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Corporate Information

BOARD OF DIRECTORS

Name	Designation
Zulkifly bin Zakaria	Independent Non-Executive Chairman
Chan Say Hwa	Group Managing Director
Chow Pui Ling	Executive Director
Soo Kit Lin	Executive Director
Wong Kah Ming	Independent Non-Executive Director
Woo Yew Tim	Independent Non-Executive Director

AUDIT COMMITTEE

Name	Designation	Directorship
Zulkifly bin Zakaria	Chairman	Independent Non-Executive Chairman
Wong Kah Ming	Member	Independent Non-Executive Director
Woo Yew Tim	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Wong Kah Ming	Chairman	Independent Non-Executive Director
Zulkifly bin Zakaria	Member	Independent Non-Executive Chairman
Woo Yew Tim	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Woo Yew Tim	Chairman	Independent Non-Executive Director
Zulkifly bin Zakaria	Member	Independent Non-Executive Chairman
Wong Kah Ming	Member	Independent Non-Executive Director

COMPANY SECRETARIES

Tan Tong Lang (MAICSA 7045482)
Chong Voon Wah (MAICSA 7055003)

REGISTERED OFFICE

Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel no.: +603-2279 3080
Fax no.: +603-2279 3090

HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS

No. 46, Jalan E 1/2
Taman Ehsan Industrial Park
52100 Kepong
Selangor Darul Ehsan
Tel no: +603-6274 2460
Fax no: +603-6272 2584

Corporate Information (Cont'd)

AUDITORS

UHY (AF-1411)
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel no: +603-2279 3088
Fax no: +603-2279 3099

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
Alliance Islamic Bank Berhad
United Overseas Bank (Malaysia) Berhad
Standard Chartered Saadiq Berhad

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel no: +603-7841 8000
Fax no: +603-7841 8151/8152

SPONSOR

Hong Leong Investment Bank Berhad
Level 23, Menara HLA
No. 3, Jalan Kia Peng
50450 Kuala Lumpur
Tel no: +603-2168 1168
Fax no: +603-2164 8880

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad
Stock Name : HHHCORP
Stock Code : 0160

WEBSITE

www.hiaphuat.com

DIRECTORS' PROFILES

Zulkifly bin Zakaria

Independent Non-Executive Chairman

Zulkifly bin Zakaria, a Malaysian aged 59, was appointed to the Board of Directors of Hiap Huat Holdings Berhad ("Hiap Huat" or the "Company") ("Board") as the Independent Non-Executive Chairman of the Company on 10 October 2011. He graduated from University Technology MARA with a Diploma in Banking in 1976 and subsequently obtained his Masters in Business Administration from the University of Wales, Cardiff, United Kingdom in 1998.

He began his career in the banking and finance industry in 1976 with European Asian Bank, Kuala Lumpur (presently known as Deutsche Bank AG) and also served in its head office in Germany. In 1983, he joined Bank Islam Malaysia Berhad. Subsequently, in 1991, he joined ABN-AMRO Bank N.V. (Kuala Lumpur Branch). In 1994, he joined UMW Holdings Berhad ("UMW") as the group treasurer. In 2002, he was appointed as the Executive Director of the oil and gas division of UMW Corporation Sdn Bhd, heading its newly formed oil and gas division. He was actively involved in the upstream sector through 5 main activities i.e. manufacture of oil and country turbular goods and line pipes, oil and gas exploration operations, fabrication, provision of oilfield services and supply of oilfield products. In 2009, he was promoted to the position of President of UMW Oil & Gas Berhad. He retired from the UMW group on 31 March 2011.

He also sits on the Board of Directors of Eastern Pacific Industrial Corporation Berhad and Malaysia-China Business Council. He is also the National Council Member of the Malaysia-China Chamber of Commerce and the Vice President of the Malaysia-China Friendship Society.

He is presently the Chairman of Audit Committee and a member of Nomination Committee and Remuneration Committee.

He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past ten (10) years other than traffic offences, if any.

Chan Say Hwa

Group Managing Director

Chan Say Hwa, a Malaysian aged 35, is the Group Managing Director of the Company. He is mainly responsible for our Group's overall strategy and development of our Group's overall vision. In addition, he oversees the development of our sales and marketing strategies and the implementation of sales plans and marketing of products to existing and new customers, the Company's growth, quality assurance, policy and strategy as well as monitoring the Company's overall profitability. He is also in charge of the review of appointments of sub-contractors and suppliers and enhancing the Company's reputation in the market from time to time.

He joined Hiap Huat Chemicals Sdn Bhd ("HHC") in year 2000 as the Factory Operation Supervisor. He was then promoted to Factory Manager in year 2002 and subsequently became the General Manger in year 2004. In 9 December 2009, he was appointed to the Board as Director of Hiap Huat and later became the Group Managing Director at the end of the same year. He has more than 10 years of experience in the recycling business mainly involved in manufacturing, marketing and general management.

He does not hold any positions in any Board Committees of the Company and he does not hold directorships in any other public companies. He is the husband of Chow Pui Ling and son of Soo Kit Lin and Chan Ban Hin, a major shareholder of the Company. He has no conflict of interest with the Company and has not committed any offences within the past ten (10) years other than traffic offences, if any.

Chow Pui Ling

Executive Director

Chow Pui Ling, a Malaysian aged 33, is an Executive Director of our Company. She is responsible for the daily operations of the business and reviewing the planning, operations and control of the business processes from time to time. She graduated with Masters in International Business in year 2012.

She joined HHC in year 2004 as a Management Trainee and was initially assigned to the Administrative Department to work as an Administrative Executive. Thereafter in the same year, she was promoted and assigned to the Logistic Department as an Assistant Logistic Manager. In year 2005, she was promoted to Accounts and Human Resources Manager. In 9 December 2009, she was appointed to the Board as a Director of Hiap Huat.

She does not hold any positions in any Board Committees of the Company and she does not hold any directorships in any other public companies. She is the wife of Chan Say Hwa and daughter-in-law of Soo Kit Lin and Chan Ban Hin. She has no conflict of interest with the Company and has not committed any offences within the past ten (10) years other than traffic offences, if any.

DIRECTORS' PROFILES (Cont'd)

Soo Kit Lin

Executive Director

Soo Kit Lin, a Malaysian aged 59, was appointed as a Non-Independent Non-Executive Director on 9 December 2009. Subsequently on 1 May 2013, she was re-designated as an Executive Director. She is one of the co-founders of Hiap Huat Manufacturing and Trading Co. and thereafter Hiap Huat and its subsidiaries ("Hiap Huat Group" or the "Group"). She has more than 26 years of experience in the business of waste recycling, paint manufacturing and distribution of environmental friendly products. Her expertise and contribution extends to resource planning and management where her prudent management has contributed to the continuing business success and growth of our Group.

She does not hold any positions in any Board Committees of the Company and she does not hold any directorships in any other public companies. She is the wife of Chan Ban Hin, mother of Chan Say Hwa and mother-in-law of Chow Pui Ling. She has no conflict of interest with the Company and has not committed any offences within the past ten (10) years other than traffic offences, if any.

Wong Kah Ming

Independent Non-Executive Director

Wong Kah Ming, a Malaysian aged 35, was appointed as an Independent Non-Executive Director of the Company on 10 October 2011. He graduated with a Bachelor of Commerce majoring in Accounting and Finance from Curtin University of Technology, Australia in 2000. He is a Member of CPA Australia and Malaysia Institute of Accountants since 2004. He has over 10 years of experience in the areas of accounting, internal audit, legal affairs, financial planning, corporate affairs, corporate finance and investor relations.

He started his career in 2001 as an audit assistant with Deloitte KassimChan (presently known as Deloitte Malaysia), an international public accountant firm. He then joined Texas Instruments Malaysia Sdn Bhd as an External Manufacturing Accountant in 2003. In 2005, he joined as an Assistant Manager of Corporate Affairs and Internal Audit in Supermax Corporation Berhad. In 2007 he joined Newasia Capital Sdn Bhd as a Senior Manager providing corporate related services and investor relations services to local and overseas companies. He left Newasia Capital Sdn Bhd in 2010 and has since embarked on his own business, providing corporate and accounting related services and investor relations services. He also joined Bio Osmo Bhd for a short stint between April 2012 and June 2012 as a Chief Financial Officer.

He is presently the Chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee.

He does not hold any directorships in any other public companies. He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past ten (10) years other than traffic offences, if any.

Woo Yew Tim

Independent Non-Executive Director

Woo Yew Tim, a Malaysian aged 36, was appointed as an Independent Non-Executive Director of the Company on 8 August 2012. He holds a Bachelor of Business majoring in Accounting and Finance from the University of Technology Sydney, Australia. He is a Member of CPA Australia since 2005. He has over 10 years of combined experience in the areas of financial reporting, auditing, taxation and corporate finance advisory.

He began his career in 2002 with a local firm of chartered accountants. He continued his practice with SJ Grant Thornton from 2003 to 2007 where he gained wide exposure in financial due diligence and auditing of public listed companies in various industries. In 2008, He joined Public Investment Bank Berhad and he has involved in wide range of corporate exercises such as corporate restructuring, privatisation, fund raising, initial public offerings, joint venture, merger and acquisition. He is the Chief Financial Officer of K-Star Sports Limited and serves on the board of Damar Global Holdings Berhad.

He is presently the Chairman of Nomination Committee and a member of Audit Committee and Remuneration Committee.

He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past ten (10) years other than traffic offences, if any.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Hiap Huat Holdings Berhad ("Hiap Huat" or "the Group"), it is my pleasure to present the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2013.

As Chairman of Hiap Huat, I am glad to report that this year has been another successful year for Hiap Huat following its listing in 2012. We have continuing to offer full-service recycling solutions, great quality products and educating the public about environmental consciousness.

I am also pleased to announce that Malaysia's economy has been improving throughout the year. The economy grew 5.1% in the fourth quarter ended 31 December, 2013 (4QFY13), which was underpinned by strength in the manufacturing and services sectors. According to a report from Bank Negara Malaysia, the manufacturing sector accounts for approximately 25% of the economy, supported by higher growth in both export and domestic-oriented industries.

We believe that this is a platform for Hiap Huat to contribute to economic growth, as our business is producing recycled products with high commercial values to fulfill domestic and overseas demand.

Financial Performance

We have always endeavoured to deliver sustainability as well as long-term growth for our shareholders, and our financial results show just that. For the Financial Year Ended 31 December 2013 ("FYE2013"), Hiap Huat posted a revenue of RM42.58 million which is an increase of RM3.37 million as compared to RM39.21 million in the previous year. This progressive performance is mainly due to the sale of lubricant products which are manufactured at our new production plant in Pulau Indah, Klang.

Moving Forward

Looking ahead, the global economy is on a path of moderate recovery and resilient domestic growth. We believe that growth in Asian economies will be supported by improving external conditions amid moderate domestic demand. These sustained improvements in the more developed economies will support positivity for international trade. Plans to expand into overseas markets are on-going, with inroads already being made into Singapore. Since the launch of the Pulau Indah Plant, the Group has delivered the first batch of products to Singaporean customers and has received an encouraging response. Based on feedback from the customers, Hiap Huat believes that 2014 should be a very positive year for revenue.

With regards to the Malaysian economy, the manufacturing industry will continue to play a significant role as domestic demand continues to drive growth. The growth momentum is therefore expected to continue. We remain committed to delivering value for our shareholders and growing profits while making investments for the future. We strongly believe that the Group has begun a new era of prosperity, growth and leadership.

Locally, the market environment looks likely to remain challenging; however we have consistently demonstrated that we can succeed against this backdrop. Our supplier call center is working well and has been well-received by the market. The Group will also be launching a loyalty programme, most probably in Q3 of this year. Advancements will also be made to Hiap Huat's Information Technology ("IT") management system to enhance its efficiency.

Hiap Huat commenced commercial production at its new production plant in Pulau Indah in the fourth quarter of FYE2013. The plant will double our production capacity on top of adding to our end products. It will also enable us to continue to extend and reinforce our key raw material supply chain as well as expand the customer and supplier network. With the increase in production capacity, the Group is anticipating an improvement in performance and increased contributions to the financial statements for this year.

Hiap Huat also attended many local and international exhibitions like Oil & Gas Asia 2013 ("OGA"), the ASEAN Oil & Gas EXPO 2013, and Oil & Gas Vietnam 2013, to improve on our processes and to keep track of current advancements in the industry.

Employee Engagement and Development

Every employee plays a part in the Group's success, thus we focus on developing our people to the best of their abilities. We have a responsibility to train our employees and also imbue in them a sense of duty and commitment towards environmental protection and pollution prevention.

Engaged staff play a vital role in driving us to be successful and grow. Hiap Huat has held a variety of staff training programmes over the course of the year addressing all levels from average employees to upper management. These programmes and training focused on topics like Excellence in Manufacturing, new integrated ISO awareness, CRM training, Cost Reduction and Profit Improvement Strategies, and many more. We continue to hold regular events and financially support sports as well as recreational activities to connect with our people. We are proud to also report that the Health and Safety Committee recorded zero lost time due to injury this year, and is functioning smoothly.

CHAIRMAN'S STATEMENT (Cont'd)

Acknowledgement

On behalf of the Board we would like to extend our sincere thanks to all Board members, the management, and the staff of the Group for their dedication, commitment and hard work throughout the years. They have delivered exceptional results in difficult economic conditions while at the same time reinforcing the Group's growing reputation as a business committed to sustainable and equitable growth.

We would further like to extend special thanks on behalf of the Board, to all our customers, business associates, investors and the relevant authorities for their continued support, confidence, contributions and commitment towards Hiap Huat. We promise to continue to work diligently in the years ahead.

Zulkifly bin Zakaria

Independent Non-Executive Chairman

STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

Beyond being a benchmark for greener and more sustainable business in the waste oil recycling industry, The Group has a responsibility to make a positive difference in the community. In order to achieve this, Hiap Huat has drawn up a program to improve the environmental performance of recycling activities through the integration of cleaner technology in our operations. This will lessen the impact on the environment and demonstrate our further commitment to continuously considering new approaches and improving on current innovations to make the business more environmentally friendly.

Throughout the year, the Group has actively taken initiative to raise awareness on environmental issues and to reduce the impact of its business on the environment. Hiap Huat hopes to be an exemplary model for society with regards to environmentally sustainable business practices.

This year, Hiap Huat was audited by the International Sustainability and Carbon Certification ("ISCC") which is one of the leading European Union ("EU") certification systems for sustainability and greenhouse gas emissions. The Group was certified for 10 licenses.

Employee Welfare

Our employees are always the most important assets of our Group. Hence, Hiap Huat has a policy to conduct its business in a manner that protects the health and safety of our employees and others involved in its operations. A Health and Safety Committee ("HS Committee") was established to ensure strict adherence to the policy and undertake appropriate reviews of operations to improve occupational health and safety performance.

The HS Committee strives to prevent all accidents, injuries and occupational illnesses through the active participation of employees by establishing all facilities in a manner that safeguards our workers, staff and the communities in which they operate. In addition, the Group provides medical and healthcare insurance for employees commensurate with their involvement, rank and level of employment. We are proud to share that the HS Committee reported zero lost time due to injury this year.

In order to create a more conducive work environment for our employees, the Group has entered into seven separate Sale and Purchase Agreements with Sunway Damansara Sdn Bhd and Perbadanan Kemajuan Negeri Selangor for the acquisition of seven units of office suites within an on-going development project known as "Sunway Nexis Soho." Once the proposed acquisitions are completed in 2015, Hiap Huat will relocate their headquarters there.

Over 26 different staff training programs were organized over the course of the year, targeted at all levels from our truck drivers to upper management. The programmes covered topics such as Supply and Logistics, Human Resource ("HR") Forums, Energy Efficiency, briefings on ISO and ISCC codes and licences, Carbon Reporting and Excellence in Manufacturing.

Emphasis on Education

Aside from internal staff training programmes, Hiap Huat has also recently registered as one of the Valued Corporate Partners ("VCP") of the SEGi University Group ("SEGi") which is one of the largest private higher education providers in Malaysia. As a VCP, confirmed full time employees and their immediate family members enjoy a 10% discount on tuition fees charged by SEGi for entry into selected academic programmes.

For every 10 confirmed full-time employees of a VCP (excluding immediate family members) enrolled in selected academic programmes at SEGi, the VCP will be eligible for an award of a scholarship of a value up to RM10,000 for an employee of the VCP's choice to enroll in selected academic programmes at any member institution of SEGi. These benefits will greatly assist our employees in planning for the education of their children as well as their own career development.

Environmental Awareness

The Group complies with all applicable laws and regulations established by Malaysia's Department of Environment ("DOE") as well as the specific precautions required for the handling and transportation of chemicals and hazardous materials to protect the environment from contamination.

Hiap Huat further adheres to the principles of Re-use, Re-cycle, Recover and Reduce in manufacturing our products and to reduce the generation of waste during the production. The Group uses electricity and waste efficiently in our manufacturing activities and we continuously review our environmental objectives and targets. Hiap Huat has an Environment Management System in place for monitoring effluent as well. All this is done without sacrificing on quality as the Group adheres to strict ISO guidelines in our production lines. We are constantly refining our efficiency, ensuring that our production processes are not detrimental to the environment through monitoring (rotation by schedule). We believe that increased efficiency will result in a reduction in energy consumption and less wastage of natural resources.

Social Awareness

Aside from operating an environmentally friendly business, the Group also takes an active role in giving back to the community as well as shaping the next generation. On 21 August 2013, representative from Hiap Huat visited Rumah Amal Suci Rohani, bringing some Raya cheers to the residents during the festive season. A new washing machine as well as assorted groceries were donated to assist the 15 young girls living there.

CORPORATE GOVERNANCE STATEMENT

The Board is committed to ensure that a high standard of corporate governance is practised throughout the Company and its subsidiaries ("the Group") in discharging its responsibilities with integrity, transparency and professionalism, to protect and enhance shareholders' value and the financial position of the Group.

The Board recognises the importance of good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance ("MCCG") to enhance business prosperity and maximize shareholders' value. The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in MCCG to the best interest of the shareholders of the Company.

Below is a statement and description in general on how the Group has applied the principles and complied with the best practice provisions as laid out in MCCG throughout the financial year ended 31 December 2013 pursuant to Rule 15.25 of the ACE Market Listing Requirements of Bursa Securities ("Listing Requirements").

A. DIRECTORS

1. Board Balance

The Board assumes responsibility for effective stewardship and control of the Group and its members have established terms of reference to assist in the discharge of their responsibilities.

The Board consists of Six (6) members, comprising an Independent Non-Executive Chairman, a Group Managing Director, two (2) Executive Directors and two (2) Independent Non-Executive Directors. The Company is in compliance with Rule 15.02 of the Listing Requirements whereby at least two (2) or one third (1/3) of its Board members are independent directors. The profile of each Director is presented separately in pages 4 and 5 of the Annual Report 2013.

The current composition of the Board provides an effective Board with a mix of industry specific knowledge, broad based business and commercial experience together with independent judgement on matters of strategy, operations, resources and business conduct.

The Board has yet to identify a Senior Independent Non-Executive Director to whom concerns may be conveyed by shareholders and the general public. However, the Chairman of the Board encourages the active participation of each and every Board member in the decision making process.

2. Board Responsibilities

The Board retains full and effective control of the Group and has developed corporate objectives and position descriptions including the limits to management's responsibilities, which the management are aware and are responsible for meeting.

The Board has a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, investment policy, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are in place systems that effectively monitor and manage these risks with a view to the long term viability of the Group.

The Company has a clear distinction and separation of roles between the Chairman and the Managing Director, with clear division of responsibilities. The Chairman is primarily responsible in leading and guiding the Board, and also serves as the communication point between the Board and the Managing Director whilst the Managing Director and his management team is responsible for implementing the plans chartered out and the day to day management of the Group, with clear authority delegated by the Board.

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision-making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

In discharging its fiduciary duties, the Board has delegated specific tasks to three (3) Board Committees namely the Audit Committee, Nomination Committee and Remuneration Committee. All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as lay out in the terms of reference and to report to the Board with the necessary recommendation.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

A. DIRECTORS (Cont'd)

3. Board Charter

As part of governance process, the Board has formalised and adopted the Board Charter. This Board Charter sets out the composition and balance, roles and responsibilities, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.

A copy of the Board Charter is available at the Company's website.

4. Supply of information

Prior to the Board meetings, the Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings.

The Board has access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied in a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

To fulfill the responsibilities as set out above, all Directors have direct access to the advice and services of the Company Secretary who is responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations are complied with. The Board recognises that the Company Secretary is suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretary in discharge of their functions. When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated.

Where applicable, the Board will establish a formal schedule of matters to clearly detail out matters that require the Board's deliberation and approvals.

5. Board Meetings

There were Five (5) Board of Directors' Meetings held during the financial year ended 31 December 2013. Details of the attendance of the Directors at the Board of Directors' Meetings are as follow:

Name of Director	Attendance
(a) Zulkifly bin Zakaria	5/5
(b) Chan Say Hwa	5/5
(c) Chow Pui Ling	5/5
(d) Soo Kit Lin	5/5
(e) Wong Kah Ming	5/5
(f) Woo Yew Tim	5/5

The Board is satisfied with the level of time commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out herein above.

6. Directors' Training

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. The Directors are encouraged to attend continuous education programmes/seminars/conferences and shall as such receive further training from time to time to keep themselves abreast of the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

A. DIRECTORS (Cont'd)

6. Directors' Training (Cont'd)

Details of seminars and training programmes attended by the Board members during the financial year as listed below:

Name of Director	Date	Courses attended
Zulkify bin Zakaria	30 to 31 May 2013	ISO 9001:2008 & ISO 14001:2004 and OHSAS 18001:2007
Chan Say Hwa	27 to 29 June 2013 10 July 2013	Power of Change Competition Act 2010 – 18 months later
Chow Pui Ling	18 to 20 September 2013	Power of Change
Soo Kit Lin	30 to 31 May 2013	ISO 9001:2008 & ISO 14001:2004 and OHSAS 18001:2007
Wong Kah Ming	30 to 31 May 2013	ISO 9001:2008 & ISO 14001:2004 and OHSAS 18001:2007
Woo Yew Tim	4 July 2013 20 November 2013	Practical Aspects of Applying MFRS 4th SBY Tax & Corporate Review

7. Nomination Committee

As recommended by MCCG, the Company has established the Nomination Committee comprising exclusively of Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis. The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee. The Nomination Committee is aware of their duties and responsibilities. As a whole, the Company maintains a very lean number of Board members.

The Nomination Committee would conduct an annual review of the composition of the Board and makes recommendations to the Board accordingly, with a view to meeting current and future requirements of the Group. The Committee is satisfied with the current size of the Board, and with the mix of qualifications, skills & experience among the Board members. Among other evaluation criteria is the commitment displayed, the depth of contribution, ability to communicate and undertake assignments on behalf of the Board.

The present members of the Nomination Committee are:

Chairman

Woo Yew Tim - Independent Non-Executive Director

Members

Zulkify bin Zakaria - Independent Non-Executive Chairman

Wong Kah Ming - Independent Non-Executive Director

8. Re-election

The procedure on re-election of directors by rotation is set out in Articles No. 95 and 100 of the Company's Articles of Association ("the Articles"). Pursuant to the Articles, all Directors who are appointed by the Board during the year are subject to re-election by shareholders at the first meeting after their appointment. The Articles also provide at least one third (1/3) of the remaining Directors are subject to re-election by rotation at each Annual General Meeting and retiring directors can offer themselves for re-election. All Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election. Directors over seventy (70) years of age are subject for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

9. Reinforce Independence

The Non-Executive Directors are not employees of the Group and do not participate in the day to day management of the Group. The Non-Executive Directors, including the Chairman, are independent directors and are able to express their views without any constraint. This strengthens the Board which benefits from the independent views expressed before any decisions are taken. The Nomination Committee has reviewed the performance of the independent directors and is satisfied they have been able to discharge their responsibilities in an independent manner.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

A. DIRECTORS (Cont'd)**9. Reinforce Independence (Cont'd)**

None of the current independent board members had served the company for more than nine (9) years as per the recommendations of MCCG. Should the tenure of an independent director exceed nine (9) years, shareholders approval will be sought at a General Meeting or if the services of the director concerned are still required, the director concerned will be re-designated as a non-independent director.

There is clear separation of powers between the Chairman, who is an independent director and the Managing Director, and this further enhances the independence of the Board. Should any director have an interest in any matter under deliberation, he is required to disclose his interest and abstain from participating discussions on the matter.

B. DIRECTORS' REMUNERATION**1. Procedures**

The Directors' fee including Non-Executive Directors if any, have to be endorsed by the Board and would seek approval from the shareholders of the Company at the Annual General Meeting. The compensations for Non-Executive Directors are linked to their experience and level of responsibility taken.

2. Disclosure

The aggregate remuneration of Directors for the financial year ended 31 December 2013 is as follow:

	Executive Directors (RM)	Non-Executive Directors (RM)
Salary and *other emoluments	968,000	23,000
Directors' fee	-	132,000
Total	968,000	155,000

*Other emoluments include the meeting allowance for the Directors' attendance in Board and Audit Committee Meetings.

The number of Directors whose remuneration fall into the following bands is as follows:-

Range of Remuneration (RM)	Executive	Non-Executive
50,000 and below	-	2
50,001 – 100,000	-	1
150,001 – 200,000	1	-
200,001 – 250,000	1	-
550,001 – 600,000	1	-

Details of the individual Director's Remuneration are not disclosed in this report as the Board is of the view that the above Remuneration disclosures by band, and analysis between Executive and Non-Executive Directors satisfies the accountability and transparency aspects of MCCG.

3. Remuneration Committee

In line with the best practices of MCCG, the Board has set up a Remuneration Committee which would comprise exclusively of Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration.

The Remuneration Committee meets when required and is entrusted, among others, with examining the remuneration packages and other benefits of the Executive Director. The contribution, responsibilities and performance of each Executive Director is taken into account when determining their respective remuneration packages.

However, the ultimate responsibility to approve the remuneration of the Directors remains with the Board as a whole. The respective Director are not involved in any discussions and/or deliberations with regards to their own remuneration.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

B. DIRECTORS' REMUNERATION (Cont'd)

3. Remuneration Committee (Cont'd)

The present members of the Remuneration Committee are as follow:

Chairman

Wong Kah Ming - Independent Non-Executive Director

Members

Zulkify bin Zakaria - Independent Non-Executive Chairman

Woo Yew Tim - Independent Non-Executive Director

C. COMMUNICATION BETWEEN THE COMPANY AND ITS SHAREHOLDERS AND INVESTORS

Dialogue between Company and Investors

The Board recognises the importance of keeping the shareholders informed and updated of development concerning the Group. In this regard, the Group strictly adheres to the disclosure requirements of Bursa Securities. The Group practices open communication with its investors.

In its efforts to promote effective communication, the Board recognises that timely and equal dissemination of consistent and accurate information are provided to them through public announcements made throughout the year to Bursa Securities. The shareholders and members of the public are also invited to access the Group's website at www.hiaphuat.com for the latest information on the Group.

The Company's Annual Report, circulars and financial results are dispatched on annually basis to the shareholders to provide an overview of the Group's business activities and performances. The Share Registrar is available to attend to administrative matters relating to shareholder interests.

Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. The shareholders will be given sufficient notice of the holding of the AGM through the Annual Report that is sent to them. At the AGM, the Board will present to the shareholders with a comprehensive report on the progress and performance of the Group and the shareholders are encouraged to participate in the questions and answers session there at, where they will be given the opportunity to raise questions or seek more information during the AGM. Informal discussions between the Directors, senior management staff and the shareholders and investors are always active before and after the General Meetings.

D. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the aim of the directors is to present a balanced and comprehensible assessment of the Group's position and prospects. The Audit Committee assists the Board to ensure accuracy and adequacy of all annual and quarterly financial reports, audited and unaudited for disclosure. The statement by the Board pursuant to Rule 15.26(a) of the Listing Requirements on its responsibilities in preparing the financial statements is set out in Section E below.

2. Internal Controls

The Board affirms the importance of sound internal control and risk management practices to safeguard shareholders' investments, customers' interest and the Group's assets. In order to improve internal controls within the Group, the Board has appointed an established independent professional firm to carry out the internal audit function for the Group.

The information on the Group's internal control is further elaborated in pages 19 and 20 on the Statement on Risk Management and Internal Control of this Annual Report.

3. Relationship with Auditors

The Board has appropriately established a formal and transparent relationship with the Group's external auditors. From time to time, the auditors will highlight to the Audit Committee and the Board of Directors on matters that require the Audit Committee's and Board's attention and action. The role of the Audit Committee in relation to the external auditors can be found in the Audit Committee Report as set out in pages 15 to 18 of this Annual Report. Annual appointment or re-appointment of the external auditors is via shareholders' resolution at the AGM on the recommendation of the Board.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards so as to give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2013, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps proper accounting records with reasonable accuracy of the financial position of the Company. The Directors are to ensure that the financial statements comply with mandatory provisions of the Companies Act, 1965, the Malaysia Approved Accounting Standards and the Listing Requirements. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

F. COMPLIANCE STATEMENT

The Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices of MCCG and all other applicable laws.

AUDIT COMMITTEE'S REPORT

1. COMPOSITION

Chairman

Zulkifly bin Zakaria - Independent Non-Executive Chairman

Members

Wong Kah Ming - Independent Non-Executive Director
Woo Yew Tim - Independent Non-Executive Director

2. TERMS OF REFERENCE

2.1 Members

The members of Audit Committee shall be appointed by the Board from amongst the Directors of the Company and shall comprise of at least three (3) members, all of whom must be Non-Executive Directors, with a majority of them being independent. The Board shall at all the times ensure that at least one (1) member of the Audit Committee:

- i) must be a member of the Malaysian Institute of Accountants ("MIA"); or
- ii) if he is not a member of the MIA, he must have at least three (3) years' working experience and:
 - a) passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - b) must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

No alternate director shall be appointed as a member of the Audit Committee. The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether the members have carried out their duties in accordance with their terms of reference.

If a member of the Audit Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall, within three (3) months from the date of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

The Company Secretary or his nominee or such other persons authorised by the Board shall act as the Secretary of the Audit Committee.

2.2 Chairman

The members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Non-Executive Director.

If the Chairman is not present at a meeting within fifteen (15) minutes after the time appointed for holding the meeting, the members of the Audit Committee may elect one of their members to be the Chairman of the meeting.

2.3 Meetings and Minutes

The Audit Committee shall meet at least four (4) times in a financial year, although additional meetings may be called at any time at the Audit Committee Chairman's discretion. Other than in circumstances which the Chairman of the Audit Committee considers inappropriate, the Executive Directors, Group Accountants, the representatives of the internal auditors and external auditors will attend any meeting of the Audit Committee to make known their views on any matter under consideration by the Audit Committee or which in their opinion, should be brought to the attention of the Audit Committee. Other Board members, employees and external professional advisers shall attend any particular meetings upon invitation by the Audit Committee. At least twice in a financial year, the Audit Committee shall meet with the external auditors without the Executive Directors and employees being present.

Subject to the notice and quorum requirements as provided in the Terms of Reference, meeting of the Audit Committee may be held and conducted through the telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly.

AUDIT COMMITTEE'S REPORT (Cont'd)

2. TERMS OF REFERENCE (Cont'd)

2.3 Meetings and Minutes (Cont'd)

A resolution in writing, signed by a majority of the Audit Committee present in Malaysia for the time being entitled to receive notice of a meeting of the Audit Committee, shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more of the members of the Audit Committee.

The Audit Committee shall report to the Board and its minutes tabled and noted by the Board of Directors. The books containing the minutes of proceedings of any meeting of the Audit Committee shall be kept by the Company at the registered office or the principal office of the Company, and shall be open for inspection of any member of the Audit Committee and the Board.

2.4 Quorum

The quorum for a meeting of the Audit Committee shall consist of not less than two (2) members, majority of whom must be Independent Non-Executive Directors.

2.5 Notice and Minutes of Meetings

The Audit Committee shall be summoned by the Secretary at the request of the Chairman of the Audit Committee.

The Secretary shall:

- (i) minute the proceedings and resolutions of all Audit Committee meetings, including the names of those present and in attendance.
- (ii) ascertain existence of any conflicts of interest.
- (iii) prompt circulation of minutes to members of the Audit Committee.
- (iv) record of conclusions and resolution passed during the meeting.
- (v) keep and maintain the full minutes of meeting.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the committee, any other person required to attend and all other non-executive directors, no later than seven (7) days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

2.6 Duties and Responsibilities

In fulfilling its primary objectives, the Audit Committee shall undertake, amongst others, the following duties and responsibilities: -

- (i) Review and discuss with the external and internal auditors the nature and scope of their respective audit strategy, audit plans or programmes.
- (ii) Review the external auditors' statutory and other audit reports and management letter and the response from the management.
- (iii) Review the scope and results of the internal audit procedures.
- (iv) Review with the external and internal auditors their evaluations of the system of internal accounting controls, in particular with regard to the adequacy of the Group's internal control system.
- (v) Review quarterly and yearly balance sheets and income statements of the Company and the Group, prior to the approval by the Board of Directors, focusing particularly on:-
 - (a) changes in or implementation of major accounting policies;
 - (b) significant and unusual events; and
 - (c) compliance with accounting standards and other legal requirements.
- (vi) Commission and review the findings of internal investigations into matters within its terms of reference.
- (vii) Promptly report to Bursa Malaysia Securities Berhad on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of Listing Requirements of Bursa Malaysia Securities Berhad.

AUDIT COMMITTEE'S REPORT (Cont'd)

2. TERMS OF REFERENCE (Cont'd)

2.6 Duties and Responsibilities (Cont'd)

- (viii) Review interested person transactions, which are defined as transactions between the Company, its subsidiary companies or target associated company and a director, chief executive officer, or substantial shareholder of the Company or their associates.
- (ix) To verify the allocation of option pursuant to a share scheme for employees at the end of each financial year and to prepare a statement verifying such allocation in the annual reports.
- (x) Recommend to the Board on the appointment or re-appointment of external auditors and their fees and make appropriate recommendations on matters of resignation or dismissal of external auditors.
- (xi) Review on the policies implemented by the Company to ensure that the Company's risk are identified and evaluated and that controls in place are adequate and functioning properly to address the risks.
- (xii) Review and approve the statement to be included in the annual report concerning internal control and risk management.
- (xiii) Review the Company's policies and to ensure the good corporate governance practices are implemented and maintained throughout the Company and its subsidiaries and make appropriate recommendations to the Board in monitoring MCCG of conduct of the Board of Directors.
- (xiv) Carry out such other functions as may be agreed to by the Audit Committee and the Board.

2.7 Authority

- (i) The Audit Committee is authorised by the Board to investigate any matter within the Audit Committee's terms of reference. It shall have full and unrestricted access to any information pertaining to the Group and shall have the resources it requires to perform its duties. All employees of the Group are required to comply with the requests made by the Audit Committee.
- (ii) The Audit Committee is authorised by the Board to obtain outside legal or external independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company.
- (iii) The Audit Committee shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
- (iv) The Audit Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary, in order to enable the Audit Committee and the external auditors or the internal auditors or both, to discuss problems and reservations and any other matter the external auditors or internal auditors may wish to bring up to the attention of the Audit Committee.
- (v) The Internal Auditors report directly to the Audit Committee and shall have direct access to the Chairman of the Audit Committee on all matters of control and audit. All proposals by Management regarding the appointment, transfer and removal of senior staff members of the Internal Audit of the Group shall require prior approval of the Audit Committee. The Audit Committee is also authorised by the Board to obtain information on any resignation of internal audit staff members and provide the staff member an opportunity to submit his reasons for resigning.

3 ATTENDANCE OF MEETINGS

During the year ended 31 December 2013, the audit committee held five (5) meetings. Details of the attendance of committee members are as follow:

	<u>Attendance</u>
Zulkifly bin Zakaria	5/5
Wong Kah Ming	5/5
Woo Yew Tim	5/5

AUDIT COMMITTEE'S REPORT (Cont'd)

4 SUMMARY ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

The activities of the Audit Committee during the financial year ended 31 December 2013 include the following:

- a) Reviewed the quarterly unaudited financial of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Group's results to Bursa Securities;
- b) Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 December 2013;
- c) Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised, audit recommendations and management's response to these recommendations;
- e) Reviewed the effectiveness of the Group's system of internal control;
- f) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;
- g) Reviewed the Company's compliance with the Listing Requirements, applicable Approved Accounting Standards and other relevant legal and regulatory requirements; and
- h) Report to the Board on its activities and significant findings and results.

5 INTERNAL AUDIT FUNCTIONS

The Group has appointed an established external professional Internal Audit firm, which reports to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives. With the internal audit function being put in place, remedial action can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units. The setting up of the internal audit function is geared towards increasing efficiency and better management of resources in all aspects of the Group's operations. The costs incurred for the internal audit function in respect of the financial year under review is approximately RM98,618.

The Audit Committee regularly convenes meetings to deliberate on the findings and recommendations for improvement by the Group internal auditors, external auditors as well as regulatory authorities. The Audit Committee reviews the actions taken to rectify the findings in a timely manner, and to evaluate the effectiveness and adequacy of the Group's internal control systems.

During the financial year under review, the following activities were carried out by the internal auditors in discharge of its responsibilities:

- i) Review the system of internal controls of the Group's business operating units;
- ii) Recommend improvements to the existing systems of internal controls;
- iii) Ascertain the extent to which the Company's and the Group's assets are accounted for and safeguarded from losses of all kinds;
- iv) Identify opportunities to improve the operations of and processes in the Company and the Group; and
- v) Identification of risks and implementation of recommendations to mitigate the risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of Hiap Huat Holdings Berhad (“HHHB” or “the Company”) is pleased to provide the following Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“the Guidelines”).

RESPONSIBILITY

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. In addition, the Board has also received assurance from the Group Managing Director and Head of Finance that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects.

Due to inherent limitations in any risk management and internal control system, such system put into effect by Management is designed to manage rather than eliminate risks that may impede the achievement of the Group’s business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatement or errors.

The Board through its Audit Committee has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the Audit Committee on a periodic basis.

Management assists the Board in the implementation of the Board’s policies and procedures on risk and control by identifying and assessing the risks faced by the Group, and in the design and operation of suitable internal controls to mitigate these risks identified.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the annual report is adequate and effective to safeguard the shareholders’ investment, the interests of customers, regulators, employees and the Group’s assets.

KEY FEATURES OF THE GROUP’S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements that have been established in the Group’s risk management and internal control system are described below:

1. Risk Management System

Risk management is firmly embedded in the Group’s management system as the Board firmly believes that risk management is critical for the Group’s sustainability and the enhancement of shareholder value. Key management staff and Heads of Department are delegated with the responsibility to manage identified risks within defined parameters and standards. Periodic Management Meetings which are attended by the Department Heads and key management staff are held to discuss key risks and the appropriate mitigating controls. Significant risks affecting the Group’s strategic and business plans are escalated to the Board at their scheduled meetings.

The Risk Management Committee, comprising key management staff, meets regularly to review the risks faced by the Group and ensure that the existing mitigation actions are adequate. Risks identified were prioritized in terms of likelihood of occurrence and its impact on the achievement of the Group’s business objectives.

2. Internal Control System

- (i) A well-defined organisational structure with clear lines of accountability and responsibilities provide a sound framework within the organisation in facilitating check and balance for proper decision making at the appropriate authority levels of Management including matters that require the Board’s approval.
- (ii) A documented delegation of authority that sets out decisions that need to be taken and the appropriate levels of Management involved including matters that require the Board’s approval.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (Cont'd)

2. Internal Control System (Cont'd)

- (iii) The Board of Directors and Audit Committee meet at least once on a quarterly basis to review and deliberate on financial reports, annual financial statements, internal audit reports and etc. Discussions with Management were held to deliberate on the actions that are required to be taken to address internal control issues identified.
- (iv) Internal policies and procedures had been established for key business units within the Group. Certain subsidiaries within the Group are ISO accredited.
- (v) The Group has a budgeting process which establishes plans and targets for performances to be measured on an on-going basis. Budget variances are analyzed and reported internally and on a quarterly basis.
- (vi) Comprehensive guidelines on employment and retention of employees are in place to ensure that the Group has a team of employees who are qualified and equipped with all the necessary knowledge, skills and abilities to carry out their responsibilities effectively.
- (vii) Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Group. Monthly management accounts containing key financial results, operational performances and comparison of actual performance against budgets are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Board for their review and approval. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.

3. Internal Audit Function

The Group's internal audit function is outsourced to an independent professional firm, to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

During the financial year ended 31 December 2013, internal audit visits were carried out based on the approved audit plan and the findings of the internal audit, including the recommended corrective actions, were presented directly to the Audit Committee.

In addition, follow up review was conducted to ensure that corrective actions have been implemented on a timely manner. Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Group for the year ended 31 December 2013 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the Group's risk management and internal control system.

CONCLUSION

The Board is of the view that the Group's system of internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control and risk management framework.

This statement was approved by the Board of Directors on 22 May 2014.

OTHER DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA SECURITIES

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

The status of utilisation of the gross proceeds of RM17 million from the public issue by the Group as at 31 December 2013 are as follows:

Purposes	Intended timeframe for utilization	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation	
				RM'000	%
(i) Capital expenditure	2 years	4,500	3,708	-	-
(ii) Working Capital	2 years	8,200	7,973	(227) ^(a)	2.77
(iii) Repayment of bank borrowing	1 year	2,000	2,000	-	-
(iv) Estimated listing expenses	1 month	2,300	2,527	227 ^(a)	2.77
Total gross proceeds		17,000	16,208		

Note:

(a) The additional listing expenses of approximately RM227,000 was due to an underestimation of miscellaneous expenses relating to the Company's listing on the ACE Market of Bursa Securities such as printing costs and campaigning expenses. This amount has been adjusted against the gross proceeds allocated for working capital.

2. SHARE BUY-BACKS

The Company did not carry out any share buy-back exercise during the financial year.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

No options, warrants or convertible securities were issued during the financial year.

4. DEPOSITORY RECEIPT PROGRAMMES

The Company did not sponsor any depository receipt programmes during the financial year.

5. IMPOSITION OF SANCTIONS/PENALTIES

During the financial year, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the regulatory bodies.

6. NON-AUDIT FEES

No non-audit fees paid to the external auditors by the Company and its subsidiary companies during the financial year ended 31 December 2013.

7. VARIANCE IN RESULTS, PROFIT ESTIMATE, FORECAST OR PROJECTION

There were no variances between the results for the financial year and the unaudited results previously announced on 28 February 2014.

8. PROFIT GUARANTEE

The Company did not give any form of profit guarantee to any parties during the financial year.

9. MATERIAL CONTRACTS

During the financial year, there were no material contracts entered into by the Company and its subsidiary involving Directors' and major shareholders' interests.

10. CONTRACTS RELATING TO LOAN

There were no material contracts relating to loans entered into by the Company involving Directors and major shareholders.

11. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE

Save for such disclosure made in note 25 to the financial statements on page 61 of the Annual Report, there were no recurrent related party transactions of revenue nature during the financial year ended 31 December 2013.

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

Principal Activities

The Company principal activity is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

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

Financial Results

	Group RM	Company RM
Net profit for the financial year, attributable to owners of the parent	2,529,855	10,336)

Dividends

No dividend has been proposed, declared or paid by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the financial year.

Reserves and Provisions

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

Issue of Shares and Debentures

There were no issues of share or debentures during the financial year.

Options Granted Over Unissued Shares

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

Directors

The Directors in office since the date of last report are as follows:

Chan Say Hwa
 Chow Pui Ling
 Soo Kit Lin
 Zulkifly bin Zakaria
 Wong Kah Ming
 Woo Yew Tim

DIRECTORS' REPORT (Cont'd)

Directors' Interests

The interests and deemed interests in the shares and options over shares of the Company or its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

No. of ordinary shares of RM0.10 each

	No. of ordinary shares of RM0.10 each			At 31.12.2013
	At 1.1.2013	Addition	Disposed	
Direct interest				
Chan Say Hwa	69,405,460	-	-	69,405,460
Soo Kit Lin	69,405,460	-	-	69,405,460
Indirect interest				
Chow Pui Ling (#)	69,405,460	-	-	69,405,460
Soo Kit Lin (#)	63,490,410	14,797,300	(14,496,100)	63,791,610

(#) deemed interest by virtue of shares held by spouse.

By virtue of their interests in the shares of the Company, Chan Say Hwa, Chow Pui Ling and Soo Kit Lin are also deemed interested in the shares of all the subsidiaries to the extent that the Company has an interest under Section 6A of the Companies Act, 1965.

None of the other Directors holding office at the end of the financial year had any interest in the shares of the Company or its related corporations during the financial year.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except that certain directors received remuneration as a result of their employment relationships with the Company's subsidiary.

Neither during nor at the end of the financial year, was the Company a party to any arrangement the object of which is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Other Statutory Information

- (a) Before the statement of financial position and statement of comprehensive income of the Group and the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that 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 bad debts had been written off and that no allowance for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

DIRECTORS' REPORT (Cont'd)

Other Statutory Information (Cont'd)

- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts inadequate to any substantial extent or to make any allowance for doubtful debts in the financial statements of the Group or of the Company; or
 - (ii) which would render the values attributed to the current assets in the financial statements of the Group or of the Company misleading; or
 - (iii) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading; or
 - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group or of the Company misleading or inappropriate.
- (c) At the date of this report, 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 liability of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (d) No contingent liability 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 its obligations as and when they fall due.
- (e) In the opinion of the Directors, the financial performance of the Group or of the Company for the financial year ended 31 December 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature, occurred in the interval between the end of the financial year and the date of this report.

DIRECTORS' REPORT (Cont'd)

Auditors

The Auditors, Messrs UHY, have expressed their willingness to continue in office.

Signed on behalf of Board of Directors in accordance with a resolution of the Directors dated 22 April 2014.

CHAN SAY HWA

CHOW PUI LING

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, the undersigned, being two of the Directors of HIAP HUAT HOLDINGS BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 30 to 69 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of the financial performance and the cash flows for the financial year then ended.

The supplementary information set out in page 70 to the financial statements have been compiled 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 and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of Board of Directors in accordance with a resolution of the Directors dated 22 April 2014.

CHAN SAY HWA

CHOW PUI LING

STATUTORY DECLARATION

Pursuant To Section 169(16) Of The Companies Act, 1965

I, CHAN SAY HWA, being the Director primarily responsible for the financial management of HIAP HUAT HOLDINGS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 30 to 69 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
 abovenamed KUALA LUMPUR in the)
 Federal Territory on 22 April 2014)

CHAN SAY HWA

Before me,

COMMISSIONER FOR OATHS
 MOHAN A.S. MANIAM
 No. W 521

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIAP HUAT HOLDINGS BERHAD (Company No.: 881993-M)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Hiap Huat Holdings Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 30 to 69.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the followings:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIAP HUAT HOLDINGS BERHAD (Company No.: 881993-M)
(Incorporated in Malaysia) (Cont'd)

Other Reporting Responsibilities

The supplementary information set out on page 70 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

UHY
Firm Number: AF 1411
Chartered Accountants

LOH CHYE TEIK
Approved Number: 1652/08/14 (J)
Chartered Accountant

KUALA LUMPUR
22 April 2014

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	NOTE	GROUP		COMPANY	
		2013 RM	2012 RM	2013 RM	2012 RM
Non-Current Assets					
Property, plant and equipment	4	56,914,578	40,875,895	687,246	-
Investment in subsidiary companies	5	-	-	14,830,130	14,830,130
		<u>56,914,578</u>	<u>40,875,895</u>	<u>15,517,376</u>	<u>14,830,130</u>
Current Assets					
Other investments	6	2,121,799	-	2,121,799	-
Inventories	7	10,307,601	6,374,361	-	-
Trade receivables	8	6,396,719	8,348,120	-	-
Other receivables	9	1,071,235	1,767,667	90,231	109,000
Amounts owing by subsidiary companies	10	-	-	23,727,022	12,962,061
Tax recoverable		631,448	399,429	24,966	9,981
Fixed deposits with licensed banks	11	452,869	431,820	-	-
Cash and bank balances		2,456,042	14,500,435	334,945	10,663,757
		<u>23,437,713</u>	<u>31,821,832</u>	<u>26,298,963</u>	<u>23,744,799</u>
Total Assets		<u>80,352,291</u>	<u>72,697,727</u>	<u>41,816,339</u>	<u>38,574,929</u>
Equity					
Share capital	12	33,330,133	33,330,133	33,330,133	33,330,133
Share premium	12	7,762,508	7,762,508	7,762,508	7,762,508
Merger deficit	13	(9,535,114)	(9,535,114)	-	-
Retained profits/(Accumulated losses)		16,063,888	13,534,033	(2,626,469)	(2,636,805)
		<u>47,621,415</u>	<u>45,091,560</u>	<u>38,466,172</u>	<u>38,455,836</u>
Non-Current Liabilities					
Finance lease payables	14	2,319,424	2,785,341	-	-
Bank borrowings	15	16,666,575	16,048,911	-	-
Deferred tax liabilities	16	1,349,480	1,117,854	41,700	-
		<u>20,335,479</u>	<u>19,952,106</u>	<u>41,700</u>	<u>-</u>
Current Liabilities					
Trade payables	17	1,615,410	1,959,912	-	-
Other payables	18	5,279,881	1,596,423	284,403	25,299
Amounts owing to subsidiary companies	9	-	-	3,024,064	93,794
Finance lease payables	14	1,517,900	1,144,190	-	-
Bank borrowings	15	3,931,206	1,187,118	-	-
Tax payable		51,000	1,766,418	-	-
		<u>12,395,397</u>	<u>7,654,061</u>	<u>3,308,467</u>	<u>119,093</u>
Total Liabilities		<u>32,730,876</u>	<u>27,606,167</u>	<u>3,350,167</u>	<u>119,093</u>
Total Equity and Liabilities		<u>80,352,291</u>	<u>72,697,727</u>	<u>41,816,339</u>	<u>38,574,929</u>

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	NOTE	GROUP		COMPANY	
		2013 RM	2012 RM	2013 RM	2012 RM
Revenue	19	42,578,194	39,208,634	1,497,229	-
Cost of sales		(30,058,528)	(23,826,296)	-	-
Gross profit		12,519,666	15,382,338	1,497,229	-
Other income		460,286	199,594	168,133	54,468
Administrative expenses		(9,467,363)	(10,001,417)	(1,588,258)	(2,726,890)
Finance costs	20	(685,610)	(740,484)	-	-
Profit/(Loss) before taxation	21	2,826,979	4,840,031	77,104	(2,672,422)
Taxation	22	(297,124)	(1,871,889)	(66,768)	(13,000)
Net profit/(loss) for the financial year, representing total comprehensive income for the financial year		2,529,855	2,968,142	10,336	(2,685,422)
Net profit/(loss) for the financial year attributable to:					
Owners of the parent		2,529,855	2,968,142	10,336	(2,685,422)
Earnings per share (sen)					
- Basic	24	0.76	1.15		

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Group	Note	Attributable to Owners of the Parent				Total Equity RM
		Share Capital RM	Share Premium RM	Merger Deficit RM	Retained Profits RM	
At 1 January 2012		24,830,133	-	(9,535,114)	10,565,891	25,860,910
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	-	2,968,142	2,968,142
Transaction with owners:						
Issue of shares	12	8,500,000	8,500,000	-	-	17,000,000
Share issuance expenses		-	(737,492)	-	-	(737,492)
Total transactions with owners		8,500,000	7,762,508	-	-	16,262,508
At 31 December 2012		33,330,133	7,762,508	(9,535,114)	13,534,033	45,091,560
At 1 January 2013		33,330,133	7,762,508	(9,535,114)	13,534,033	45,091,560
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	-	2,529,855	2,529,855
At 31 December 2013		33,330,133	7,762,508	(9,535,114)	16,063,888	47,621,415

Company	Note	Non-distributable	Distributable	Total Equity RM	
		Share Capital RM	Share Premium RM		Retained Profits RM
At 1 January 2012		24,830,133	-	48,617	24,878,750
Net loss for the financial year, representing total comprehensive income for the financial year		-	-	(2,685,422)	(2,685,422)
Transaction with owners:					
Issue of shares	12	8,500,000	8,500,000	-	17,000,000
Share issuance expenses		-	(737,492)	-	(737,492)
		8,500,000	7,762,508	-	16,262,508
At 31 December 2012		33,330,133	7,762,508	(2,636,805)	38,455,836
At 1 January 2013		33,330,133	7,762,508	(2,636,805)	38,455,836
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	10,336	10,336
At 31 December 2013		33,330,133	7,762,508	(2,626,469)	38,466,172

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash Flows From Operating Activities				
Profit/(Loss) before tax	2,826,979	4,840,031	77,104	(2,672,422)
Adjustments for:				
Bad debts written off	10,280	-	-	-
Depreciation of property, property, plant and equipment	2,592,622	2,020,319	8,518	-
Fair value gain of financial asset at fair value through profit or loss	(63,100)	-	(63,100)	-
Gain on disposal of financial assets at fair value through profit or loss	(58,699)	-	(58,699)	-
Gain on disposal of property, plant and equipment	(176,236)	(86,752)	-	-
Property, plant and equipment written off	5,849	34,169	-	-
Interest expenses	685,610	740,484	-	-
Interest income	(91,293)	(86,886)	(46,334)	(54,468)
Operating profit/(loss) before working capital changes	5,732,012	7,461,365	(82,511)	(2,726,890)
Change in working capital:				
Inventories	(3,933,240)	(2,668,540)	-	-
Trade receivables	1,941,121	90,962	-	-
Other receivables	696,432	226,879	18,769	448,292
Trade payables	(344,502)	(840,251)	-	-
Other payables	3,683,458	(555,715)	259,104	(37,060)
Amounts owing by/to subsidiary companies	-	-	(7,908,951)	(3,526,727)
	2,043,269	(3,746,665)	(7,631,078)	(3,115,495)
Cash generated from/(used in) operations	7,775,281	3,714,700	(7,713,589)	(5,842,385)
Interest received	91,293	86,886	46,334	54,468
Interest paid	(685,610)	(740,484)	-	-
Tax paid	(2,573,190)	(1,870,124)	(65,053)	(22,981)
Tax refund	560,255	-	25,000	-
	(2,607,252)	(2,523,722)	6,281	31,487
Net cash from/(used in) operating activities	5,168,029	1,190,978	(7,707,308)	(5,810,898)

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (Cont'd)

	Note	GROUP		COMPANY	
		2013 RM	2012 RM	2013 RM	2012 RM
Cash Flows From Investing Activities					
Proceed from issuance of shares		-	17,000,000	-	17,000,000
Listing expenses paid		-	(737,492)	-	(737,492)
Purchase of financial assets at fair value through profit and loss		(5,000,000)	-	(5,000,000)	-
Purchase of property, plant and equipment	4	(12,437,175)	(2,990,824)	(621,504)	-
Proceeds from disposal of financial assets at fair value through profit and loss		3,000,000	-	3,000,000	-
Proceed from disposal of property, plant and equipment		206,799	239,669	-	-
Net cash (used in)/from investing activities		<u>(14,230,376)</u>	<u>13,511,353</u>	<u>(2,621,504)</u>	<u>16,262,508</u>
Cash Flows From Financing Activities					
Repayment of bank borrowings		(2,244,098)	(1,106,494)	-	-
Repayment of finance lease payables		(2,277,207)	(1,343,671)	-	-
Increase in fixed deposits pledged		(21,049)	(13,346)	-	-
Net cash used in financing activities		<u>(4,542,354)</u>	<u>(2,463,511)</u>	<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		<u>(13,604,701)</u>	<u>12,238,820</u>	<u>(10,328,812)</u>	<u>10,451,610</u>
Cash and cash equivalents at the beginning of the financial year		<u>14,500,435</u>	<u>2,261,615</u>	<u>10,663,757</u>	<u>212,147</u>
Cash and cash equivalents at the end of the financial year		<u>895,734</u>	<u>14,500,435</u>	<u>334,945</u>	<u>10,663,757</u>
Cash and cash equivalents at the end of the financial year comprises:					
Cash and bank balances		2,456,042	14,500,435	334,945	10,663,757
Fixed deposits with licensed banks		452,869	431,820	-	-
Bank overdrafts		(1,560,308)	-	-	-
		<u>1,348,603</u>	<u>14,932,255</u>	<u>334,945</u>	<u>10,663,757</u>
Less: Fixed deposits pledged to licensed banks		<u>(452,869)</u>	<u>(431,820)</u>	<u>-</u>	<u>-</u>
		<u>895,734</u>	<u>14,500,435</u>	<u>334,945</u>	<u>10,663,757</u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The Company is a public company limited by shares, incorporated in Malaysia under the Companies Act, 1965 and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at No. 46, Jalan E1/2, Taman Ehsan Industrial Park, 52100 Kepong, Selangor Darul Ehsan.

The registered office of the Company is located at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 5. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

2. Basis of Preparation

(a) Statement of Compliance

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

During the financial year, the Group and the Company have adopted the following applicable new MFRSs, Issues Committee ("IC") Interpretations and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	(2012) Employee Benefits
MFRS 127	(2012) Separate Financial Statements
MFRS 128	(2012) Investments in Associates and Joint Ventures
MFRS 3	Business Combinations (IFRS 3 issued by IASB in March 2004)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)
IC Interpretation 20	Stripping Costs in the Production of A Surface Mine
Amendments to MFRS 1	Government Loans
Amendments to MFRS 7	Disclosure - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRSs 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
Amendments to MFRSs contained in the document entitled "Annual Improvements 2009 – 2011 Cycle"	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Basis of Preparation (Cont'd)**(a) Statement of Compliance (Cont'd)**

The effects of the adoption of applicable MFRSs and amendments to MFRSs above are summarised below:

- (a) MFRS 10 Consolidated Financial Statements and MFRS 11 Joint Arrangements Under MFRS 10, an investor controls an investee when the investor has:
- (i) The power by investor over an investee;
 - (ii) Exposure, or rights, to variable returns from investor's involvement with the investee; and
 - (iii) Ability to affect those returns through its power over investee.

This new control model differs from how previously companies were assessed to be a subsidiary. Under MFRS 127, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

Upon adoption of the two new MFRSs, the Group has reviewed the relationships with its investments in other entities to assess whether the conclusion to consolidate is different under MFRS 10 than under MFRS 127, and noted no material differences were found for any of the investments.

- (b) MFRS 12 Disclosure of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

- (c) MFRS 127 Separate Financial Statements (as amended by IASB in May 2011)

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, joint controlled entities and associates in separate financial statements. This standard affects disclosures only and has no impact on the Group's financial position or performance.

- (d) MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Basis of Preparation (Cont'd)**(a) Statement of Compliance (Cont'd)****(e) Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income**

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified (“recycled”) to profit or loss at a future point in time (e.g. net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (e.g. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group’s financial position or performance.

The Group and the Company have not applied the following MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective date for financial periods beginning on or after
Amendments to MFRS 10	Investment Entity	1 January 2014
Amendments to MFRS 12	Investment Entities	1 January 2014
Amendments to MFRS 127	Investment Entities	1 January 2014
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assts	1 January 2014
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21	Levies	1 January 2014
Amendments to MFRS 119	Defined Benefits Plans: Employee Contributions	1 July 2014
Amendments to MFRSs contained in the document entitled “Annual Improvements 2010 – 2012 Cycle”		1 July 2014
Amendments to MFRSs contained in the document entitled “Annual Improvements 2011 – 2013 Cycle”		1 July 2014
Amendment to MFRS 7	Mandatory Date of MFRS 9 and Transition Disclosures	To be announced
MFRS 9 (IFRS 9 (2009))	Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 (IFRS 9 (2010))	Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced

The Group and the Company intends to adopt the above MFRSs when they become effective.

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and the Company except as mentioned below:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 (2009)) replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on classification and measurement of financial asset. MFRS 9 requires financial asset to be measured at fair value or amortised cost. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Basis of Preparation (Cont'd)**(a) Statement of Compliance (Cont'd)**

MFRS 9 (IFRS 9 (2010)) includes the requirements for the classification and measurement of financial liabilities and for derecognition. Measurement for financial liability designated as at fair value through profit or loss, requires the amount of change in the fair value of the financial liability, that is attributable to the change of credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Under MFRS 139, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

(b) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and Company's functional currency and all values has been rounded to the nearest RM except when otherwise stated.

(c) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 3 are essential to understand the Group's and the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Useful lives of property, plant and equipment

Management estimates the useful lives of the property, plant and equipment to be within 5 to 99 years and reviews the useful lives of depreciable assets at end of each reporting period. At 31 December 2013 management assesses that the useful lives represent the expected utilisation of the assets to the Group. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, which resulting the adjustment to the Group's assets. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Basis of Preparation (Cont'd)

(c) Significant accounting estimates and judgements (Cont'd)

Impairment of investment in subsidiaries

The carrying values of investment in subsidiaries and the related goodwill are reviewed for impairment. In the determination of the value in use of the investment, the Company is required to estimate the expected cash flows to be generated by the subsidiary companies and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next reporting period.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences 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 level of future taxable profits together with future tax planning strategies.

Impairment of loans and receivables

The Group assesses at the end of the reporting period whether there is any objective evidence that a financial assets is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of 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 credit risk characteristics.

Inventories write-down

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Basis of Preparation (Cont'd)**(c) Significant accounting estimates and judgements (Cont'd)**Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for expected tax issues based on estimates or whether additional taxes will be due. Where the final outcome of these matters are different from the amounts initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. Significant Accounting Policies**(a) Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies, which have been prepared in accordance with the Group's accounting policies, and are all drawn up to the same reporting period.

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

Upon the disposal of investment in a subsidiary company, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

(ii) Consolidation

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

An acquisition that resulted in a business combination involving common control entities is outside the scope of FRS 3 Business Combinations. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the audited financial statements.

In the consolidated financial statements of the merged enterprise, the cost of the merger should be cancelled against the nominal values of the shares/paid-up capital received. The difference between the cost of the merger and nominal values of the shares/paid-up capital received will remain and continue to be classified as part of equity of the Group and will be adjusted against suitable reserve in future, where appropriate. The combination date is the date on which one combining entity effectively obtains control of the other combining entities.

Intra-group balances, and any unrealised income and expenses arising from intra- group transactions, are eliminated in preparing the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (Cont'd)**(a) Basis of consolidation (Cont'd)****(ii) Consolidation (Cont'd)**

The Group is regarded as continuing entity resulting from the reorganisation exercise since the management of all the entities, which took part in the reorganisation exercise were controlled by the same management and under the common controlling parties before and immediately after the reorganisation exercise. Consequently, there was a continuation of the control over the entities' financial and operating policy decision and risk and benefits to the ultimate controlling parties that existed prior to the reorganisation exercise. The reorganisation exercise has been accounted for as a restructuring under common control in a manner similar to pooling of interest or merger. Accordingly, the consolidated financial statements have been prepared on the basis of merger accounting and comprise the financial statements of the subsidiaries, which were under common control of the ultimate controlling parties and management that existed prior to the reorganisation exercise during the relevant period or since their respective dates of incorporation.

(iii) Goodwill on consolidation

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the rate at the date of transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the reporting period. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting 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.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(g).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (Cont'd)**(c) Property, plant and equipment (Cont'd)****(i) Recognition and measurement**

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Capital work-in-progress is stated at cost. Cost comprises the direct expenditure incurred on the construction and commissioning of the capital assets, including the interest cost on borrowings taken to finance the capital work-in-progress. Capital work-in-progress is not depreciated until its completion and availability for commercial use.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss. On disposal of a revalued asset, the amounts in revaluation reserve relating to those assets are transferred to retained profits.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statements of comprehensive income as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

The estimated useful lives for the current and comparative periods are as follows:

Building	50 years
Leasehold land	99 years
Leasehold bungalow land	50 years
Furniture and fittings and office equipment	10 years
Motor vehicles	5 years
Renovation	10 years
Plant and machinery	10 years
Laboratory equipment	10 years

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (Cont'd)**(c) Property, plant and equipment (Cont'd)****(iii) Depreciation (Cont'd)**

The residual values, useful lives and depreciation method are reviewed at each financial period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the motor vehicle and other property, plant and equipment.

(d) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

For arrangements entered into prior to 1 January 2010, the date of inception is deemed to be 1 January 2010 in accordance with the MFRS 1.

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between 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 recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

(e) Inventories

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value.

Cost of raw material is determined on a weighted average basis. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity).

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (Cont'd)**(f) Financial assets**

Financial assets are recognised on 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 assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

The Group and the Company classify its financial assets depends on the purpose for which it was acquired at initial recognition, into the following categories:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading, including derivative or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Regular way purchase or sale of financial assets

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and/or the Company commit to purchase or sell the asset.

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and/or the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (Cont'd)**(g) Impairment of assets****(i) Non-financial assets**

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating units is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows 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.

Previously recognised impairment losses are assessed at the end of each reporting period whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than those at fair value through profit or loss, investment in subsidiary company and investment on associate company, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

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 considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (Cont'd)**(h) Financial liabilities**

Financial liabilities are recognised on 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.

All financial liabilities are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method, other than those categorised as fair value through profit or loss. Changes in the carrying value of these liabilities are recognised in the profit or loss.

The Group and the Company classify its financial liabilities at initial recognition, into the following category:

Other liabilities measured at amortised cost

Other financial liabilities are non-derivatives financial liabilities. The Group's and the Company's other financial liabilities comprise trade and other payables and borrowings. Other financial liabilities are classified as current liabilities; except for maturities more than 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Derecognition of financial liabilities

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

Offsetting of Financial Instruments

A financial asset and financial liability are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) Share capital

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 nominal value of shares issued. Ordinary shares are classified as equity.

(k) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the Company and when the revenue can be measured reliably, on the following bases:

(i) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (Cont'd)**(k) Revenue recognition (Cont'd)****(ii) Rental income**

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iii) Interest income

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

(iv) Management fee

Management fee is recognised on accrual basis when services are rendered.

(l) Employee benefits**(i) Short term Employee Benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. 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 and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contributions to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (Cont'd)**(n) Income taxes**

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(o) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (Cont'd)

(p) Contingent liabilities

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or 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 assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. Property, Plant and Equipment

Group	Leasehold land and factory lots RM	Leasehold bungalow land RM	Furniture and fittings and office equipment RM	Motor vehicles RM	Renovation RM	Plant and machinery RM	Laboratory equipment RM	Capital work in progress RM	Total RM
2013									
Cost									
At 1 January 2013	15,218,492	597,703	766,647	3,342,105	737,670	16,926,046	22,302	11,223,641	48,834,606
Additions	2,450,141	-	551,091	721,008	747,058	10,043,785	1,038,447	3,116,187	18,667,717
Disposals	-	-	(1,800)	(381,971)	-	(80,583)	-	-	(464,354)
Written off	-	-	(2,300)	-	-	(5,371)	-	-	(7,671)
Reclassification	11,223,640	-	-	-	-	2,549,010	-	(13,772,650)	-
At 31 December 2013	28,892,273	597,703	1,313,638	3,681,142	1,484,728	29,432,887	1,060,749	567,178	67,030,298
Accumulated depreciation									
At 1 January 2013	1,327,286	118,853	193,784	2,268,520	582,639	3,467,629	-	-	7,958,711
Charge for the financial year	321,540	11,954	92,373	544,899	83,900	1,502,388	35,568	-	2,592,622
Disposals	-	-	(1,035)	(381,968)	-	(50,788)	-	-	(433,791)
Written off	-	-	(299)	-	-	(1,523)	-	-	(1,822)
At 31 December 2013	1,648,826	130,807	284,823	2,431,451	666,539	4,917,706	35,568	-	10,115,720
Carrying amount									
At 31 December 2013	27,243,447	466,896	1,028,815	1,249,691	818,189	24,515,181	1,025,181	567,178	56,914,578
2012									
Cost									
At 1 January 2012	13,718,492	597,703	566,421	3,695,615	737,670	12,028,860	-	9,433,318	40,778,079
Additions	1,500,000	-	205,844	-	-	4,976,890	22,302	1,790,323	8,495,359
Disposals	-	-	(4,299)	(353,510)	-	-	-	-	(357,809)
Written off	-	-	(1,319)	-	-	(79,704)	-	-	(81,023)
At 31 December 2012	15,218,492	597,703	766,647	3,342,105	737,670	16,926,046	22,302	11,223,641	48,834,606
Accumulated depreciation									
At 1 January 2012	1,098,664	106,899	142,522	2,010,791	532,852	2,298,410	-	-	6,190,138
Charge for the financial year	228,622	11,954	55,778	459,280	49,787	1,214,898	-	-	2,020,319
Disposals	-	-	(3,341)	(201,551)	-	-	-	-	(204,892)
Written off	-	-	(1,175)	-	-	(45,679)	-	-	(46,854)
At 31 December 2012	1,327,286	118,853	193,784	2,268,520	582,639	3,467,629	-	-	7,958,711
Carrying amount									
At 31 December 2012	13,891,206	478,850	572,863	1,073,585	155,031	13,458,417	22,302	11,223,641	40,875,895

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. Property, Plant and Equipment (Cont'd)

	Capital in progress RM	Office Equipment RM	Total RM
Company			
2013			
Cost			
At 1 January 2013	-	-	-
Additions	432,361	189,143	621,504
Transfer from related company	-	74,260	74,260
At 31 December 2013	<u>432,361</u>	<u>263,403</u>	<u>695,764</u>
Accumulated depreciation			
At 1 January 2013	-	-	-
Charge for the financial year	-	8,518	8,518
At 31 December 2013	<u>-</u>	<u>8,518</u>	<u>8,518</u>
Carrying amount			
At 31 December 2013	<u>432,361</u>	<u>254,885</u>	<u>687,246</u>

a) The carrying amounts of property, plant and equipment of the Group acquired under hire purchase are as follow:

	Group	
	2013 RM	2012 RM
Motor vehicles	1,083,546	887,920
Plant and machinery	6,124,642	5,007,443
	<u>7,208,188</u>	<u>5,895,363</u>

(b) The carrying amount of property, plant and equipment of the Group pledged as securities to licensed banks for credit facilities granted to the subsidiaries as disclosed in Note 15 are as follow:

	Group	
	2013 RM	2012 RM
Leasehold land and factory lots	26,949,870	13,588,806
Capital work-in-progress	134,816	11,223,641
	<u>27,084,686</u>	<u>24,812,447</u>

(c) The remaining lease term of the leasehold land and factory lots of the Group ranges from 40 to 83 (2012: 41 to 84) years.

(d) The remaining lease term of the leasehold bungalow land is 82 (2012: 83) years.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. Property, Plant and Equipment (Cont'd)

- (e) The aggregate additional cost for the property, plant and equipment of the Group and the Company under finance lease financing, term loans financing and cash payments are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Aggregate costs	18,667,717	8,495,359	621,504	-
Less: Finance lease financing	(2,185,000)	-	-	-
Less: Term loans financing	(4,045,542)	(5,504,535)	-	-
Cash payments	<u>12,437,175</u>	<u>2,990,824</u>	<u>621,504</u>	<u>-</u>

- (f) Capitalisation of borrowing costs

The capital work-in-progress is in respect of the costs incurred on constructions of a new factory, office suites and plant and machinery. The construction of the factory has been completed during the year. The construction is financed by term loan facility from a financial institution. The amount of borrowing costs capitalised during the financial year was RM486,952 (2012: RM363,492).

5. Investment in Subsidiary Companies

	Company	
	2013 RM	2012 RM
Unquoted shares, at cost		
In Malaysia	<u>14,830,130</u>	<u>14,830,130</u>

Details of the subsidiaries, which are incorporated in Malaysia, are as follows:

Name of company	Effective equity interest		Principal activities
	2013 %	2012 %	
Direct holding:			
Hiap Huat Chemicals Sdn. Bhd.	100	100	Manufacturing, recycling and refining all kinds of industrial paints, oils and solvent chemical products
Xia Fa Hardware Sdn. Bhd.	100	100	Distributor of paint, and related products
Topmark Petroleum Products Sdn. Bhd.	100	100	Manufacturing, recycling and refining all kinds of petroleum based products, industrial paints, oils, solvent chemicals products and other related products
CNT Hardware and Petroleum Sdn. Bhd.	100	100	Dormant
Transada Chemicals Sdn. Bhd.	100	100	Manufacturing, recycling and refining all kinds of petroleum based products, industrial paints, oils and solvent chemicals products
Hiap Huat Petroleum Sdn. Bhd.	100	100	Dormant
Hiap Huat Services Sdn. Bhd.	100	100	Dormant
Hiap Huat Chemicals (Labuan) Sdn. Bhd.	100	100	Dormant

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

6. Other Investments

	Group and Company	
	2013	2012
	RM	RM
Financial assets at fair value through profit or loss:		
- Unit trust		
- Held for trading	2,121,799	-
Market value of unit trust	<u>2,121,799</u>	<u>-</u>

7. Inventories

	Group	
	2013	2012
	RM	RM
At cost:		
Raw materials	6,373,716	5,067,516
Packing materials	250,878	243,486
Finished goods	3,683,007	1,063,359
	<u>10,307,601</u>	<u>6,374,361</u>

8. Trade Receivables

The Group's normal trade credit terms range from 30 to 120 (2012: 30 to 120) days. Other credit terms are assessed and approved on a case by case basis. Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

The Group's credit exposures are concentrated mainly on two (2) (2012: two (2)) trade receivables, which accounted for 44% (2012: 43%,) of total trade receivables as at 31 December 2013.

Analysis of the trade receivables ageing as at the end of the financial year is as follows:

	Group	
	2013	2012
	RM	RM
Neither past due nor impaired	6,067,848	3,916,421
Past due less than 30 days not impaired	167,405	2,770,936
Past due more than 30 days not impaired	161,466	1,660,763
	<u>328,871</u>	<u>4,431,699</u>
	<u>6,396,719</u>	<u>8,348,120</u>

As at 31 December 2013, trade receivables of RM328,871 (2012: RM4,431,699) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

9. Other Receivables

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Other receivables	39,391	527,043	-	-
Deposits	761,363	173,770	6,500	1,000
Prepayments	270,481	1,066,854	83,731	108,000
	<u>1,071,235</u>	<u>1,767,667</u>	<u>90,231</u>	<u>109,000</u>

10. Amounts Owing by/(to) Subsidiary Companies

These represent non-trade in nature, unsecured, interest free advances and are repayable on demand.

11. Fixed Deposits with Licensed Banks

The fixed deposits of the Group have been pledged to licensed banks as securities for credit facilities granted to the Group as disclosed in Note 15.

The interest rate of fixed deposits during the financial year range from 2.85% to 3.20% (2012: 2.85% to 3.25%) per annum and the maturities of deposits are 30 to 365 (2012: 30 to 365) days.

12. Share Capital and Share PremiumShare capital

	Group and Company			
	Number of Shares		Share Capital	
	2013 Unit	2012 Unit	2013 RM	2012 RM
Ordinary share @ RM0.10 each				
Authorised				
At 1 January/ 31 December	<u>500,000,000</u>	<u>500,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid				
At 1 January	333,301,330	248,301,330	33,330,133	24,830,133
Issued during the financial year				
- private placement	-	80,000,000	-	80,000,000
- public issue	-	5,000,000	-	500,000
At 31 December	<u>333,301,330</u>	<u>333,301,330</u>	<u>33,330,133</u>	<u>33,330,133</u>

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

Share premium

Share premium amounting to RM8.5 million arose from issuance of 85,000,000 shares of RM0.10 each at a premium of RM0.10 per share in year 2012, net of share issuance expenses amounting to RM737,492.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

13. Merger Deficit

The merger deficit represents the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the pooling of interests method of accounting.

14. Finance Lease Payables

	2013	Group
	RM	2012
		RM
Minimum lease payments		
Within one year	1,762,960	1,347,053
Between one to two years	1,106,531	1,258,371
Between two to five years	1,441,410	1,735,057
	<u>4,310,901</u>	<u>4,340,481</u>
Less: Future finance charges	(473,577)	(410,950)
Present value of minimum lease payments	<u>3,837,324</u>	<u>3,929,531</u>
Present value of minimum lease payments		
Within one year	1,517,900	1,144,190
Between one to two years	954,862	1,126,997
Between two to five years	1,364,562	1,658,344
	<u>3,837,324</u>	<u>3,929,531</u>
Analysed as:		
Repayable within twelve months	1,517,900	1,144,190
Repayables after twelve months	2,319,424	2,785,341
	<u>3,837,324</u>	<u>3,929,531</u>

The finance lease liabilities interest is charged at rates ranging from 2.31% to 3.45% (2012: 2.20% to 3.45%) per annum.

15. Bank Borrowings

	2013	Group
	RM	2012
		RM
Secured		
<i>Fixed rate</i>		
Term loans	157,392	289,281
<i>Floating rate</i>		
Term loans	18,880,081	16,946,748
Bank overdrafts	1,560,308	-
	<u>20,597,781</u>	<u>17,236,029</u>
Analysed as:		
Repayable within twelve months		
- Term loans	2,370,898	1,187,118
- Bank overdrafts	1,560,308	-
Repayable after twelve months		
- Term loans	16,666,575	16,048,911
	<u>20,597,781</u>	<u>17,236,029</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15. Bank Borrowings (Cont'd)

The above credit facilities obtained from licensed banks are secured by the following:

- (a) facility agreement;
- (b) guarantee coverage from the Credit Guarantee Corporation (M) Berhad;
- (c) fixed charge over leasehold land and factory lots and capital work-in-progress of the Group as disclosed in Note 4(b);
- (d) pledge of fixed deposits of the Group as disclosed in Note 11;
- (e) corporate guarantee by the Company; and
- (f) jointly and severally guaranteed by certain Directors of the Company.

The term loans are repayable by monthly installment over 5 to 15 years.

Maturity of bank borrowings is as follows:

	2013	Group
	RM	2012
		RM
Within one year	3,931,206	1,187,118
Between one to two years	2,475,146	2,577,506
Between two to five years	6,867,614	4,887,263
After five years	7,323,815	8,584,142
	<u>20,597,781</u>	<u>17,236,029</u>

Ranges of interest rates of bank borrowings are as follows:

	2013	Group
	%	2012
		%
Term loans	4.00-7.85	4.00- 6.80
Bank overdrafts	7.60 to 7.85	7.60 to 7.85

16. Deferred Tax Liabilities

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
At 1 January	1,117,854	1,038,300	-	-
Recognised in profit or loss (Note 22)	231,626	79,554	41,700	-
At 31 December	<u>1,349,480</u>	<u>1,117,854</u>	<u>41,700</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16. Deferred Tax Liabilities (Cont'd)

The net deferred tax assets and liabilities shown on the statement of financial position after appropriate offsetting are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Deferred tax liabilities	3,208,490	1,872,743	41,700	-
Deferred tax assets	(1,859,010)	(754,889)	-	-
	<u>1,349,480</u>	<u>1,117,854</u>	<u>41,700</u>	<u>-</u>

The components and movements of deferred tax liabilities and assets are as follows:

	Accelerated capital allowances	Unabsorbed capital allowances	Unutilised tax losses	Total
	RM	RM	RM	RM
Group				
At 1 January 2013	1,872,743	(750,076)	(4,813)	1,117,854
Recognised in profit or loss	1,335,747	(1,093,078)	(11,043)	231,626
At 31 December 2013	<u>3,208,490</u>	<u>(1,843,154)</u>	<u>(15,856)</u>	<u>1,349,480</u>
At 1 January 2012	1,043,700	(2,790)	(2,610)	1,038,300
Recognised in profit or loss	829,043	(747,286)	(2,203)	79,554
At 31 December 2012	<u>1,872,743</u>	<u>(750,076)</u>	<u>(4,813)</u>	<u>1,117,854</u>
Company				
At 1 January 2013	-	-	-	-
Recognised in profit or loss	41,700	-	-	41,700
At 31 December 2013	<u>41,700</u>	<u>-</u>	<u>-</u>	<u>41,700</u>

Deferred tax assets have not been recognised in respect of the following temporary differences due to uncertainty of its recoverability:

	2013 RM	2012 RM
Group		
Unutilised tax losses	931,000	212,800
Unabsorbed capital allowances	39,200	38,000
	<u>970,200</u>	<u>250,800</u>

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiaries that have a recent history of losses.

17. Trade Payables

The Group's normal trade credit terms range from 30 to 120 (2012: 30 to 120 days). Other credit terms are assessed and approved on a case to case basis.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18. Other Payables

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Other payables	856,274	997,425	77,524	4,099
Accruals	4,423,607	598,998	206,879	21,200
	<u>5,279,881</u>	<u>1,596,423</u>	<u>284,403</u>	<u>25,299</u>

19. Revenue

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Sale of goods and services				
Management fees received from subsidiaries	42,578,194	39,208,634	-	-
	<u>-</u>	<u>-</u>	<u>1,497,229</u>	<u>-</u>
	<u>42,578,194</u>	<u>39,208,634</u>	<u>1,497,229</u>	<u>-</u>

20. Finance Costs

	Group	
	2013 RM	2012 RM
Interest expenses on:		
Finance lease payables	275,239	298,081
Term loans	881,959	754,123
Bank overdrafts	15,364	51,772
	1,172,562	1,103,976
Less: Term loan interest capitalised in leasehold land and capital work-in-progress	<u>(486,952)</u>	<u>(363,492)</u>
	<u>685,610</u>	<u>740,484</u>

21. Profit/(Loss) Before Taxation

Profit/(Loss) before taxation is derived after charging/(crediting):

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Auditors' remuneration	77,000	68,500	20,000	20,000
Bad debts written off	10,280	-	-	-
Directors' remuneration				
- Fees	132,000	59,000	132,000	59,000
- Salary and other emoluments	991,000	1,093,575	521,000	-
- EPF	116,160	134,760	59,760	-
Depreciation of property, plant and equipment	2,592,622	2,020,319	8,518	-
Listing expenses Property, plant and equipment written off	-	2,526,810	-	2,526,810
	5,849	34,169	-	-
Rental of premises	106,282	34,548	-	-
Rental of factory	81,000	-	-	-
Rental of machinery	24,725	19,644	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21. Profit/(Loss) Before Taxation (Cont'd)

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Fair value gain of financial asset at fair value through profit or loss	(63,100)	-	(63,100)	-
Gain on disposal of financial assets at fair value through profit or loss	(58,699)	-	(58,699)	-
Gain on disposal of property, plant and equipment	(176,236)	(86,752)	-	-
Interest income				
- fixed deposits	(24,125)	(24,002)	-	-
- overnight deposits	(67,168)	(62,884)	(46,334)	(54,468)
Realised gain on foreign exchange	(51,970)	(13,507)	-	-
Rental income on premise	-	(12,000)	-	-
Rental income on machinery	-	(59)	-	-
	<u>-</u>	<u>(59)</u>	<u>-</u>	<u>-</u>

22. Taxation

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Tax expenses recognised in profit or loss:				
Current tax provision (Over)/Underprovision in prior year	527,180	1,923,965	38,000	12,936
	(461,682)	(131,630)	(12,932)	64
	65,498	1,792,335	25,068	13,000
Deferred tax:				
Relating to origination and reversal of temporary differences	284,091	118,638	41,700	-
Overprovision in prior year	(52,465)	(39,084)	-	-
	<u>231,626</u>	<u>79,554</u>	<u>41,700</u>	<u>-</u>
	<u>297,124</u>	<u>1,871,889</u>	<u>66,768</u>	<u>13,000</u>

Malaysian income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated assessable profits for the financial year.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22. Taxation (Cont'd)

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit/(Loss) before taxation	2,826,979	4,840,031	77,104	(2,672,422)
Taxation at statutory tax rate of 25%	706,745	1,210,008	19,276	(668,106)
Expenses not deductible for tax purposes	378,308	836,017	76,199	681,042
Income not subject to tax	(15,835)	-	(15,775)	-
Reinvestment allowance	(437,807)	-	-	-
Deferred tax assets not recognised	179,860	240	-	-
Utilisation of previously unrecognised tax losses	-	(872)	-	-
Utilisation of previously unabsorbed capital allowance	-	(2,790)	-	-
(Over)/Underprovision of income tax expense in prior year	(461,682)	(131,630)	(12,932)	64
(Over)/Underprovision of deferred tax in prior year	(52,465)	(39,084)	-	-
Tax expense for the financial year	297,124	1,871,889	66,768	13,000

The Group has estimated unused tax losses and unabsorbed capital allowances of RM995,600 (2012: RM232,000) and RM7,410,100 (2012: RM7,396,200) respectively carried forward available for set-off against future taxable profit.

23. Staff Costs

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Staff costs (excluding Directors)	4,836,598	3,881,633	483,170	-

Included in the staff costs are contributions made to the Employees Provident Fund under a defined contribution plan for the Group and the Company amounting to RM400,919 and RM52,350 (2012: RM287,412 and RM NIL) respectively.

24. Earnings Per Share

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2013 RM	2012 RM
Net profit for the financial year attributable to ordinary shareholders	2,529,855	2,968,142
Weighted average number of ordinary shares in issue	333,301,330	258,315,029
Basic earnings per ordinary share (in sen)	0.76	1.15

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24. Earnings Per Share (Cont'd)

The Group has no dilution in their earnings per ordinary share as there are no potential dilutive ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these financial statements.

25. Related Parties

(a) Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and/or the Company either directly or indirectly. The key management personnel include all the Directors of the Group and/or the Company and certain members of senior management of the Group and/or the Company.

The Group and the Company have related party relationships with its subsidiary companies and close family members of the directors.

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

	Group	
	2013	2012
	RM	RM
Transactions between Subsidiary and close family members of the Directors/ substantial shareholder		
Allowance paid for advisory services provided	67,200	67,200

(c) Information regarding outstanding balances arising from related party transactions as at 31 December 2013 is disclosed in Note 10.

(d) The remuneration of the key management personnel other than the directors' remuneration disclosed in Note 21 is as follows:

	GROUP		COMPANY	
	2013	2012	2013	2012
	RM	RM	RM	RM
Other key management personnel				
- Salary and other emoluments	283,684	321,682	59,400	-
- EPF	34,426	39,972	7,128	-
	<u>318,110</u>	<u>361,654</u>	<u>66,528</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26. Segmental Reporting

No segment reporting is prepared as the principal activities of the Group are predominantly carried out in Malaysia and are engaged in a single business segment of manufacturing, recycling and refining all kinds of petroleum based products.

27. Capital Commitment

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Authorised and contracted for:				
Capital work-in-progress	8,916,600	-	8,916,600	-
Plant and machinery	3,300,065	9,581,127	-	-
	<u>12,216,665</u>	<u>9,581,127</u>	<u>8,916,600</u>	<u>-</u>

28. Financial Instruments**(a) Classification of financial instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	Assets at fair value through profit or loss RM	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
Group				
2013				
Financial Assets				
Other investments	2,121,799	-	-	2,121,799
Trade receivables	-	6,396,719	-	6,396,719
Other receivables	-	1,071,235	-	1,071,235
Fixed deposits with licensed banks	-	452,869	-	452,869
Cash and bank balances	-	2,456,042	-	2,456,042
Total financial assets	<u>2,121,799</u>	<u>10,376,865</u>	<u>-</u>	<u>12,498,664</u>
Financial Liabilities				
Trade payables	-	-	1,615,410	1,615,410
Other payables	-	-	5,279,881	5,279,881
Finance lease payables	-	-	3,837,324	3,837,324
Bank borrowings	-	-	20,597,781	20,597,781
Total financial liabilities	<u>-</u>	<u>-</u>	<u>31,330,396</u>	<u>31,330,396</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Assets at fair value through profit or loss RM	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
Group				
2012				
Financial Assets				
Trade receivables	-	8,348,120	-	8,348,120
Other receivables	-	1,767,667	-	1,767,667
Fixed deposits with licensed banks	-	431,820	-	431,820
Cash and bank balances	-	14,500,435	-	14,500,435
Total financial assets	-	25,048,042	-	25,048,042
Financial Liabilities				
Trade payables	-	-	1,959,912	1,959,912
Other payables	-	-	1,596,423	1,596,423
Finance lease payables	-	-	3,929,531	3,929,531
Bank borrowings	-	-	17,236,029	17,236,029
Total financial liabilities	-	-	24,721,895	24,721,895
Company				
2013				
Financial Assets				
Other receivables	-	90,231	-	90,231
Amounts owing by subsidiaries	-	23,727,022	-	23,727,022
Other investments	2,127,799	-	-	2,127,799
Cash and bank balances	-	334,945	-	334,945
Total financial assets	2,127,799	24,152,198	-	26,279,997
Financial Liabilities				
Other payables	-	-	284,403	284,403
Amounts owing to subsidiaries	-	-	3,024,064	3,024,064
Total financial liabilities	-	-	3,308,467	3,308,467

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Assets at fair value through profit or loss RM	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
Company				
2012				
Financial Assets				
Other receivables	-	109,000	-	109,000
Amounts owing by subsidiaries	-	12,962,061	-	12,962,061
Cash and bank balances	-	10,663,757	-	10,663,757
Total financial assets	-	23,734,818	-	23,734,818
Financial Liabilities				
Other payables	-	-	25,299	25,299
Amounts owing to subsidiaries	-	-	93,794	93,794
Total financial liabilities	-	-	119,093	119,093

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency exchange risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(i) Credit risk

Financial assets that are primarily exposed to credit risks are receivables, intercompany balances and deposits, cash and bank balances.

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the inability of its customers to make payments when due. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

The Group have adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts. The Company only provided loans and advances to wholly-owned subsidiary companies and the results of the subsidiary companies are monitored regularly.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk. No financial assets carry a significant exposure to credit risk except as disclosed in Note 7. Save as disclosed in Note 7, the Group has no significant concentration of credit risk with its exposure spread over a large number of customers.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. Financial Instruments (Cont'd)**(b) Financial risk management objectives and policies (Cont'd)****(i) Credit risk (Cont'd)**Financial Guarantees

The Company provides secured corporate guarantees to banks in respect of banking facilities granted to certain subsidiaries. As at reporting date, the fair value of the financial guarantees is negligible as the probability of the financial guarantees being called upon is remote at the initial recognition to the outstanding loans in the subsidiaries are adequately secured by assets as disclosed in Note 4(b) and 10. Should the subsidiaries default any loan repayments, the proceeds from the realisation of assets will be able to satisfy the outstanding debts.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk is managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for non- derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within			After 5 year RM	Total contractual cash flows RM	Total carrying amount RM
	1 year RM	1 - 2 years RM	2 - 5 years RM			
Group						
2013						
Financial liabilities						
Trade payables	1,615,410	-	-	-	1,615,410	1,615,410
Other payables	5,279,881	-	-	-	5,279,881	5,279,881
Finance lease payables	1,762,960	1,106,531	1,441,410	-	4,310,901	3,837,324
Bank borrowings	4,795,675	3,225,103	8,412,123	8,771,604	25,204,505	20,597,781
	<u>13,453,926</u>	<u>4,331,634</u>	<u>9,853,533</u>	<u>8,771,604</u>	<u>36,410,697</u>	<u>31,330,396</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

Group	On demand or within			After 5 year RM	Total contractual cash flows RM	Total carrying amount RM
	1 year RM	1 - 2 years RM	2 - 5 years RM			
2012						
Financial liabilities						
Trade payables	1,959,912	-	-	-	1,959,912	1,959,912
Other payables	1,596,423	-	-	-	1,596,423	1,596,423
Finance lease payables	1,347,053	1,258,371	1,735,057	-	4,340,481	3,929,531
Bank borrowings	1,779,647	3,331,919	6,513,461	14,182,509	25,807,536	17,236,029
	<u>6,683,035</u>	<u>4,590,290</u>	<u>8,248,518</u>	<u>14,182,509</u>	<u>33,704,352</u>	<u>24,721,895</u>

The Company's liabilities at the reporting date mature within a year or repayable on demand.

(iii) Interest rate risk

The Group exposed to interest rate risk arises primarily from financing through interest bearing financial assets and financial liabilities. The Group's policy is to obtain the financing with the most favourable interest rates in the market.

The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The Group is exposed to interest rate risk arising from its short and long term debts obligations, and its fixed deposits. Fixed deposits interest rate is insignificant and any fluctuations in the rate would have no material impact on the results of the Group.

The carrying amounts of the Group's financial instruments that are exposed to interest rate risk are as follows:

Financial Asset	Group	
	2013 RM	2012 RM
Fixed deposits with licensed banks	452,869	350,877
Financial Liability		
Bank borrowings	<u>20,440,389</u>	<u>16,946,748</u>

An increase in market interest rates by 1% on financial assets and liabilities of the Group which have variable interest rates at the end of the reporting period would decrease the profit before tax by RM199,875 (2012: RM165,959). This analysis assumes that all other variables remain unchanged.

A decrease in market interest rates by 1% on financial assets and liabilities of the Group which have variable interest rates at the end of the reporting period would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain unchanged.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. Financial Instruments (Cont'd)
(b) Financial risk management objectives and policies (Cont'd)
(iv) Foreign currency exchange risk

The Group's and the Company's exposure to foreign currency exchange risk is minimal.

(c) Fair values of financial assets and financial liabilities
(i) Financial instrument at fair value

The fair value measurement hierarchies used to measure financial instruments at fair value in the statements of financial position are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Group				
2013				
Other investments	-	2,127,299	-	2,127,299

(ii) Financial instrument other than those carried at fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The carrying amounts of the financial assets and liabilities of the Group and the Company at the reporting date reasonably approximate their fair values except as follows:

	2013 RM	Group 2012 RM
Group		
Financial liabilities		
Finance lease payables		
- Carrying amount (non-current)	2,319,424	2,785,341
- Fair value	<u>2,315,634</u>	<u>2,761,887</u>
Bank borrowings		
- Carrying amount (non-current)	96,630	155,742
- Fair value	<u>153,602</u>	<u>156,723</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. Financial Instruments (Cont'd)**(c) Fair values of financial assets and financial liabilities (Cont'd)****(ii) Financial instrument other than those carried at fair value (Cont'd)**

	Company	
	2013 RM	2012 RM
Company		
Financial asset		
Investment in subsidiary companies		
- Carrying amount (non-current)	14,830,130	14,830,130

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table:

Investments in subsidiary companies

It was not practicable to estimate the fair value of investment in subsidiaries due to the lack of comparable market prices and the inability to estimate fair value without incurring excessive costs.

Loans and borrowings

The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

29. Capital Management

The Group's management manage its capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern and maintains an optimal capital structure, so as to maximise shareholders value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital managed at Group level, which comprises shareholders' funds, cash and cash equivalents, bank borrowings.

The gearing ratios are as follows:

	Group	
	2013 RM	2012 RM
Total loans and borrowings (RM)	24,435,105	21,165,560
Less: Cash and cash equivalents (RM)	(2,908,911)	(14,932,255)
Total net debts (RM)	<u>21,526,194</u>	<u>6,233,305</u>
Total equity (RM)	<u>47,621,415</u>	<u>45,091,560</u>
Gearing ratio (%)	45%	14%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29. Capital Management (Cont'd)

There were no changes in the Group's approach to capital management during the financial year.

The Group maintains a debt to equity ratio that complies with debt covenant and regulatory requirements where the Group operates. This includes minimum capital requirements and the requirements to maintain legal reserves which are non-distributable.

30. Date of Authorisation For Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 April 2014.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses

The following analysis of realised and unrealised retained profits/ (accumulated loss) of the Group and of the Company at 31 December 2013 and 2012 is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 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 Securities Listing Requirements, as issued by the Malaysian Institute of Accountants.

The retained profits/ (accumulated loss) of the Group and of the Company as at 31 December 2013 and 2012 is analysed as follows:

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Total retained profits/ (accumulated loss) of the Company and its subsidiaries				
- realised	17,204,555	14,457,736	(2,626,469)	(2,636,805)
- unrealised	(1,349,480)	(1,117,854)	-	-
	<u>15,855,075</u>	<u>13,339,882</u>	<u>(2,626,469)</u>	<u>(2,636,805)</u>
Consolidation adjustments	208,813	194,151	-	-
	<u>16,063,888</u>	<u>13,534,033</u>	<u>(2,626,469)</u>	<u>(2,636,805)</u>

The disclosure of realised and unrealised profits or loss above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

LIST OF PROPERTIES

No.	Address	Description of property / Existing use	Land area / Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2012 RM'000	Date of acquisition
1.	Lot No. A-1, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Title identification: PN 11605 Lot 18211 (formerly held under HS(D) 12163, PT No. 15677), Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory	Land area: 2,088 Gross built-up area: 926.7 Land area: 1,864 Gross built-up area: 926.7	21 years	Leasehold for 66 years, expiring on 22.03.2053	780	10/12/2008
2.	Lot No. A-2, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Title identification: PN11606 Lot 18212 (formerly held under HS(D) 12164, PT No. 15678), Mukim and District of Bentong, State of Pahang	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse	Land area: 1,716 Gross built-up area: 926.7	21 years	Leasehold for 66 years, expiring on 22.03.2053	627	08/08/2007
3.	Lot No. A-3, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Title identification: PN 11607 Lot 18213 (formerly held under HS(D) 12165, PT No. 15679), Mukim and District of Bentong, State of Pahang	Industrial land with a 1½ storey semi-detached factory building used as administrative office and factory	Land area: 1,716 Gross built-up area: 926.7	21 years	Leasehold for 66 years, expiring on 22.03.2053	621	08/08/2007
4.	Lot No. A-4, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Title identification: PN 11609 Lot 18214 (formerly held under HS(D) 12166, PT No. 15680), Mukim and District of Bentong, State of Pahang	Industrial land with a 1½ storey semi-detached factory building used as factory	Land area: 1,553 Gross built-up area: 926.7	21 years	Leasehold for 66 years, expiring on 22.03.2053	610	08/08/2007

LIST OF PROPERTIES (cont'd)

No.	Address	Description of property / Existing use	Land area / Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2012 RM'000	Date of acquisition
5.	Lot No. A-5, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang <i>Title identification:</i> PN 11610 Lot 18215 (formerly held under HS(D) 12167, PT No. 15681), Mukim and District of Bentong, State of Pahang	Industrial land with a 1½ storey semi-detached factory building used as staff canteen, factory and warehouse	Land area: 1,538 Gross built-up area: 926.7	21 years	Leasehold for 66 years, expiring on 22.03.2053	523	10/12/2003
6.	Lot No. A-6, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang <i>Title identification:</i> PN 11611 Lot 18216 (formerly held under Pajakan Negeri 2486, Lot 15403), Mukim Bentong, Daerah Bentong, Negeri Pahang	Industrial land with a 1½ storey semi-detached factory building used as production office, factory and warehouse	Land area: 2,073 Gross built-up area: 926.7	21 years	Leasehold for 66 years, expiring on 22.03.2053	782	11/02/1998
7.	Lot B-1, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang <i>Title identification:</i> PN 11598 Lot No. 18210, Mukim Bentong, Daerah Bentong, Negeri Pahang	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse	Land area: 1,582 Gross built-up area: 587	21 years	Leasehold for 66 years, expiring on 22.03.2053	600	25/05/2010
8.	Lot No. A352, Taman Rimba, Janda Baik, 28700 Bentong, Pahang <i>Title identification:</i> HS (D) 9885, PT 13760, Mukim Bentong, Daerah Bentong, Negeri Pahang	Agricultural land that is currently vacant	Land area: 4,150 Gross built-up area: Nil	N/A	Leasehold for 99 years, expiring on 08.09.2095	467	21/08/1999

LIST OF PROPERTIES

No.	Address	Description of property / Existing use	Land area / Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2012 RM'000	Date of acquisition
9.	46, Jalan E 1/2, Taman Ehsan Industrial Park, 52100 Kepong, Selangor <i>Title identification:</i> HS (M) 22259, PT No. 8440, Batu 8 Jalan Kepong, Bandar Kepong, District of Gombak, State of Selangor	Industrial land with a single storey detached factory annexed with a 3 storey office building and other ancillary buildings used as head office and warehouse	Land area: 4,618.67 Gross built-up area: 1,746.50	3 years	Leasehold for 99 years, expiring on 09.07.2078	4,450	09/03/2007
10.	No. 71, Jalan Industrial 4/2, Gopeng Industrial Park, 31600 Gopeng, Perak <i>Title identification:</i> Pajakan Negeri 330083, Lot 300226, Mukim Teja, Daerah Kampar, Negeri Perak	Industrial land with a single storey semi-detached factory building with a 2 storey office portion used as production office and factory	Land area: 668 Gross built-up area: 229	16 years	Leasehold for 99 years, expiring on 14.07.2096	148	19/08/2002
11.	No. 72, Jalan Industrial 4/2, Gopeng Industrial Park, 31600 Gopeng, Perak <i>Title identification:</i> Pajakan Negeri 330093, Lot 300227, Mukim Teja, Daerah Kampar, Negeri Perak	Industrial land with a single storey semi-detached factory building with a 2 storey office portion used as production office and factory	Land area: 683 Gross built-up area: 229	16 years	Leasehold for 99 years, expiring on 14.07.2096	148	19/08/2002
12.	Lot No. B2, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang <i>Title identification:</i> PN 11600 Lot 18209 Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building currently under renovation to be used as warehouse	Land area: 1,261 Gross built-up area: 587	21 years	Leasehold for 66 years, expiring on 22.03.2053	486	19/09/2011
13.	Lot No. B3, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang <i>Title identification:</i> PN 11602 Lot 18208 Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building currently under renovation to be used as warehouse	Land area: 1,222 Gross built-up area: 587	21 years	Leasehold for 66 years, expiring on 22.03.2053	486	19/09/2011

LIST OF PROPERTIES

No.	Address	Description of property / Existing use	Land area / Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2012 RM'000	Date of acquisition
14.	Lot No. B4, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang <i>Title identification:</i> PN 11603 Lot 18207 Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building currently under renovation to be used as warehouse	Land area: 1,390 Gross built-up area: 587	21 years	Leasehold for 66 years, expiring on 22.03.2053	486	19/09/2011
15.	Lot 21, Jalan Sungai Pinang 5/3, Phase 2A Taman Perindustrian Pulau Indah, Klang, Selangor <i>Title identification:</i> Individual Title PN 24351, Lot 102521, in the Mukim of Klang, District of Klang, State of Selangor	Industrial land with a single storey refinery and recycling factory and a 2 storey office building ⁽²⁾	Land area: 12,386 Gross built-up area: 5,748.57	1 Year ⁽¹⁾	Leasehold for 99 years, expiring on 24.02.2097	16,498	07/07/2009

Note :

(1) The Company obtained the Certificate of Completion and Compliance in Jan 2013.

STATISTICS OF SHAREHOLDINGS

AS AT 2 MAY 2014

SHARE CAPITAL

Authorised Share Capital	:	RM50,000,000.00
Issued and Paid-up Capital	:	RM33,330,133.00
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT AT 2 MAY 2014

Size of holdings	No. of shareholders	% of shareholders	No. of holdings	% of shares
1 - 99	3	0.19	163	0.00
100 - 1,000	52	3.34	33,937	0.01
1,001 - 10,000	409	26.25	2,851,200	0.86
10,001 - 100,000	868	55.71	40,000,300	12.00
100,001 to less than 5% of issued shares	222	14.25	93,387,231	28.02
5% and above of issued shares	4	0.26	197,028,499	59.11
Total	1,558	100.00	333,301,330	100.00

SUBSTANTIAL SHAREHOLDERS AS AT AT 2 MAY 2014

No.	Name of Substantial Shareholder	No. of Shares held		No. of Shares held	
		Direct	%	Indirect	%
1	Chan Say Hwa	69,405,460	20.82	-	-
2	Soo Kit Lin	69,405,460	20.82	64,458,810 ^(a)	19.34
3	Chan Ban Hin	64,458,810	19.34	66,171,610 ^(b)	19.85
4	Chow Pui Ling	-	-	69,405,460 ^(c)	20.82

(a) Deemed interested through direct holding of spouse, Chan Ban Hin.

(b) Deemed interested through direct holding of spouse, Soo Kit Lin.

(c) Deemed interested through direct holding of spouse, Chan Say Hwa.

DIRECTORS' INTERESTS IN SHARES AS AT 2 MAY 2014

No.	Name of Substantial Shareholder	No. of Shares held		No. of Shares held	
		Direct	%	Indirect	%
1	Zulkify Bin Zakaria	-	-	-	-
2	Chan Say Hwa	69,405,460	20.82	-	-
3	Chow Pui Ling	-	-	69,405,460 ⁽¹⁾	20.82
4	Soo Kit Lin	69,405,460	20.82	66,171,610 ⁽²⁾	19.85
5	Wong Kah Ming	-	-	-	-
6	Woo Yew Tim	-	-	-	-

(1) Deemed interested through direct holding of spouse, Chan Say Hwa.

(2) Deemed interested through direct holding of spouse, Chan Ban Hin.

STATISTICS OF SHAREHOLDINGS (cont'd)

AS AT 2 MAY 2014

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 2 MAY 2014)

No.	Name	No. of Shares	%
1	CHAN SAY HWA	69,405,460	20.82
2	SOO KIT LIN	69,405,460	20.82
3	CHAN BAN HIN	29,997,120	9.00
4	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN BAN HIN	28,220,459	8.47
5	M & A NOMINEE (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN BAN HIN (M&A)	7,863,531	2.36
6	SUA TIEN FONG	3,036,300	0.91
7	LIEW KIM FOONG	2,244,900	0.67
8	LAU KIM SAN	2,230,000	0.67
9	LING KAM HUEI	2,000,000	0.60
10	LOW KENG KHEONG	1,995,000	0.60
11	CHEW SOON WAI	1,700,000	0.51
12	WONG SUE YIN	1,600,000	0.48
13	ONG IT SHAW	1,525,000	0.46
14	CHEAH KOK WAI	1,400,000	0.42
15	CHEW SOON WAI	1,300,000	0.39
16	HDM NOMINEES (ASING) SDN BHD DBS VICKERS SECS (S) PTE LTD FOR TAY BOON HUAT	1,200,000	0.36
17	LEE CHEE CHOON	1,200,000	0.36
18	RHB NOMINEES (TEMPATAN) SDN BHD CHAN CHUM	1,160,000	0.35
19	SAN CHING TING	1,143,300	0.34
20	SEW CHAI FOONG	1,099,900	0.33
21	RAMESH A/L SARAVANAMUTHU	1,030,000	0.31
22	CHAN POH KIT	1,000,000	0.30
23	LOW SAY SIM	1,000,000	0.30
24	NORLITA BINTI MOHD TAHIR	1,000,000	0.30
25	KONG OON CHEE	926,000	0.28
26	ANDY LIEW HOCK SIM	824,400	0.25
27	LEE SOOK YING @ LETTY CHUNG SOOK YING	780,000	0.23
28	LOW MEE LING	729,100	0.22
29	PHOON KAR KWEE	700,000	0.21
30	POON SHEAU LEE	700,000	0.21
TOTAL		238,415,930	71.53

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourth (4th) Annual General Meeting of Hiap Huat Holdings Berhad (“Hiap Huat” or “the Company”) will be held at Room Green II, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 26 June 2014 at 10.00 a.m. for the purpose of transacting the following businesses:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**
2. To approve the payment of Directors’ fees of RM132,000.00 to non-executive directors of the Company for the financial year ended 31 December 2013. **Ordinary Resolution 2**
3. To re-elect the following Directors retiring pursuant to the Company’s Articles of Association:-
 - i) Chan Say Hwa (Article 95) **Ordinary Resolution 3**
 - ii) Wong Kah Ming (Article 95) **Ordinary Resolution 4**
4. To re-appoint Messrs. UHY as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

SPECIAL BUSINESSES :-

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

5. Authority To Directors To Allot And Issue Shares

“THAT subject to the Companies Act, 1965, and the approval of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue shares of the Company from time to time upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution shall not exceed 10% of the issued capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies having been obtained for such allotment and issue, and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company; and FURTHER THAT the Directors be and are hereby empowered to obtain the approval for the listing and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad (“Bursa Securities”).” **Ordinary Resolution 6**

6. To transact any other business of the Company for which due notice shall have been given.

By order of the Board,

Tan Tong Lang (MAICSA 7045482)
Chong Voon Wah (MAICSA 7055003)
Company Secretaries

Kuala Lumpur
4 June 2014

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

Notes

1. A member entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. The provision of Section 149(1)(b) of the Act shall not apply to the Company.
2. Where a member appoints two (2) proxies, the appointment of such proxies shall not be valid unless the member specifies the proportion of his shareholding to be represented by each such proxy
3. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act 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.
4. 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 signed by attorney so authorised.
5. The Form of Proxy must be deposited at the Registered Office of the Company at Suite 10.03, Level 10, The Gardens South Tower Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
6. For the purpose of determining a member who shall be entitled to attend the Fourth (4th) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 20 June 2014. Only members whose name appears on the Record of Depositors as at 20 June 2014 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Ordinary Resolution 6: Authority To Directors To Allot And Issue Shares

The Ordinary Resolution 6, if passed, is a renewal of General Mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.

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 the purpose of funding future investment project(s) workings capital and/or acquisitions at any time without convening a general meeting as it would be both costs and time consuming to organise a general meeting .

As at the date of this Notice, no new shares in the Company were issued pursuant to the General Mandate granted to the Directors at the Third (3rd) Annual General Meeting held on 26 June 2013 and which will lapse at the conclusion of the Fourth (4th) Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election at the Fourth (4th) Annual General Meeting of the Company are:-

- | | | | |
|------|---------------|------------|-----------------------|
| (i) | Chan Say Hwa | Article 95 | Ordinary Resolution 3 |
| (ii) | Wong Kah Ming | Article 95 | Ordinary Resolution 4 |

The profile of the above Directors are set out on pages 4 to 5 of the Annual Report 2013. The details of the interest of the above Directors in the securities of the Company or its related corporations are disclosed in the Directors report on page 75 of the aforesaid Annual Report.

The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 10 of the Annual Report 2013.

The Fourth (4th) Annual General Meeting of the Company will be held at Room Green II, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 26 June 2014 at 10.00 a.m.

Number of shares held	CDS Account No.

Form of Proxy

(Before completing this form please refer to the notes below)

I / We (Full Name in Block Letters) _____

NRIC No. / Passport No. / Company No. _____

of _____

being a member / members of **HIAP HUAT HOLDINGS BERHAD (881993-M)**, hereby appoint _____

_____ NRIC No. / Passport _____

of _____

and/or _____

of _____

NRIC No. / Passport No. _____

or failing him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us and on my/our behalf at the Fourth (4th) Annual General Meeting of the Company to be held at Room Green II, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 26 June 2014 at 10.00 a.m. and at any adjournment thereof in the manner as indicate below:-

NO.	RESOLUTIONS	FOR	AGAINST
1.	Ordinary Resolutions To receive the Audited Financial Statements for the year ended 31 December 2013 and Reports of the Directors' and Auditors thereon.		
2.	To approve the payment of Directors' fees of RM132,000.00 to the non-executive directors of the Company.		
3.	To re-elect Chan Say Hwa as Director.		
4.	To re-elect Wong Kah Ming as Director.		
5.	To re-appoint Messrs. UHY as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
6.	As Special Business :- To approve the ordinary resolution pursuant to Section 132D of the Companies Act, 1965.		

(Please indicate with 'X' how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting on the resolutions as he/she may think fit.)

Signed this _____ day of _____, 2014.

Signature : _____
(If shareholder is a corporation, this form should be executed under seal)

<p>The proportions of my/our holdings to be represented by my/our proxies are as follows:-</p> <p>First Proxy No. of Shares:</p> <p>Percentage :%</p> <p>Second Proxy No. of Shares:</p> <p>Percentage :%</p>

NOTES:

- A member entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. The provision of Section 149(1)(b) of the Act shall not apply to the Company.
- Where a member appoints two (2) proxies, the appointment of such proxies shall not be valid unless the member specifies the proportion of his shareholding to be represented by each such proxy
- Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act 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.
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FOLD THIS FLAP FOR SEALING

FOLD HERE

**Affix
stamp**

THE COMPANY SECRETARY

HIAP HUAT HOLDINGS BERHAD (881993-M)
Suite 10.03, Level 10, The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

FOLD HERE
