS					
Total Liabilities	30,512,216	20,678,234	19,213,580	15,675,459	14,536,122
Total Assets	30,176,057	19,995,316	17,582,146	14,020,332	16,016,077
Net Assets	(336,159)	(682,918)	(1,631,434)	(1,655,127)	1,479,955
Net Assets Backing	(336,159)	(682,918)	(1,631,434)	(1,655,127)	1,479,955
Shareholders' Funds	(336,159)	(682,918)	(1,631,434)	(1,655,127)	1,479,955
Total Share Capital	700,000	700,000	700,000	700,000	400,000
Total Reserves	(1,036,159)	(1,382,918)	(2,331,434)	(2,355,127)	1,079,955
GROWTH RATIOS (Year on Year) (%)					
Revenue	29.06	(3.21)	48.96	(9.30)	13.13
Profit/(Loss) Before Tax	(45.72)	2,749.89	101.24	(952.50)	124.72
Profit/(Loss) After Tax	(63.44)	3,903.36	100.76	(1,275.46)	325.44
Total Assets	50.92	13.73	25.40	(12.46)	17.68
Total Liabilities	47.56	7.62	22.57	7.84	17.26
LIQUIDITY (Times)					
Current Ratio	0.84	0.87	0.78	0.75	0.96
SOLVENCY RATIOS (Times)					
Liabilities Ratio	(90.77)	(30.28)	(11.78)	(9.47)	9.82
Assets Backing Ratio	(0.48)	(0.98)	(2.33)	(2.36)	3.70
PERFORMANCE RATIO (%)					
Operating Profit Margin	2.72	6.46	0.22	(26.32)	2.80
Net Profit Margin	1.53	5.42	0.13	(25.82)	1.99
Return On Net Assets	(182.66)	(165.64)	(2.43)	193.05	25.33
Return On Capital Employed	92.30	318.15	(8.28)	372.36	15.75

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**ARROW SYSTEMS SDN. BHD. - 534964**

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Return On Shareholders' Funds/Equity	(103.15)	(138.89)	(1.45)	189.42	18.02
Dividend Pay Out Ratio (Times)	-	-	-	0.10	-

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 73.44
UK Pound	1	INR 95.65
Euro	1	INR 84.17
MYR	1	INR 17.67

**Note :** Above are approximate rates obtained from sources believed to be correct

**INFORMATION DETAILS**

<b>Analysis Done by :</b>	NIS
<b>Report Prepared by :</b>	KET

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**RATING EXPLANATIONS**

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)