



**Hiap Huat**

Holdings Berhad

[Registration No. 200901038858 (881993-M)]

**ANNUAL REPORT 2022**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Zulkifly Bin Zakaria

Independent Non-Executive Chairman/  
Senior Independent Non-Executive Director

### Dato' Chan Say Hwa

Group Managing Director

### Datin Chow Pui Ling

Executive Director

### Soo Kit Lin

Executive Director

### Woo Yew Tim

Independent Non-Executive Director

### Lee Yew Weng

Independent Non-Executive Director

### Cheng Mun Mun

Independent Non-Executive Director  
(Appointed on 18 April 2023)

## AUDIT COMMITTEE

### Chairman

#### Zulkifly Bin Zakaria

Independent Non-Executive Chairman/  
Senior Independent Non-Executive Director

### Member

#### Woo Yew Tim

Independent Non-Executive Director

#### Lee Yew Weng

Independent Non-Executive Director

#### Cheng Mun Mun

Independent Non-Executive Director  
(Appointed on 18 April 2023)

## REMUNERATION COMMITTEE

### Chairman

#### Lee Yew Weng

Independent Non-Executive Director

### Member

#### Zulkifly Bin Zakaria

Independent Non-Executive Chairman/  
Senior Independent Non-Executive Director

#### Woo Yew Tim

Independent Non-Executive Director

#### Cheng Mun Mun

Independent Non-Executive Director  
(Appointed on 18 April 2023)

## NOMINATION COMMITTEE

### Chairman

#### Woo Yew Tim

Independent Non-Executive Director

### Member

#### Zulkifly Bin Zakaria

Independent Non-Executive Chairman/  
Senior Independent Non-Executive Director

#### Lee Yew Weng

Independent Non-Executive Director

#### Cheng Mun Mun

Independent Non-Executive Director  
(Appointed on 18 April 2023)

## RISK MANAGEMENT COMMITTEE

### Chairman

#### Zulkifly Bin Zakaria

Independent Non-Executive Chairman/  
Senior Independent Non-Executive Director

### Member

#### Dato' Chan Say Hwa

Group Managing Director

#### Datin Chow Pui Ling

Executive Director

#### Soo Kit Lin

Executive Director

#### Woo Yew Tim

Independent Non-Executive Director

#### Lee Yew Weng

Independent Non-Executive Director

#### Cheng Mun Mun

Independent Non-Executive Director  
(Appointed on 18 April 2023)

## COMPANY SECRETARIES

### Tan Tong Lang

(MAICSA 7045482/  
SSM PC No. 202208000250)

### Thien Lee Mee

(LS0010621/SSM PC No. 201908002254)

## REGISTERED OFFICE

B-21-1, Level 21, Tower B  
Northpoint Mid Valley City  
No. 1, Medan Syed Putra Utara  
59200 Kuala Lumpur  
W.P. Kuala Lumpur

Tel. No.: +603 9770 2200

Fax No.: +603 9770 2239

## HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS

Lot 102521, Jalan Sungai Pinang 5/3,  
Kawasan Perindustrian Pulau Indah,  
Fasa 2, 42920 Pulau Indah,  
Selangor Darul Ehsan.

Tel. No. : +603-3884 9368

Fax No. : +603-3102 3110

## AUDITORS

TGS TW PLT (AF002345)  
E-5-4, Megan Avenue 1,  
189, Jalan Tun Razak,  
50400 Kuala Lumpur,  
Wilayah Persekutuan.

Tel. No. : +603-9771 4326

Fax No. : +603-9771 4327

## PRINCIPAL BANKER

CIMB Bank Berhad  
Public Bank Berhad  
United Overseas Bank (Malaysia) Berhad

## SHARE REGISTRAR

### Aldpro Corporate Services Sdn Bhd

B-21-1, Level 21, Tower B  
Northpoint Mid Valley City  
No. 1, Medan Syed Putra Utara  
59200 Kuala Lumpur  
W.P. Kuala Lumpur

Tel. No. : +603 9770 2200

Fax No. : +603 9770 2239

## STOCK EXCHANGE LISTING

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

## WEBSITE

www.hiaphuat.com

## INVESTOR RELATIONS

Email : [enquiry@hiaphuat.com](mailto:enquiry@hiaphuat.com)

Tel. No. : +603-3884 9368

Fax No. : +603-3102 3110

## ZULKIFLY BIN ZAKARIA

69 years of age, Male, Malaysian

◀ Independent Non-Executive Chairman/  
Senior Independent Non-Executive  
Director

Chairman of Audit Committee and Risk  
Management Committee

Member of Nomination Committee and  
Remuneration Committee

**Zulkifly Bin Zakaria** 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. On 24 May 2016, he was appointed by the Board as Senior Independent Non-Executive Director of the Company. He graduated from University Technology MARA with a Diploma in Banking in 1976 and subsequently obtained his Master 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 tubular 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 is the Vice President of the Malaysia-China Friendship Society. He also sits on the board of the Perak Islamic Council’s economic arm company namely Perbadanan Kemajuan Ekonomi Islam Negeri Perak (PKEINPK) and its subsidiaries. Further, he is an Independent Non-Executive Chairman of Sunview Group Berhad. He holds directorship in Mooreast Holdings Pte. Ltd. which listed in Singapore. On 9 November 2022, he was appointed as the board of Federal International Holdings Berhad (FIHB). Saved as disclosed, he does not hold any directorship in listed issuer.

He has no family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2022.

He has attended all five (5) Board Meetings held during the financial year ended 31 December 2022.

Zulkifly Bin Zakaria who is retiring pursuant to Clause 105(1) of the Company’s Constitution at the 13th AGM of the Company, has expressed his intention not to seek re-election at the forthcoming 13th AGM of the Company.

## DIRECTORS' PROFILES

(CONT'D)

### **DATO' CHAN SAY HWA**

Age 44, Male, Malaysian

- ◀ Group Managing Director
- Member of Risk Management Committee

**Dato' Chan Say Hwa** is the Group Managing Director of the Company. He is mainly responsible for the overall strategy and development of the overall vision for Hiap Huat and its Group of Companies. In addition, he also oversees the development of the 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 production technology innovation and product's research and development for the Company.

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 Manager in year 2004. On 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 20 years of experience in the recycling business mainly involved in manufacturing, marketing and general management.

He does not hold directorships in any other public companies and listed issuer. He is the spouse of Datin Chow Pui Ling and son of Soo Kit Lin, both the Executive Directors and a major shareholder of the Company. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2022. He has attended all five (5) Board Meetings held during the financial year ended 31 December 2022.

### **DATIN CHOW PUI LING**

Age 42, Female, Malaysian

- ◀ Executive Director
- Member of Risk Management Committee

**Datin Chow Pui Ling** is an Executive Director of the 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 Hiap Huat Chemicals Sdn Bhd ("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. On 9 December 2009, she was appointed to the Board as Directors of Hiap Huat.

She does not hold directorships in any other public companies and listed issuer. She is the spouse of Dato' Chan Say Hwa, the Group Managing Director, daughter-in-law of Soo Kit Lin, the Executive Director and a major shareholder of the Company. She has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction or penalties imposed upon her by any relevant regulatory bodies for the financial year ended 31 December 2022.

She has attended four (4) out of five (5) Board Meetings held during the financial year ended 31 December 2022.

**SOO KIT LIN**

Age 68, Female, Malaysian

◀ Executive Director

Member of Risk Management Committee

**Soo Kit Lin** was appointed as a Non-Independent Non-Executive Director of the Company on 9 December 2009. Subsequently on 1 May 2013, she was re-designated as an Executive Director of Hiap Huat. She is one of the co-founders of Hiap Huat Manufacturing and Trading Co. and thereafter Hiap Huat and its subsidiaries. She has more than 32 years of experience in the business of waste recycling, paint manufacturing and distribution of environmental friendly products. Her expertise and contribution extend to resource planning and management where her prudent management has contributed to the continuing business success and growth of the Group.

She does not hold directorships in any other public companies and listed issuer. She is the mother of Dato' Chan Say Hwa, the Group Managing Director, mother-in-law of Datin Chow Pui Ling, the Executive Director and a major shareholder of the Company. She has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction or penalties imposed upon her by any relevant regulatory bodies for the financial year ended 31 December 2022.

She has attended four (4) out of five (5) Board Meetings held during the financial year ended 31 December 2022.

**WOO YEW TIM**

Age 45, Male, Malaysian

◀ Independent Non-Executive Director

Chairman of Nomination Committee

Member of Audit Committee,  
Remuneration Committee and Risk Management Committee

**Woo Yew Tim** 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 chartered accountant under the membership of CPA Australia as well as the Malaysian Institute of Accountants. He has over 20 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 where 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 was the former Chief Financial Officer of K-Star Sports Limited and was later redesignated as the special assistant to the Group CEO. Subsequently in 2022, he continued his public practice in an accountancy firm where he placed his emphasis on corporate governance, as well as accounting and financial management.

He does not hold directorships in any other public companies and listed issuer. He has no family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction or penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2022.

He has attended all five (5) Board Meetings held during the financial year ended 31 December 2022.

## DIRECTORS' PROFILES

(CONT'D)

### LEE YEW WENG

Age 46, Male, Malaysian

- ◀ Independent Non-Executive Director  
Chairman of Remuneration Committee
- Member of Audit Committee,  
Nomination Committee and Risk  
Management Committee

**Mr. Lee Yew Weng** ("Mr. Lee") was appointed to the Board as an Independent Non-Executive Director on 24 February 2021.

Mr. Lee obtained his Bachelor of Commerce degree in 1999 from the University of Adelaide, in Australia. He is a Chartered Accountant and has been a member of CPA Australia since 2003 and also a member of the Malaysian Institute of Accountants since 2014.

He began his career with KK Chow & Partners in March 1999 and then joined Crowe Horwath Malaysia (now known as Crowe Malaysia) in January 2000 as an Audit Assistant where he was involved in performing statutory audit. Subsequently, he joined KPMG Malaysia as an Audit Assistant in January 2001.

He ventured into the corporate sector when he joined Jotech Holdings Berhad as their Group Accountant in 2002 where he was responsible for their accounting and financial matters. From May 2003 to June 2010, he worked with AmlInvestment Bank Berhad, firstly in the Corporate Finance and Advisory Department and was promoted to Associate Director where he was involved in various corporate exercises, including corporate restructuring, reverse take-overs, mergers and acquisitions, fund raising and initial public offering. Subsequently in July 2008, he was relocated to their Corporate & Institutional Banking Department of AmlInvestment Bank Berhad as an Associate Director.

After he left AmlInvestment Bank Berhad in 2010, he setup his own firms that are principally engaged in provision of financial consulting and management consultancy services.

From June 2019 to February 2020, he joined Canfield Corporate Finance Company Limited ("Canfield"), an approved Corporate Finance Adviser in Hong Kong, licenced by the Securities and Futures Commission of Hong Kong, as a Responsible Officer where he was involved in marketing and structuring transactions for clients undertaking cross-border corporate exercises. Subsequently in September 2020, he joined Sorrento Capital Limited, Corporate Finance Adviser in Hong Kong, licenced by the Securities and Futures Commission of Hong Kong, as a Licenced Representative where he has similar responsibilities as his role in Canfield.

He holds directorship in Sunzen Biotech Berhad as Non-Independent Non-Executive Director and DS Sigma Holdings Berhad as Independent Non-Executive Director.

He has no family relationship with any Director and/ or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction or penalty imposed on him by the relevant regulatory bodies for the financial year ended 31 December 2022.

He has attended all five (5) Board Meetings of the Company held during the financial year ended 31 December 2022.



**CHENG MUN MUN**

Age 38, Female, Malaysian

◀ Independent Non-Executive Director

Member of Audit Committee,  
Remuneration Committee,  
Nomination Committee and  
Risk Management Committee

**Cheng Mun Mun** was appointed as an Independent Non-Executive Director of the Company on 18 April 2023. She received her Bachelor of Laws (LLB) from the University of London and is a qualified Advocate and Solicitor of the High Court of Malaya. She has more than 14 years of experience in legal, compliance, governance and ethics, spanning different industries.

She began her career in 2008 with one of the largest steel producers in Malaysia, before practicing in medium-sized and large law firms in Malaysia, with areas of focus in mergers and acquisitions, corporate finance and corporate commercial. Following her legal and compliance roles in Hong Leong Financial Group, PETRONAS Lubricants International and DIGI Telecommunications, she is currently the Group Legal Director of Grobest Group.

She does not hold directorships in any other public companies and listed issuer. She has no family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction or penalties imposed upon her by any relevant regulatory bodies.

She does not attend any Board of Directors' Meetings held during the financial year ended 31 December 2022 as she was appointed on 18 April 2023.



# PROFILES OF KEY SENIOR MANAGEMENT

## CHOW HOW FAI

40 years of age, Male, Malaysian

- ◀ General Manager Operations for Pulau Indah Plant

**Chow How Fai** is the General Manager Operations of Topmark Petroleum Products Sdn Bhd. He holds a Bachelor in Business Administration. He is responsible in overseeing factory operation and manufacturing processes as well as installation and commissioning of all machineries. He also involved in the management of production planning, scheduling and execution and is the competent person in Scheduled Waste Management.

He started his career in year 2001 where he joined Giordano Bhd as a Senior Sales Executive. In year 2006, he joined CNT Hardware and Petroleum Sdn Bhd (currently known as Hiap Huat Portal Solutions Sdn Bhd) as Production Supervisor. He was then promoted to Operation Manager in year 2010. In year 2011, he has been assigned to Hiap Huat Chemicals Sdn Bhd as a Production Manager and in year 2013, he became the Production Manager for Topmark Petroleum Products Sdn Bhd and was subsequently promoted to his current position in early 2017.

He is the brother and brother-in-law of Datin Chow Pui Ling and Dato' Chan Say Hwa. He does not hold directorship in any other public companies or listed issuer. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction or penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2022.

## CHOW CHIAT WEE

36 years of age, Male, Malaysian

- ◀ General Manager Operations for Bentong Plant

**Chow Chiat Wee** is the General Manager Operations of Hiap Huat Chemicals Sdn Bhd. He is responsible in overseeing factory operation and manufacturing processes as well as production planning, scheduling and execution. He holds a Bachelor in Business Administration and is the competent person in Scheduled Waste Management and Scrubber Operations.

He joined Hiap Huat Chemicals Sdn Bhd in year 2010 as Safety Executives and involved in ISO internal auditing. In year 2012, he was promoted as Assistant Logistic Manager and in year 2013 he became the Production Manager and was subsequently promoted to his current position in early 2017.

He is the brother and brother-in-law of Datin Chow Pui Ling and Dato' Chan Say Hwa. He does not hold directorship in any other public companies or listed issuer. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction or penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2022.

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Hiap Huat Holdings Berhad (“**Hiap Huat**”, or “**the Group**”), it gives me great pleasure to present the Annual Report and the Audited Financial Statements of the Group for the financial year ended 31 December 2022 (“**FY2022**”).



The global economy has been recovering from COVID-19 pandemic and has moved into endemic stage, after various lockdowns and mobility restrictions. In 2022, the re-opening of the international border, increased people’s mobility and liberalised the pandemic restrictions to boost up the dim market. With the market re-opened, most of the countries experienced growth during the year, including Malaysia.

The gross domestic product (“GDP”) growth in Malaysia in 2022 was at 8.7%. The strong economic performance was mainly driven by the recovery of private spending and investments, improving labour market conditions which results in better business sentiment.

Hiap Huat had a good financial performance in 2022 due to higher product demand from local and overseas. The Group was able to capture the incoming business opportunity accord with the current market condition to drive the business to a higher level.

However, the fluctuation of the oil price following the Russia-Ukraine war had affected the pricing of the supply and demand of the products. Fortunately, the Group was able to manage well in balancing the product pricing as well as to carefully monitor the supply chain with its trading partners. Further, the volatility of the foreign exchange especially US Dollars had impacted the Group’s export sales. The rise in US Dollars especially in the third quarter had tensed up the export proceeds and purchase pattern. Nonetheless, the Group was able to manage these exchange rate fluctuations well with minimum impact to the financial position of the Group.

Despite the market challenges throughout 2022, Hiap Huat stayed cautious and adapted to all challenges in running its business. The Management of Hiap Huat will always ensure the effectiveness and efficiency of its operation with good internal controls and prudent financial management.

## CHAIRMAN'S STATEMENT

(CONT'D)

### FINANCIAL PERFORMANCE

In the financial year ended 31 December 2022, Hiap Huat's revenue marked a noticeable increase of 29.65% to RM80.04 million. The increase in revenue was contributed by local sales of 64.43% as compared to FY2021.

On the other hand, export sales marked a decrease of 24.39% during the year which contributed 22.84% of the total Group's revenue. The gross profit margin in FY2022 had improved to 25.85% against 22.56% in FY2021. The higher sales coupled with better selling price within the product segments had driven the increase of the margin.

Even though there was an increase of RM1.98 million in administrative and finance cost, the Group managed to maintain its operating expenses in 2022.

The Group achieved a solid performance with profit before tax of RM10.83 million and EBITDA of RM18.80 million in FY2022.

### MOVING FORWARD

Although the Group made a strong rebound in 2022, there are still uncertainties in the market.

This is due to the fluctuation of the oil price, movement of interest rate, foreign exchange volatility and inflation. This could affect the economic outlook in 2023.

The country's GDP growth is expected to be moderate at 4% in 2023, in line with the latest global economic outlook by the International Monetary Fund and the World Bank which estimates world economic growth to decrease from 3.4% in 2022 to 2.9% in 2023.

With the formation of new government, Hiap Huat hopes it will continue to outline its strategy to support economic growth in private sector. This will drive the confidence to continue the growth momentum for the well-being of the people.

For Hiap Huat, the Group continued to focus on improving internal control procedures, enhancing production efficiency and expanding our business footprint. The Group always explore new technologies and systems to streamline the operational processes and improve the quality of the product. It is also expanding its product offering and entering new markets, which will contribute to revenue growth.

Looking ahead, Hiap Huat remains optimistic about the future and will continue to focus on driving growth and profitability through innovation, expansion, and efficiency. The Group also remains committed to our sustainability and corporate social responsibility initiatives, as we believe these are key to ensuring the long-term success of our business.

### ACKNOWLEDGEMENT

On behalf of the Board, I wish to take this opportunity to express my gratitude to our shareholders, customers, business associates and stakeholders for their continued support, trust and confidence in the Group.

I would also like to extend my heartfelt appreciation to thank my fellow Directors, the Management and the employees of the Group for their dedication and contribution for another successful year. We shall remain committed in our quest to achieve our long-term objective whilst not losing sight of the welfare of our employees. I trust that the enthusiasm and professionalism in carrying out their duties will enable the Group to prosper.

We look forward to another year of growth and prosperity as we journey together towards greater milestones and creation of more value for all. The future is challenging but it remains bright, with promising prospects and potential for all stakeholders.

**Zulkifly Bin Zakaria**

Independent Non-Executive Chairman/ Senior Independent Non-Executive Director

# MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (“MD&A”) provide an analysis of the financial performance, a review of the business and operation of Hiap Huat Holdings Berhad and its group of companies (“Hiap Huat”, “the Company” or “the Group”). This MD&A should be read in conjunction with the Company’s audited financial statements and the accompanying notes for the financial year ended 31 December 2022 (“FY2022”).

## **BUSINESS AND OPERATION OVERVIEW**

Hiap Huat is an investment holding company with subsidiaries involved in the scheduled waste management, recycling and refining of petroleum & petrochemical and laboratory services.

The Company was listed on ACE Market, Bursa Malaysia in 2012 with its corporate head office in Pulau Indah, Port Klang, Selangor Darul Ehsan. The Group has two (2) recycling & refining facility in Pulau Indah, Selangor Darul Ehsan and Bentong, Pahang Darul Makmur. Our recycling & refining processes are accredited by various certificates include ISO 9001, ISO 14001, ISO 17025, ISO 45001 and ISCC (International Sustainability Carbon Certificate).

## **VISION STATEMENT**

Hiap Huat envisions being the preferred hazardous waste recycler in Malaysia. It aims to achieve this vision through the practice of sustainability and innovation in every aspect of business with absolute commitment, focus, passion and persistence.

Hiap Huat further aspires to become the preferred manufacturer and supplier of recycled petroleum and petrochemical products in South East Asia through optimisation of resources that are sustainable, living to the motto of “Green, build by Innovative and Sustainability.”

Hiap Huat believes sustainability is an integral part of the Company’s development that will enhance our competitive edge and together with our core competencies will further strengthen the barrier to entry. We believe our technologies deployments, efficient resources utilisation, market knowledge and management ingenuity will enable the Company to be resilience in view of any challenging business environment.

## **MISSION STATEMENT**

“Green, build by Innovative and Sustainability” is the mission statement of Hiap Huat.

Hiap Huat operates in a strict international quality standard guidelines and operational procedures as well as to the recycling industry best standard practices with the aim to apply its expertise and experience to deliver the best solution for customers’ requirements efficiently and effectively. Our scheduled waste recycling services of hazardous waste management and innovative recycled petroleum and petrochemical products will enable our customers to increase their green credentials and to minimize the threats of hazardous waste to the environment and to further reduce the level of carbon footprint to the environment.

Hiap Huat strives to harness our core competencies and deploying up-to-date technologies and state of art facilities as far as it is commercially viable and financially feasible to produce value added products to complement and to substitute the dependence on limited raw natural resource – Crude Oil.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

### BUSINESS OBJECTIVES AND STRATEGIES

Hiap Huat's primary objective is to be profitable through recycling & refining. The Group recognises that an unprofitable entity will not be able to further its mission of making a better tomorrow for all. We are committed to create long term value for our stakeholders, environment and society through best practice, compliance, innovation and overall operation excellence.

The major strategy of Hiap Huat is to optimize its raw material from multiple supply sources. The main challenge for the industry is low level of awareness on the waste petroleum and petrochemical handling had led to unnecessary amounts of hazardous waste being improperly disposed. In response to this, Hiap Huat continues to educate and to secure stable supplies of feedstock for our recycling activities. Diversification of its raw material supply allows Hiap Huat to produce more comprehensive range of products to cater for existing and potential markets.

Hiap Huat continuously invests and upgrades its plant and machinery in order to increase product quality, efficiency and cost saving. Hiap Huat understands the importance of human capital and has undertaken various training programs to strengthen the Group's human resources competencies as we will not be where we are today if without our dedicated and competent management and workforce. We have a comprehensive system and processes in regulatory compliance and environmental management that are certified. This is of utmost importance to us as our business is under a regulated environment.

### FINANCIAL REVIEW

#### REVENUE AND GROSS PROFIT MARGIN

The Group's revenue recorded at RM 80.04 million in FY2022, an increase of 29.65% compared to RM 61.73 million in FY2021. The increase was mainly contributed by the local sales of approximately 64.43% with higher demand on recycled petroleum and petrochemical products. 22.84% of the total revenue was contributed by export sales, ranging within Asia countries. The Group has better sales performance resultant from the economic recovery in FY2022 as the market was moving to the endemic stage after the COVID-19 crisis within Malaysia and global market.

Looking at the product segment, recycled petroleum products was the top products sold with 65.74% of the total revenue. Compared to the previous year, there was an increase of 22.77% in its revenue with higher sales order during the year. Recycled petrochemical products posted a significant increase of revenue of approximately 141.54% this year with increased orders from local customers. Schedules waste collection services recorded at RM11.92 million, a 16.34% increase from FY2021.

The product mix of products with better pricing has resulted in an increase in gross profit margin from 22.56% in FY2021 to 25.85% in FY2022. The increase in gross profit margin was off-setting with the increase in labour cost, factory overhead cost incurred as well as higher depreciation charged during the year.

#### PROFIT BEFORE TAX

The Group registered a profit before tax of RM10.83 million, an improvement of 88.25% from FY2021. The higher profit before tax was subsequent to the higher amount of gross profit margin achieved of RM20.69 million during the year net-off with the operating expenses of the Group.

Total operating expenses of the Group incurred was at RM10.59 million in FY2022 compared to RM8.60 million in FY2021, up by 23.14%. The increase was mainly on the increase of staff cost of RM0.91 million with additional headcount on 23 pax as well as the revision of Directors' Remuneration of RM0.74 million during the year.

On selling and distribution expenses, there was an increase in commission payout of RM0.11 million and higher spending on travelling expenses of RM0.08 million.

## PROFIT BEFORE TAX (CONT'D)

Finance costs also marked an increase of 26.27% to RM0.92 million with additional hire purchase drawdown during the year while the full year interest incurred on term loan drawdown in FY2021.

The Group also earned some other income with the increase of RM0.32 million, mainly from the gain of foreign exchange of RM0.11 million, gain of disposal of fixed assets of RM0.12 million and insurance claim of RM0.12 million.

## TAXES

The effective tax rate of the Group was at 25.61% which was slightly higher than the statutory rate. This was mainly due to higher non-deductible expenses adjusted for the current year's tax position.

## CAPITAL COMMITMENT

The capital commitment of the Group was on the purchase of vehicles, plant and machinery which has been approved and contracted for amounting to RM3.93 million at of financial year end.

The purchase will be funded by the internal generated fund and/or external borrowings and is not expected to have any material impact on Group's financial position.

## FINANCIAL POSITION

Total assets of the Group stood at RM124.75 million, an increase of RM13.73 million from RM111.02 million in FY2021. There was addition to the right-of-use assets with the purchase of new leasehold industrial land at Gebeng, Kuantan of RM2.58 million and the purchase of logistic vehicles of RM2.92 million.

On current assets, trade receivables balances stood at RM11.47 million with turnover days of 43 days (FY2021: 32 days). The increase was in line with the increase in sales during the year. Out of the total, RM4.66 million stayed at the current bracket with the on-going collection received subsequent to the year-end.

Closing inventory stood at RM7.59 million with an increase of RM0.52 million which due to higher purchases of the materials coupled with higher purchase price incurred. Inventory turnover days remained at 45 days in FY2022 against 46 days in FY2021.

The cash and cash equivalent (inclusive of short-term investments) during the year have also increased from RM14.33 million to RM19.09 million. The higher balances were resultant from the higher sales incurred during the year as well as better cash management control on the Group spending.

On the liabilities side, the total liabilities of the Group in FY2022 was recorded at RM40.74 million compared to RM35.07 million in FY2021. It was due to the additional term loan and hire purchase drawdown of RM3.02 million and RM2.92 million respectively to finance the machinery and vehicles. Deferred tax liabilities were increased by RM0.51 million to RM7.52 million in the current financial year.

As at the year ended 31 December 2022, the Group's shareholders' fund was registered at RM84.01 million with net assets per share of RM0.21 in the current financial year.

## DIVIDEND

Dividend payout will be dependent on the Group's level of cash and sufficiency of retained earnings, its prospects of financial performance as well as projected obligations. As at the date of this report, there was no dividend proposed, declared or paid by the Company. The Board of Directors does not recommend any dividend in respect of FY2022.



# MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

## FINANCIAL SUMMARY

5-Year Group Financial Highlights (2018-2022)

	2022 RM'000	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000
Revenue	80,035	61,731	37,295	50,935	53,323
Profit/(Loss) before tax	10,826	5,751	(1,453)	3,148	2,231
Tax expense/(income)	2,772	2,358	(155)	1,290	667
Profit/(Loss) after tax	8,054	3,393	(1,298)	1,858	1,564
Basic earnings/(loss) per share (sen)	2.06	0.96	(0.39)	0.56	0.58

## RISK AND UNCERTAINTIES

### 1. Economic Environment

The market is tracking on the recovery with the relaxation in both social and economy aspects both local and globally since the invasion of COVID-19 pandemic three years ago. The economy is growing with the reopening of the international border, increased of people's mobility and recovery of job market.

However, the inflation and the fluctuation of interest rate across the world has impacted the macro business environment and indirectly affected the supply chain and product pricing of the Group.

The fluctuation of international oil price further to Russia-Ukraine war coupled with the uncertainty of the USD foreign currency exchange rate drives the challenges on the material supply as well as the pricing of products to the Group. Yet, the Group is able to monitor the current market issues by reviewing our business strategies and taking appropriate measurements to overcome the market uncertainty.

### 2. Competition from Existing Players who Provide Services of Waste Oil Recovery

Rivalry among industry players can affect industry profits through downward pressure on prices and profit margin. To improve the Group's market position, Hiap Huat constantly seeks to uphold and further improve our products and services to our customers. We are confident that our technologies, know-how and ingenuity will enable us to provide world-class services and products to meet customers' requirements.

### 3. Increasing Cost of Production/Manufacturing

The fluctuation of world crude oil prices in a way correlates with our raw material costs and our cost of sales. Any increase in costs that do not flow through to the prices of our products will have an impact on our gross profit margin. However, we are closely monitoring our cost of materials by working closely with our suppliers to secure a more stable supply with reasonable prices which is crucial to our profitability. Further, we strive to increase the productivity of the employees via training and workshops. Our investment in machinery will further enable us to optimise our processes effectively.

### 4. Credit Risk

Slow payment and bad debt due to the deterioration in the economic conditions will have impact on our cash flow and losses with regard to credit provided to customers. The Company has a stringent credit control policy in place to monitor its receivables to minimise bad debt.



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### PROSPECTS

The year 2022 showed a positive gross domestic product (“GDP”) growth of 8.7%, an improvement of 3.1% against the GDP achieved in the previous year. In 2023, the market is expected to grow at a slow pace, at GDP down to 4.0% with softening of global growth outlook. The softening growth will be mainly due to a deceleration in external trade performance as a result of slower global demand.

Inflation across the nation might be causing low private consumption with higher cost of living, which lead to slowdown the trade activity, hence cause the adverse impact to the growth of the economy.

The oil price is expected to remain volatile which may affect the demand for the Group’s products and services and further assert a downward pressure on the Group’s revenue and margins.

Despite of the volatile market environment, the Group remains optimistic and conscious of the market disruption that caused to the business activity. The Group with a stable financial position and effective management will be adaptive to the market changes and to overcome and sustain the business in the future. The Group is always exploring any business opportunity ahead to stay competitive in the community.

**Dato’ Chan Say Hwa**  
Group Managing Director

# CORPORATE SUSTAINABILITY STATEMENT

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## Introduction

Hiap Huat aims to maintain positive relations with all stakeholders. Sustainability is an integral part of our business and to create value through sustainability will in turn result in long term sustainable return to all the Stakeholders. The existence and continue development of the Group was guided by the philosophy of Three R's of Sustainability; Reduced, Reused and Recycled. These Three R's ("3R") philosophy has become core culture of the organisation.

To most businesses, waste is a cost, but to us, waste is an opportunity for us to create value added products and services. However, in order to achieve these objectives, the Group need to comply with regulatory laws throughout its business activities. This Sustainability Statement will outline our Group efforts in upholding regulatory compliance, adopting best practices and human resource development. These values are intrinsic in helping us to avoid or mitigate risks that may have material financial impacts on our business.

## Sustainable Vision

To envisions being the preferred hazardous waste recycler in Malaysia.

## Sustainability Mission

"Green, Build by Innovative and Sustainability" is the mission Statement of Hiap Huat.

## Sustainability Maturity

Our core area of sustainability is on Compliance & Risk Management with emphasis on value protection in relation to operation risk, regulatory compliance and reputation risk. However, this does not limit our view of what sustainability is and should be as sustainability was the core of our organisation way of doing things and the driver of our business decisions.

## Risk Management

Risk Management is firmly embedded in the Group's Management System as the Board firmly believe that risk management is critical to the Group's Sustainability. Key management staff and Head of Department are delegated with the responsibility to manage sustainability risk by the Risk Management Committee. However, our first defense of sustainability risk does not lies solely on top-down approach, but also from all our staffs from various operations and functions. Thus, our risk management is a two-way flows approach. In addition, our outsourced independent Internal Auditor do plays a part as second line of defense on the issue on risk management.

## Governance

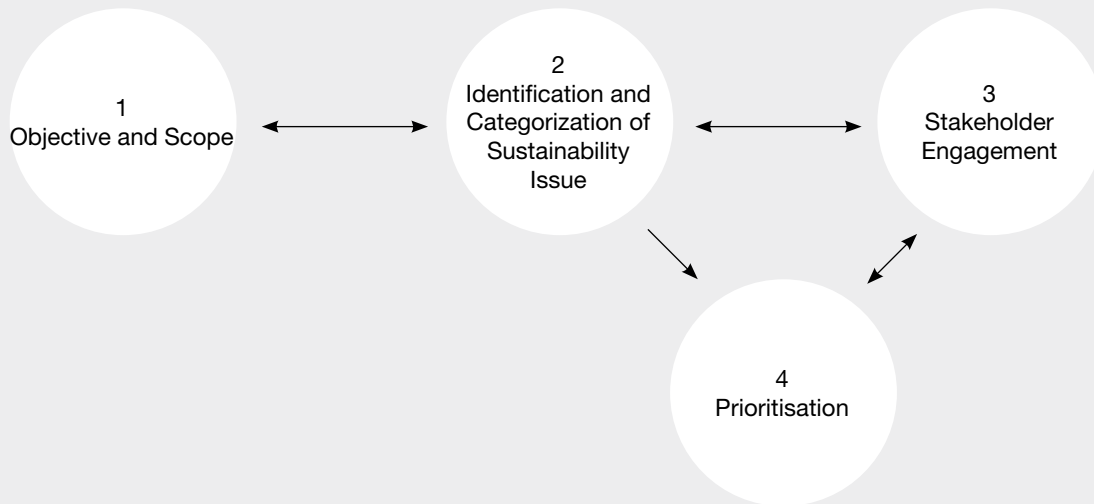
Our Board of Directors is the highest governing body of Hiap Huat and is responsible for determining the strategic direction of the Group. The Board has directors with unique skills and knowledge to our type of business and also other skills and qualifications such as banking, finance and accounting.

Currently, the Board consists of seven (7) members, comprising of one (1) Independent Non-Executive Chairman, one (1) Group Managing Director, two (2) Executive Directors and three (3) Independent Non-Executive Directors.





The Board has taken steps to integrate sustainability issues as core of its strategic formulation. The Board is supported by general managers, which enables the Board to assess and ensure that sustainability governance is structured and functioning through the various levels of management. For more information on our corporate governance practices, please refer to our Annual Report 2022 ("Corporate Governance Statement").

**Materiality Process**

Hiap Huat has adopted the materiality assessment process, which is guided by Bursa Malaysia’s Sustainability Reporting Guide and Toolkits. Our materiality assessment process was as illustrated.



**Stakeholder Engagement**

Stakeholders Group	Type of Engagement	Frequency	Key Topic
 Customers	<ul style="list-style-type: none"> <li>• Site Visit</li> <li>• One-to-one meeting</li> <li>• Annual Review</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic</li> <li>• Periodic</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement in customer service</li> <li>• Feedback on products and services</li> </ul>
 Employees	<ul style="list-style-type: none"> <li>• Operations and Environment Management</li> <li>• Occupational Safety &amp; Health Committee</li> <li>• Internal Training</li> <li>• Appraisal and feedback</li> <li>• Annual Review</li> <li>• Exit Meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic</li> <li>• Periodic</li> <li>• Periodic</li> <li>• Periodic</li> <li>• Annual</li> <li>• Resignation</li> </ul>	<ul style="list-style-type: none"> <li>• Staff Performance</li> <li>• Career Advancement</li> <li>• Company Performance</li> <li>• Company Strategies</li> </ul>
 Government Agencies	<ul style="list-style-type: none"> <li>• One-to-one meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic/As when required</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance to local laws and regulations</li> </ul>
 Suppliers	<ul style="list-style-type: none"> <li>• One-to-one meeting</li> <li>• Annual Review</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic</li> <li>• Annual</li> </ul>	<ul style="list-style-type: none"> <li>• Assessment of goods and services provided by vendors</li> </ul>

Stakeholder communication methods are regularly assessed, through information requests to ensure that they are transparent and effective. Based on the stakeholder engagement, the Group gains better understanding on what sustainability factor matters to each stakeholders, significance and their impacts.

# CORPORATE SUSTAINABILITY STATEMENT

(CONT'D)

## Materiality Assessment

Hiap Huat has a view on sustainability matters prior to Stakeholders Engagement and has identified a list of sustainability matters relating to economic, environmental and social that matters to Group business. Hiap Huat has considered, amongst others, the following:

1. The nature of Hiap Huat's business;
2. Laws and regulations;
3. Global and industrial trends.

Stakeholders Engagement enabled Hiap Huat to appreciate each stakeholder's sustainability concern, Material Assessment allows Hiap Huat to prioritise these concerns. This was aided through analysis of internal documents and our risk register. We also consider indicators in the Bursa Securities Sustainability Reporting Guide and the Global Reporting Initiative ("GRI") G4 Sustainability Reporting Guidelines to better understand the scope and potential topics that may involve.

Based on this exercise, Hiap Huat came out with material theme topics on Environmental, Economic, and Social ("EES") analysis that matters to the Group.

Environmental	Economic	Social
<ul style="list-style-type: none"><li>• Environmental Compliance</li><li>• Monitoring and Compliance</li><li>• Managing Environmental Emergencies</li></ul>	<ul style="list-style-type: none"><li>• Indirect Economic Impacts</li><li>• Financial Result and Export Market</li></ul>	<ul style="list-style-type: none"><li>• Employment and Labour practices</li><li>• Training &amp; education</li><li>• Occupational Health and Safety</li></ul>

## Environment

Our products involve a set of production process flow that involves procedures from the time waste was collected from the Generator until it is cleaned, recovered and recycled. These process flows will turn waste into value added products and can be conveniently breakdown into as follows:

- (1) Process flows for Waste oil
- (2) Process flows for Waste Solvent
- (3) Process flows for Contaminated Container
- (4) Process flows for Recycled Contaminated Oil Filter

In addition, Hiap Huat provides Schedule Waste Collection and Waste Recycling Services to companies by charging a fee. This will allow scheduled waste to be recycled or reused and for those wastes that cannot be recycled, be properly disposed through the appropriate legal channel.

Hiap Huat adhered to a Standard Operating Procedures which is in compliance to the legal requirements to provide the best products and services.

In our business, many areas are constantly monitored according to legal requirements, regulations and the company policies such as air pollution & noise, health risk, chemical spillage, effluent from processes, segregation of solid waste and disposal of Scheduled Waste.

The Global Warming and Climate Change concern are for real, with further projected deterioration, more stringent law, regulations, standards, and requirements of local Government as well as the international bodies will be enacted. We at Hiap Huat has been continuously keeping ourselves updated on the changes in order to comply any regulatory requirements and standard in force, but also to potentially turning these regulatory risk into opportunities. Moving forward, more business are more ready to be associated with us, a licensed schedule waste management as a good corporate citizen and for better sustainability and accountability. On our part, we have the license and established standard operating procedures to deal with these scheduled waste responsibly and compliance to required laws and regulations.

## Environment (Cont'd)

- **Environmental Compliance**

Healthy quality environment without pollution is the responsibility of everyone and for us, there is no exception. We are serious that our business will have a positive impact to the well-being of Environment, Economic and Social. Hiap Huat has been complying with ISO 14001:2015, Environment Quality Act (EQA) 1974 and Occupational Safety & Health Act (“OSHA”) 1994 guidelines.

The monitoring services such as Initial Noise, Air Emission, Isokinetic Stack, Area Chemical Exposure, Ambient Air tests were conducted throughout the year with satisfactory results and Hiap Huat has complied to prevailing rules and regulation.

A subsidiary of Hiap Huat, Lab Master Sdn. Bhd. has been consistently monitoring the environment parameters in and around our plant by sampling of river water upstream and one sample of industrial effluent during the year and the analysis results are reported satisfactory.

- **Monitoring and Compliance**

Our Environmental, Health & Safety (“EHS”) department are responsible to create awareness related to chemical management. The Group has an established operational control procedure related to the purchasing, receiving, storage, labelling and handling of chemicals. All purchases must be accompanied by Safety Data Sheet and any spillage must be reported to the SHE Department.

All our employees are educated to communicate their slightest discomfort in the environment where they work in and the effectiveness and quality in working environment is consistently monitored.

- **Managing Environmental Emergencies**

Hiap Huat has an established Emergency, Preparedness and Response (“EPR”) operating procedure to provide the necessary structures to manage critical incident on site. The EPR shall provide an organized structure for a chain action to be put into motion in the event of an emergency. This is in order to minimize potential impact of the incident.

## Economic

- **Indirect Economic Impacts**

Hiap Huat is proud to be a channel for scheduled waste recycling, to reuse and as a last resort for those part of waste that cannot be further recycled, be disposed of through the appropriate channel. The use of Recycled Petroleum and Petrochemical products will help to reduce the scarce resources needed to create a continuous flows of replacements of Petroleum and Petrochemicals products. The alternatives have enabled our customers in general to have a choice, stay competitive through relatively cheaper replacements and burning fuel. Our scheduled waste recycling services have enabled our customers to recycle and reused their recycled petroleum and petrochemical products which may have lowered their production costs.

- **Financial Results and Export Market**

We do export our products, currently consists of 22.84% (RM18,276,668) of our total turnover which has positively contributed to foreign exchange inflows to our country.

For detailed financial results, please refer to the following sections in the Annual Report 2022:

- (1) Directors' Statement
- (2) Independent Auditor's Report
- (3) Statements of Financial Position
- (4) Statements of Profit or Loss and Other Comprehensive Income
- (5) Statements of Changes in Equity
- (6) Statements of Cash Flows
- (7) Notes to the Financial Statements

# CORPORATE SUSTAINABILITY STATEMENT

(CONT'D)

## Social

- **Employment and Labour Practices**

Employees are a vital component of a Hiap Huat, as their performance and commitment is one of the key components of survival but to also achieving the Group's objectives of sustainability and long run return. Our meritocracy system enables us stay ahead and employees be rewarded based on their contribution to the Group. Our management and smaller workforce has enabled the Group to be agile and more competitive.

- **Training and Education**

Hiap Huat subscribed to the idea of knowledgeable and continuously learning workforce. We have Annual Training Plan which covers the area the following area:-

1. ISO 9001, ISO 14001, ISO 45001 policy;
2. HIRARC & Significant Environmental Aspect;
3. Objective and Target;
4. Hazard at Workplace;
5. Housekeeping;
6. Standard Operation Procedure ("SOP");
7. Factory General Rules;
8. Personal Protective Equipment;
9. Classification, Labelling and Safety Data Sheet;
10. Emergency Drill – Fire & Spillage;
11. Scheduled Waste and Chemical Management;
12. Emergency Response Plan;
13. Safety Data Sheet;
14. Forklift Safety Briefing ("Theory and Practical");
15. First Aid Training;
16. Lorry Driver Training.

- **Occupational, Health and Safety (OHS)**

Hiap Huat has set up a Occupational Safety, Health & Environmental Committee ("OSHE") and an Emergency Response Team ("ERT") for its processing plants to further embed a safety culture within the Group. Employees are continuously trained and updated with safety procedures while business operations are subjected to regular safety and health reviews.

The Chemical Health Risk Assessment ("CHRA") is an assessment that has to be conducted by the employer arising from the use, handling, storage or transportation of chemicals hazardous to health in their workplace as required by the Occupational Safety and Health (Use and Standard of Exposure of Chemicals Hazardous to Health) Regulation 2000. We have fully complied with the Act.

Further, our ISO 45001:2018 certification covers this area and help in reducing the risk by providing a framework to improve employee safety, reduce workplace risks and create better, safer working conditions.

### Sustainability in Practice

Our three-pronged approach in sustainability initiative therefore are:

- **Regulatory Compliance and Environmental Management**

We are part of the supply value chain which turns hazardous waste into re-reusable petroleum and petrochemical products. Waste of no value will be channeled to the appropriate authority for eventual disposal. Therefore, as far as practicable, nothing was left to waste but to be recycled and reused. This will play a part to reduce the impact of environmental issues to the society as a whole, especially to the local communities. Hiap Huat complies and has licenses from Department of Environment (“DOE”) to recycle waste.

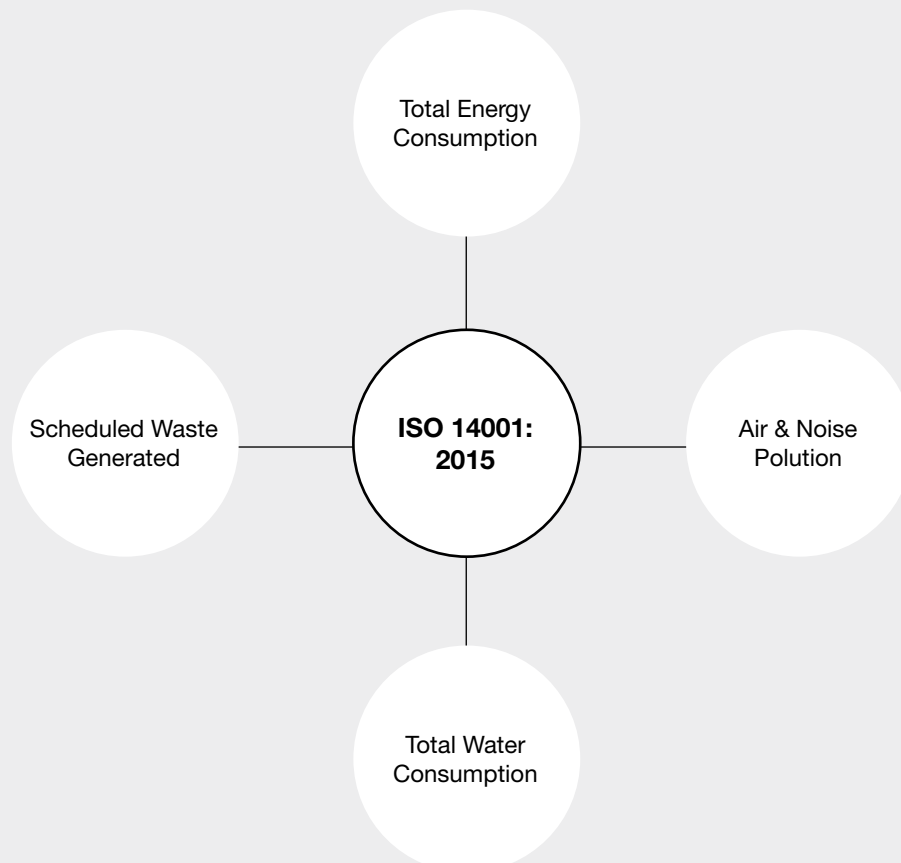
In addition, Hiap Huat has complied with Environment Quality Act (“EQA”) 1974.

- **Human Resources Development**

Hiap Huat is committed to meritocracy system and we treat each employee irrespective of race, age, gender, ethnicity, nationality, physical abilities and religion with respect. All employees were fairly paid according to their skills, performance and local market conditions. The Group also provides periodic training and opportunities for professional development. We have zero tolerance for harassment of any kind in the workplace.

- **Certification and Best Practice**

Hiap Huat has ISO 14001:2015 certification. The scope of the ISO 14001:2015 certification can be illustrated as follows:





# CORPORATE SUSTAINABILITY STATEMENT

(CONT'D)

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## Sustainability in Practice (Cont'd)

- **Certification and Best Practice (Cont'd)**

As quoted from the International Organisation for Standardisation, ISO 14001:2015 specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance. ISO 14001:2015 is intended for use by an organization seeking to manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability.

ISO 14001:2015 helps an organization achieve the intended outcomes of its environmental management system, which provide value for the environment, the organization itself and interested parties. Consistent with the organization's environmental policy, the intended outcomes of an environmental management system include:

1. Enhancement of environmental performance;
2. Fulfilment of compliance obligations;
3. Achievement of environmental objectives.

In addition, we have ISO 9001 and ISO 45001 certifications as well.

ISO 9001:2015 sets out the criteria for a quality management system based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement. This is to ensure that our customers get consistent, quality products and services. ISO 45001 certification covers area of Health and occupation safety.

Departmental of Occupational Safety and Health ("DOSH") issued certificates of competency to individuals and firms with the necessary qualifications, experience, expertise, and knowledge in the relevant fields as required by the Act and regulations. We have DOSH's certificate on Unfired pressure vessel and boiler manufacturer/repairer/installer.

One of the main air pollution control systems widely used in the industries in Malaysia for the control of gaseous pollutants is scrubbers. We have competent personnel to supervisor and operate the scrubber to ensure proper operation and continued optimal performance. Our personnel are Certified Environmental Professional in Scrubber Operation.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of Hiap Huat Holdings Berhad (“Hiap Huat” or “the Company”) and its subsidiaries (“the Group”) believes that good corporate governance is fundamental to the Group continued success. Therefore, the Board remained committed in promoting high standard of corporate governance and transparency throughout the Group in discharging its responsibilities with integrity, transparency and professionalism to protect and enhance the shareholders’ value and the financial position of the Group.

The Board recognises the importance of maintaining good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance 2021 (“MCCG 2021”) to enhance business prosperity and maximise shareholders’ value. The Board will continuously make efforts and avail resources to strengthen the corporate governance framework and practices within the Group, and where appropriate will adopt and implement the best practices as enshrined in MCCG 2021 to the best interest of the shareholders of the Company.

This Statement sets out the commitment of the Board towards the MCCG 2021 and describes how the Group has applied the principles and complied with the best practice provisions as laid out in the MCCG 2021 throughout the financial year ended 31 December 2022 (“FY2022”) pursuant Rule 15.25 of the ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). The Corporate Governance Report is available on the Company’s website [www.hiaphuat.com](http://www.hiaphuat.com) as well as via an announcement on the website of Bursa Securities. This Statement should also be read in conjunction with the Statement on Risk Management and Internal Control (“SORMIC”) and the respective Board Committee reports in the ensuing pages. Details of how the Company has applied the CG Code principles and complied with its practices, are set out in the CG Report. The explanation for departure is further disclosed in the CG Report.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### PART I – BOARD RESPONSIBILITIES

#### 1. Board Leadership on Objectives and Goals

##### Strategic Aims, Values and Standards

The Board is responsible in providing the overall governance, stewardship and oversight for the direction and management of the Group. The Board sets out the strategic directions and objectives, formulating the policies and executing the key strategic action plans of the Group. The Board regularly reviews the Group’s business operations, management performance and also ensure the necessary resources are in place.

In the Group, the Board and the Senior Management work cohesively to formulate and to implement the Group’s business strategy. The respective roles and responsibilities of the Board and management team are clearly set out and understood to ensure accountability and ownership by both parties. The Board will scrutinise the sustainability, effectiveness and implementation of the strategic plans for the financial year under review and provide guidance and input to the Senior Management.

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 is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group’s affairs. Hence, to develop corporate objectives and position descriptions including the limits to management’s responsibilities, which the management is aware of and is responsible for meeting.

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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

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## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### PART I – BOARD RESPONSIBILITIES (CONT'D)

#### 1. Board Leadership on Objectives and Goals (Cont'd)

##### Strategic Aims, Values and Standards (Cont'd)

The principal roles and responsibilities assumed by the Board are as follows:

##### Review and adopt strategic plans of the Group

The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board is presented with the short and long-term strategy of the Group together with its proposed business plans for the forthcoming year.

##### Oversight of the Group's Business

The day-to-day management of the business operations of the Group is led by the Managing Director, Executive Director and assisted by the Senior Management personnel. Their performance under the leadership of the Managing Director and Executive Director is assessed by the Board based on the financial and management reports tabled during its quarterly meetings. The Board is also kept updated on the Group's strategic direction initiatives, significant operational and regulatory challenges faced by the Group during these meetings.

##### Implementation of internal compliance controls and justifies measures to address principal risks

The Board is fully alert of the responsibilities to maintain a proper internal control system. The Board is responsible for the Group's system of internal controls including financial condition of the business, operational, regulatory compliance as well as risk management matters.

##### To formulate and have in place an appropriate succession plan

The Board is responsible to formulate and have in place an appropriate succession plan encompassing the appointment, training, and determination of compensation for senior management of the Group, as well as assessing the performance of Directors and Committee members and, where appropriate, retiring and appointing new members of the Board and Executive Directors.

The Board has entrusted the Nomination Committee and Remuneration Committee with the duty to review candidates with required mix of skills and experience for the Board and to determine remuneration packages for these appointments and to formulate nomination, selection and remuneration for the Group.

##### Developing and implementing an investor relations program or shareholder communications policy for the Group

The Board recognises that shareholders and other stakeholders are entitled to be informed in a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, the Company website is the primary medium in providing information to all shareholders and stakeholders.

The roles and responsibilities of the Independent Non-Executive Directors and Executive Directors are clearly defined and properly segregated. All the Independent Non-Executive Directors are independent from the Executive Directors, Management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a strong check and balance on the Board's deliberations.

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**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****PART I – BOARD RESPONSIBILITIES (CONT'D)****1. Board Leadership on Objectives and Goals (Cont'd)****Strategic Aims, Values and Standards (Cont'd)**

The principal roles and responsibilities assumed by the Board are as follows: (Cont'd)

Developing and implementing an investor relations program or shareholder communications policy for the Group (Cont'd)

The Group Managing Director holds the principal obligations in focusing, guiding, addressing, supervising, regulating, managing and controlling as well as communicating the Company's goals and objectives, all significant corporate matters, corporate restructuring plans and business extension plans and proposals. The Group Managing Director, assisted by other Executive Directors, is also responsible for proposing, developing and implementing applicable and relevant new policies and procedures.

The Executive Directors are responsible for the overall performance and operations as well as the corporate affairs and administrations of the Group. They are assisted by the senior management personnel of the Group in managing the business activities of the Group in the manner that is consistent with the policies, standards, guidelines, procedures and practices of the Group and in accordance with the specific plans, instructions and directions set 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.

**Independent Chairman**

During FY2022, the Board is chaired by an Independent Non-Executive Chairman and one-third of the Board consists of Independent Non-Executive Directors. The Chairman being an Independent Non-Executive Director, is not involved in the day-to-day management of the Group's business and has no relationship that could materially interfere with his judgment. The Chairman is responsible to provide leadership for the Board so that the Board can perform its responsibilities effectively. The roles and responsibilities of the Chairman of the Board have been clearly specified in the Board Charter, which is available on the Company's website at [www.hiaphuat.com](http://www.hiaphuat.com).

The Board therefore believes that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### PART I – BOARD RESPONSIBILITIES (CONT'D)

#### 1. Board Leadership on Objectives and Goals (Cont'd)

##### **Separation in the Roles of Chairman and Group Managing Director**

During FY2022, the Company has complied with the recommendation of the MCGG 2021 where the positions of the Chairman and the Group Managing Director are held by different individuals, and that the Chairman is a non-executive member of the Board.

The roles of the Chairman and the Group Managing Director are clearly defined and segregated, to ensure appropriate balance of power and authority, increased accountability and enhanced capacity of the Board for independent decision making so that no one individual has unfettered powers of decision making.

The Chairman is not related to the Group Managing Director and is responsible in leading the Board in the oversight and supervision of the Group's management; whilst the Group Managing Director is responsible for the day-to-day operations of the Group, making strategic business decisions and implementing the Board's policies and decisions.

##### **Chairman of the Board should not be a member of the Board Committees**

Following Practice 1.4 of the MCGG 2021, the Chairman of the Board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee. The Board took cognisance that having the same person assume the position of Chairman of the Board and member of other Board Committees gives rise to the risk of self-review and may impair the objectivity of the Chairman.

En. Zulkifly Bin Zakaria as the Chairman of Board and Chairman/member of Board Committee is not involved in management and operational matters of the Company, and with the other two (2) independent non-executive members in the Board Committees shall give a check and balance during the deliberation of the Board Committees. The Board believes that being a Chairman of the Board and also part of the members of the Board Committees could provide a different perspective from his different identity.

##### **Qualified and Competent Company Secretaries**

In compliance with MCGG 2021, the Board is supported by qualified and competent Company Secretaries. The Company Secretaries of the Company are qualified to act as Company Secretary under Section 235 of the Companies Act, 2016 ("the Act").

Every Director has ready and unrestricted access to the advice and the services of the Company Secretaries in ensuring the effective functioning of the Board. The Company Secretaries provide the required support and assist the Board, Board Committee or Director individually on matters including but not limited to board procedures, rules and Constitution of the Company, legislations, regulations, codes, guidelines and operations matter within the Group. The Board also regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements and the resultant implications to the Company and Directors in relations to their duties and responsibilities.

The Company Secretaries shall keep themselves abreast with the development and new changes in relation to any legislation and regulations concerning the corporate administration and to highlight the same to the Board of Directors accordingly.

The Company Secretaries attend all Board and all Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

The Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****PART I – BOARD RESPONSIBILITIES (CONT'D)****1. Board Leadership on Objectives and Goals (Cont'd)****Board Committees**

In discharging its fiduciary duties effectively, the Board has delegated specific tasks to the following four Board Committees:-

- (a) Audit Committee;
- (b) Nomination Committee;
- (c) Remuneration Committee; and
- (d) Risk Management 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. These Committees are formed to enhance business and operational efficiency as well as efficacy. The Chairman of the respective Committees will report to the Board the outcome of the Committees meetings for the Board's considerations and approvals. The Board retains full responsibility for the direction and control of the Company and the Group.

**Access to Information and Support for Directors**

Unless otherwise agreed, notice of each meeting confirming the venue, date, time and agenda of the meeting together with relevant meeting papers shall be forwarded to each Director no later than seven (7) days before the date of the meeting. This is to ensure that the meeting papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the meeting paper and seek for any clarification as and when they may need advice or further explanation from management and/or Company Secretaries. 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 by the Company Secretaries and properly documented and maintained at the Registered Office of the Company.

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

In addition, all Directors have direct access to the advice and services of the Company Secretaries who are responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. The senior management team from different business units will also be invited to participate in the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairman of the Board Committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.

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, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

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## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### PART I – BOARD RESPONSIBILITIES (CONT'D)

#### 2. Demarcation of Responsibilities

##### Board Charter

As part of the 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.

The Board Charter is reviewed periodically as and when the need arises to ensure that the dynamic needs of the Group are consistently met. A copy of the Board Charter is available for reference at the Company's website at [www.hiaphuat.com](http://www.hiaphuat.com).

#### 3. Good Business Conduct and Corporate Culture

##### Code of Conduct and Ethics

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Board has formalised the Code of Conducts and Ethics which summarises what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur.

The Code of Conduct and Ethics provides guidance for Directors and every employee of the Group regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The details of the Code of Conduct and Ethics are available for reference at the Company's website at [www.hiaphuat.com](http://www.hiaphuat.com).

##### Whistle-blowing Policy and Procedures

The Board is committed in achieving and maintaining the highest standard of work ethics in the conduct of business to be in line with the Code of Conduct and Ethics and good corporate governance practices. The Board has formalised a Whistle-blowing Policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices.

The main objectives of the policy are:

- (i) Be committed to the Company's business ethics of Honesty, Integrity and Transparency;
- (ii) To provide a transparent and confidential process for all parties to give information on non-compliances to the Code of Conduct and Ethics, or any misconduct regardless of his or her position, to an independent party to investigate the allegations and take the appropriate actions; and
- (iii) To uphold the moral duty being a Company by protecting the interest of all its stakeholders.

The Board will review the Whistle Blowing Policy when necessary to ensure it remains relevant and appropriate. The details of the Whistle-blowing Policy are available for reference at the Company's website at [www.hiaphuat.com](http://www.hiaphuat.com).



**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****PART I – BOARD RESPONSIBILITIES (CONT'D)****4. Governing Sustainability**

The Board of the Company has taken steps to integrate sustainability issues as core of its strategic formulation. The Board is supported by the general managers, which enables the Board to assess and ensure that sustainability governance is structured and functioning through the various level of management.

The Board noted that the Company has adopted materiality assessment process, which is guided by Bursa Malaysia's Sustainability Reporting Guide and Toolkits to ensure that the stakeholder communication methods are regularly assessed, through information requests to ensure that the communication are transparent and effective.

The Group Risk Management Framework set out the approach to the identification, assessment, management, monitoring, and reporting of risks. The Board will then regularly review performance against the risk tolerance limits. The Board is briefed by the Risk Management Committee on the risk highlighted and ensure that the Management has put in place actions to mitigate risks and controls to maintain the risk exposures within the acceptable levels as approved by Board. The Board was informed by the Management that the Company has been complying with ISO 14001:2015, Environment Quality Act 1974 and Occupational Safety & Health Act (OSHA) 1994 guidelines.

**PART II – BOARD COMPOSITION****5. Board's objectivity****Board Composition and Balance**

The Board is committed in ensuring that its composition not only reflects the diversity as recommended by MCCG 2021, as best as it can, but also the right mix of skills and balance to contribute to the achievement of the Group's goal and business objectives.

The Board consists of seven (7) members, comprising an Independent Non-Executive Chairman/Senior Independent Non-Executive Director, a Group Managing Director, two (2) Executive Directors and three (3) Independent Non-Executive Directors. The roles of the Chairman of the Board and Group Managing Director are segregated to ensure that there is balance of power and authority. Hiap Huat thus complies with Rule 15.02 of the Listing Requirements on board composition, where at least two or one-third, whichever is higher, of the Board members shall be Independent Directors.

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 combination of professionals with diverse and varied backgrounds, wealth of experience and expertise in finance and corporate affairs also enables the Board to discharge its responsibilities effectively and efficiently. The Board through the Nomination Committee regularly reviews the composition of the Board and Board Committees to ensure that it is refreshed periodically. The profiles of the Directors and Key Senior Management are set out in this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### PART II – BOARD COMPOSITION (CONT'D)

#### 5. Board's objectivity (Cont'd)

##### Tenure of Independent Directors and Policy of Independent Director's Tenure

The Non-Executive Directors are not employees of the Group and do not participate in the day-to-day management of the Group. All the Non-Executive Directors 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.

Currently, the Board does not have a policy to limit the tenure for Independent Director to nine (9) years without any further extension. The Board is of the view that a term of more than nine (9) years may not necessarily impair independence and judgement of an Independent Director and therefore the Board does not deem it appropriate to impose a fixed term limit for Independent Director at this juncture.

However, as recommended by the MCCG 2021, the tenure of an Independent Director should not exceed cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the re-designation of the said person as a Non-Independent Director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years or more, the Board must justify the decision and seek annual shareholders' approval through a two-tier voting process at a general meeting, normally the Annual General Meeting ("AGM") of the Company.

As at the date of this Statement, the tenure of the Independent Non-Executive Directors of the Company are as follows:

Directors	< 9 Years	> 9 Years
Zulkifly Bin Zakaria	–	√
Woo Yew Tim	–	√
Lee Yew Weng	√	–
Cheng Mun Mun ( <i>Appointed on 18 April 2023</i> )	√	–

Following an assessment and recommendation by the Nomination Committee, the Board recommended that Woo Yew Tim who has served as Independent Non-Executive Director for a cumulative term of more than nine (9) years to continue to be designated as Independent Non-Executive Director of the Company subject to the shareholders' approval at the AGM, based on the following key justifications:

- they fulfill the criteria under the definition of Independent Director as stated in the Listing Requirements and, therefore, are able to bring independent and objective judgment to the Board as a whole;
- their experience in the relevant industries has enabled them to provide the Board and Board Committees, as the case may be, with pertinent expertise, skills, contribution and competence;
- they have been with the Company for a certain period and therefore understands the Company's business operations which enables them to contribute actively and effectively during deliberations or discussions at Board and Committee meetings;
- they continue to be scrupulously independent in their thinking and in their effectiveness as constructive challengers of the Group Managing Director and Executive Directors; and
- they exercise due care during their tenure as an independent non-executive Director and carried out their professional duties in the best interest of the Company and shareholders.

The Board assesses the independence of the independent directors annually, taking into account of the individual Directors' ability to exercise its independent judgement at all times and contribution to the effective functioning of the Board.

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. Additionally, each of the Independent Non-Executive Directors has provided an annual confirmation of their independence to the Nomination Committee and the Board.

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****PART II – BOARD COMPOSITION (CONT'D)****5. Board's objectivity (Cont'd)****Tenure of Independent Directors and Policy of Independent Director's Tenure (Cont'd)**

However, Encik Zulkifly Bin Zakaria who is retiring pursuant to Clause 105(1) of the Company's Constitution at the 13th AGM of the Company, has expressed his intention not to seek re-election at the forthcoming 13th AGM of the Company. Hence, he shall cease to be a Director of the Company at the conclusion of the 13th AGM of the Company.

**New Candidates for Board Appointment**

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee. The Board appoints its members through a formal and transparent selection process which is consistent with Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

Generally, the Board adopts a flexible approach when selecting and appointing new Directors depending upon the circumstances and timing of the appointment. The Nomination Committee will help to assess and recommend to the Board, the candidature of Directors, appointment of Directors to Board Committees, review of Board's succession plans and training programmes for the Board.

Before any recommendation made to the Board, the Nomination Committee will ensure that an appropriate review is undertaken to ensure the requirement and qualification of the candidate nominated based on a prescribed set of criteria comprising but not limited to the following:

- i. consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity) represented in addition to an understanding of the Business, the Markets and the Industry in which the Group operates and the accounting, finance and legal matters;
- ii. the extent to which the appointee is likely to work constructively with the existing Directors and contribute to the overall effectiveness of the Board;
- iii. in the case of candidates being considered for the position of Independent Director, he/she must fulfil the criteria used in the definition of "Independent Directors" prescribed by the Listing Requirements of Bursa Securities and being able to bring independent and objective judgement to the Board;
- iv. the merit and outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and
- v. professionalism and integrity.

In general, the process for the appointment of director to the Board is as follows:

- i. The Nomination Committee reviews the Board's composition through Board assessment/evaluation;
- ii. The Nomination Committee determines skills matrix;
- iii. The Nomination Committee evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;
- iv. The Nomination Committee recommends to the Board for appointment; and
- v. The Board approves the appointment of the candidates.

On 28 June 2022, the Board has established the Fit and Proper Policy to guide the Nomination Committee and the Board of Directors in their review and assessment of potential candidates for appointment as Directors as well as Directors who are seeking for re-election to ensure that any person to be appointed or re-elected as a Director shall possess the character, integrity, relevant range of skills, knowledge, experience, competence and time commitment to carry out their roles and responsibilities effectively in the best interest of the Company and its stakeholders. The Fit and Proper Policy is published on the Company's website at [www.hiaphuat.com](http://www.hiaphuat.com).

As of the date of this Statement, Cheng Mun Mun has been appointed as Independent Non-Executive Directors on 18 April 2023.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### PART II – BOARD COMPOSITION (CONT'D)

#### 5. Board's objectivity (Cont'd)

##### Boardroom Diversity

The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG 2021 to the establishment of boardroom and workforce gender diversity policy. The Board's aim is to have a broad range of approaches, backgrounds, skills and experience represented on the Board and to make appointments on merit, and against objective criteria, with due regard given to the benefits of diversity on the Board, including gender, age and ethnicity. The Board recognises diversity in the boardroom as an essential component of a good corporate governance.

As at the date of this statement, the Board currently has three (3) female directors out of seven (7) directors which in line with the country's aspirational target of 30% representation of women on boards. The Company will increase female representation on the Board if appropriate candidates are available when Board vacancies arise.

The existing Directors' age distribution falls within the respective age group and is as follows:

AGE GROUP	31-40	41-50	51-60	61 & ABOVE
NUMBER OF DIRECTORS	1	4	–	2

The current diversity in the race/ethnicity and nationality of the existing Board is as follows:

NUMBER OF DIRECTORS	MALAY	CHINESE	INDIAN	OTHERS	MALAYSIAN	FOREIGN
	1	6	–	–	7	–

##### Time Commitment and Directorship in Other Public Listed Companies

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification will include an indication of time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Rule 15.06 of the Listing Requirements.

Each Board member is expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretaries, where applicable.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and 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 in the section below.

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****PART II – BOARD COMPOSITION (CONT'D)****5. Board's objectivity (Cont'd)****Board Meetings and Attendance**

There were five (5) Board of Directors' meetings held during FY2022. Details of the attendance of the Directors at the Board of Directors' meetings are as follow:

<b>Name of Director</b>	<b>Total Meetings Attended</b>	<b>Percentage of Attendance</b>
Zulkifly Bin Zakaria	5/5	100%
Dato' Chan Say Hwa	5/5	100%
Datin Chow Pui Ling	4/5	80%
Soo Kit Lin	4/5	80%
Woo Yew Tim	5/5	100%
Lee Yew Weng	5/5	100%
Cheng Mun Mun <i>(Appointed on 18 April 2023)</i>	–	–

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.

All the Directors complied with the minimum 50% attendance in respect of Board Meetings held during the financial year under review as stipulated under Rule 15.05 of the Listing Requirements.

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings may be convened by the Company Secretaries, after consultation with the Chairman. Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

To facilitate the Directors' time planning, the tentative dates for Board and Board Committee meetings for the year will be circulated by the Company Secretaries well in advance towards the end of the previous year to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the AGM. At the end of each Board and Audit Committee meetings, the date of the next meetings is to be re-confirmed.

**Continuing Education Programs**

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. Any Director so appointed to the Board is required to complete the MAP within four (4) months from the date of appointment.

Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, 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 OVERVIEW STATEMENT

(CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### PART II – BOARD COMPOSITION (CONT'D)

##### 5. Board's objectivity (Cont'd)

###### Continuing Education Programs (Cont'd)

Details of seminars/conferences/training programmes attended by the Board members during FY2022 as listed below:

Name of Director	Seminars/Conferences/Training Programmes Attended
Dato' Chan Say Hwa	(1) IFAT 2022 - Trade fair in Environmental technology (2) ACHEMA 2023 - Trade fair for Chemical process technology
Datin Chow Pui Ling	(1) IFAT 2022 - Trade fair in Environmental technology (2) ACHEMA 2023 - Trade fair for Chemical process technology
Woo Yew Tim	(1) How to incorporate sustainability factors into business valuation
Lee Yew Weng	(1) Common Pitfalls and Key Considerations in a Takeovers Code Transaction (2) Listing Regime for Specialist Technology Companies (Consultation Paper) (3) MIA Webinar Series: MIA Public Practice Programme (Non Audit)

Saved as disclosed above, other Directors were not able to select any suitable training programme to attend during FY2022 due to busy working schedule.

The Board will on continuing basis evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

In addition to the above, the Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and the Company Secretaries during the Committee and/or Board meetings.

###### Nomination Committee

The Board has established a Nomination Committee which comprised exclusively of Independent 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 present members of the Nomination Committee are:

Designation	Name of Director	Directorship
Chairman	Woo Yew Tim	Independent Non-Executive Director
Member	Zulkifly Bin Zakaria	Independent Non-Executive Chairman/ Senior Independent Non-Executive Director
Member	Lee Yew Weng	Independent Non-Executive Director
Member	Cheng Mun Mun (Appointed on 18 April 2023)	Independent Non-Executive Director

The terms of reference of the Nomination Committee can be viewed at the Company's website at [www.hiaphuat.com](http://www.hiaphuat.com).

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****PART II – BOARD COMPOSITION (CONT'D)****5. Board's objectivity (Cont'd)**

The summary of activities undertaken by the Nomination Committee during FY2022 included the following:

- Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board;
- Reviewed and recommended the retirement and re-election of Directors at the forthcoming AGM in accordance with the Company's Constitution; and
- Reviewed and recommended the re-appointments of Independent Non-Executive Directors who have served a cumulative term of more than nine (9) years.

**6. Overall Board Effectiveness****Evaluation for Board, Board Committees and Individual Directors**

The Nomination Committee would conduct an assessment of the performance of the Board, as a whole, Board Committees and the contribution of individual Directors annually. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming AGM, with a view to meeting current and future requirements of the Group.

The criteria used by the Nomination Committee in evaluating the performance of individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. The independence of Independent Directors is assessed based on their relationship with the Group and their involvement in any significant transactions with the Group including their ability to exercise independent judgment at all times and based on the criteria set out in the Listing Requirements. The Board did not engage any external party to undertake an independent assessment of the Directors.

All assessments and evaluations carried out will be documented and minuted by the Company Secretary. The results of all assessments and comments by Directors are summarised and deliberated at the Nomination Committee meeting and thereafter reported to the Board for deliberation.

Based on the assessment conducted for FY2022, the Board and the Nomination Committee is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board and Board Committees members and the level of independence demonstrated by all the Independent Non-Executive Directors and each of them continues to fulfil the definition of independence as set out in the Listing Requirements.

**Re-election of Directors**

The procedure on the re-election of Directors by rotation is set out in the Company's Constitution. An election of Directors shall take place each year at the AGM of the Company, where one third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election. All Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election. The Directors to retire shall be the Directors who have been serving in office for the longest duration since their appointment or last re-election. Any Director appointed during the year is required to retire and seek re-election by shareholders at the next Annual General Meeting following his appointment.

Upon the recommendation of the Nomination Committee and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming AGM of the Company to be held in 2023 are as stated in the Notice of AGM together with the justification to support the re-appointment of the Directors at the Explanatory Notes to Notice of AGM.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### PART III – REMUNERATION

#### 7. Level and Composition of Remuneration

##### Remuneration Committee

In line with the best practices of MCCG 2021, the Board has set up a Remuneration Committee which comprise exclusively of Independent Non-Executive Directors in order to assist the Board in determining the Director's remuneration.

The present members of the Remuneration Committee are as follow:

Designation	Name of Director	Directorship
Chairman	Lee Yew Weng	Independent Non-Executive Director
Member	Zulkifly Bin Zakaria	Independent Non-Executive Chairman/ Senior Independent Non-Executive Director
Member	Woo Yew Tim	Independent Non-Executive Director
Member	Cheng Mun Mun (Appointed on 18 April 2023)	Independent Non-Executive Director

The Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing executive remuneration, fixing and examining the remuneration packages and other benefits of individual Directors. The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendations of the Remuneration Committee.

The Terms of Reference of the Remuneration Committee can be viewed at the Company's website at [www.hiaphuat.com](http://www.hiaphuat.com).

The summary of activities undertaken by the Remuneration Committee during FY2022 included reviewed and recommended the payment of Directors' fees and other benefits payables to the Directors and Senior Management of the Company to the Board for approval.

##### Remuneration Policy

The Board believes that the Company has a fair remuneration policy to attract, retain and motivate Directors and Senior Management. The remuneration policy of the Board provides that all Executive Directors and Senior Management are remunerated based on the individual's performances and that of the Group, market conditions and their responsibilities, whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees, their attendance and/or special skills and expertise that they bring to the Board. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board as a whole, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company.

It has established a Remuneration Committee to review and ensure that the remuneration of Directors and Senior Management fairly reflect their responsibilities, the expertise required by the Company and the complexity of its operations. The said remuneration should also be in line with the business strategy and long term objectives of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by the shareholders at the AGM based on the recommendations of the Board.

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****PART III – REMUNERATION (CONT'D)****8. Remuneration of Directors and Senior Management****Directors' Remuneration**

The remunerations of the Executive Directors were determined fairly based on the performance and the profitability of the Group as a whole. The Directors' remuneration is at the discretion of the Board, considering the comparative market rates that are commensurate with the level of contribution, experience and participation of each Director. The overriding principle adopted in setting the remuneration packages for the Executive Directors by the Remuneration Committee is to ensure that the Company attracts and retains the appropriate Directors of the calibre needed to run the Group successfully. The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned.

Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) for FY2022 are as follows:

Director	Company		Group	
	Fees (RM)	Salaries and *other emoluments (RM)	Fees (RM)	Salaries and *other emoluments (RM)
Zulkifly Bin Zakaria	79,000	6,000	79,000	6,000
Dato' Chan Say Hwa	–	1,121,002	24,000	1,121,002
Datin Chow Pui Ling	–	538,602	24,000	538,602
Soo Kit Lin	–	262,722	–	262,722
Lee Yew Weng	55,000	6,000	55,000	6,000
Woo Yew Tim	55,000	6,000	55,000	6,000
Soo Yat Sun	–	–	24,000	–
Cheng Mun Mun (Appointed on 18 April 2023)	–	–	–	–
<b>Total</b>	<b>189,000</b>	<b>1,940,325</b>	<b>261,000</b>	<b>1,940,325</b>

\* other emoluments include the meeting allowances and other benefits and allowances received by the Directors of the Company.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

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### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### PART III – REMUNERATION (CONT'D)

##### 8. Remuneration of Directors and Senior Management (Cont'd)

###### Remuneration of Senior Management

The company opts not to disclose the Senior Management's remuneration as it is not in the best interest of the Company and Senior Management personnel to disclose their personal data to the public at large.

There are only five (5) Senior Management staff in the group, of which three (3) are the Executive Directors of the Company and their remuneration components have been disclosed under the Directors' Remuneration as per the above table. Whereas for the other two (2) Senior Management, their total remuneration is about 4% of the overall salary of the Group and the range of the salary is in line with industrial practice.

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### PART I – AUDIT COMMITTEE

##### 9. Audit Committee

The Audit Committee is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situation. The Audit Committee also undertakes to provide oversight on the risk management framework of the Group.

###### Chairman of Audit Committee

The current composition of Audit Committee comprises of four (4) members, all of whom are Independent Non-Executive Directors. The Audit Committee is chaired by an Independent Director who is also the Chairman of the Board. However, the Board is of the view that the said practice will not materially interfere and affect his independence judgement. All members of the Audit Committee are relatively financially literate, therefore, meet the requirement of Rule 15.09 of the Listing Requirements.

###### Former Key Audit Partner

None of the Board members nor the Audit Committee were former key audit partner of the External Auditors appointed by the Group. The Company will observe a cooling-off period of at least three years in the event any potential candidate to be appointed as a member of the Audit Committee was a key audit partner of the external auditors of the Group.

###### Assessment of Suitability and Independence of External Auditors

The Audit Committee has established a transparent and appropriate relationship with the Company's External Auditors, Messrs. TGS TW PLT. From time to time, the Auditors will highlight to the Audit Committee and the Board on matters that require the Board's attention.

The Audit Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the Audit Committee.

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)****PART I – AUDIT COMMITTEE (CONT'D)****9. Audit Committee (Cont'd)****Assessment of Suitability and Independence of External Auditors (Cont'd)**

To assess or determine the suitability and independence of the External Auditors, the Audit Committee has taken into consideration of the following:

- the adequacy of the experience, competence and resources of the External Auditors;
- the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and
- whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the AGM on the recommendation of the Board. The External Auditors are being invited to attend the AGM of the Company to response and reply to the shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

During FY2022, the Audit Committee has meet with the External Auditors without the presence of Group Managing Director, Executive Directors and members of management at least once during the year regarding relevant audit and accounting issues and to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concern expressed by the Audit Committee are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the Audit Committee, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by them. In compliance with the Malaysian Institute of Accountants, the audit firm rotates its audit partners every five years to ensure objectivity, independence and integrity of the audit opinions.

**Composition of the Audit Committee**

The current composition of Audit Committee comprises of four (4) members, all of whom are Independent Non- Executive Directors, which meets the requirements of Rule 15.09(1)(a) and (b) of the Listing Requirements and Practice 9.4 of the MCCG 2021.

The Audit Committee currently comprises the following members:-

Designation	Name of Director	Directorship
Chairman	Zulkifly Bin Zakaria	Independent Non-Executive Chairman/ Senior Independent Non-Executive Director
Member	Woo Yew Tim	Independent Non-Executive Director
Member	Lee Yew Weng	Independent Non-Executive Director
Member	Cheng Mun Mun (Appointed on 18 April 2023)	Independent Non-Executive Director

All members of the Audit Committee are relatively financially literate and have relevant experience to carry out their duties. The terms of reference and summary of activities of the Audit Committee are set out in the Audit Committee Report in this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

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## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

### PART I – AUDIT COMMITTEE (CONT'D)

#### 10. Effective Risk Management and Internal Control Framework

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal controls, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks and respond appropriately to the risks encountered.

As an effort to enhance the system of internal controls, the Board together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review the existing of risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

The Board also has set up a Risk Management Committee which comprises half of the Independent Non-Executive Director to identify, evaluate and manage significant risks faced by the Group as well as report to the Board on significant risks affecting the Group's strategic and business plans, if any. As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

The Statement on Risk Management and Internal Control is set out in the Annual Report which provides an overview of the management of risks and state of internal controls within the Group.

#### 11. Internal Audit Function

The Group outsourced its internal audit function to an independent professional firm, namely GovernanceAdvisory.com Sdn Bhd ("IA Firm") to provide an independent assessment and assurance over the system of internal control of the Group to the Audit Committee and the Board.

Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control in this Annual Report.

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**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS****PART I – COMMUNICATION WITH STAKEHOLDERS****12. Continuous Communication between Company and Stakeholders**

The Board recognises the need for transparency and accountability to the Company's shareholders as well as regular communication with its shareholders, stakeholders and investors on the performance and major developments in the Company. The Company ensures that timely releases of the quarterly financial results, press releases and corporate announcements are made to its shareholders and investors, which are clear, unambiguous, succinct, accurate and contain sufficient and relevant information.

In order to maintain its commitment of effective communication with shareholders, the Group embraces the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

The communication channels used in the Company's engagement with its stakeholders include:

- The Company's website;
- Announcements via Bursa Link;
- Annual Reports and Circular;
- General Meetings; and
- Investor relations and press release.

The practice of disclosure of information is not established just to comply with the requirement of the Listing Requirements of Bursa Securities, but also to adopt the best practices recommended in the MCCG 2021 with regard to strengthening engagement and communication with shareholders.

The Group also endeavour to provide additional disclosures of information on a voluntary basis, where necessary. The management believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

Besides the above, shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" section of this Annual Report and the Company's Share Registrar is available to attend to administrative matters relating to shareholders' interests. The Company strived to provide a high level of transparency reporting in order to provide value for its shareholders and investors.

Whilst the Group endeavours to provide as much information as possible to its stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

#### PART II – CONDUCT OF GENERAL

##### 13. Encourage Shareholders' Participation at General Meeting

The AGM is an important forum where communications with shareholders are effectively conducted. As recommended by the MCCG 2021, the notice of AGM will be despatched to shareholders at least twenty-one (21) days before the AGM, to allow shareholders to have additional time to go through the Annual Report and make the necessary attendance and voting arrangements. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution.

The Chairman and the Board members are prepared to respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The External Auditors are also present to provide their professional and independent clarification, if required, on issues highlighted by the shareholders. The status of all resolutions proposed at the AGM is submitted to Bursa Securities at the end of the meeting day.

Apart from contacts at general meetings, currently there is no other formal program or schedule of meetings with investors, shareholders, stakeholders and the public generally. However, the management has the option of calling for meetings with investors/analysts if it deems necessary. Thus far, the management is of the opinion that the existing arrangement has been satisfactory.

##### Attendance of Directors at General Meetings

The tentative dates of the AGM will be discussed and fixed by the Board in advance to ensure that each of the Directors is able to make necessary arrangement to attend the planned AGM.

At the Twelfth (12<sup>th</sup>) AGM of the Company held on 25 May 2022, all the Directors were present to engage directly with shareholders and be accountable for their stewardship of the Company.

##### Poll

In line with Rule 8.31A of the Listing Requirements, the Company will ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

### COMPLIANCE STATEMENT

Saved as disclosed above, the Board is of the view that 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 set out in MCCG 2021 and all other applicable laws, where applicable and appropriate. This Corporate Governance Overview Statement was approved by the Board on 18 April 2023.



# AUDIT COMMITTEE REPORT

The Board of Directors (“the Board”) of Hiap Huat Holdings Berhad (“Hiap Huat” or “the Company”) is pleased to present the Audit Committee (“AC”) Report for the financial year ended 31 December 2022 (“FY2022”).

## Composition of AC and Attendance

The Board has set up the AC which comprising exclusively of Independent Non-Executive Directors. The present members of the AC are as follows:

Designation	Name of Director	Directorship
Chairman	Zulkifly Bin Zakaria	Independent Non-Executive Chairman/ Senior Independent Non-Executive Director
Member	Woo Yew Tim	Independent Non-Executive Director
Member	Lee Yew Weng	Independent Non-Executive Director
Member	Cheng Mun Mun (Appointed on 18 April 2023)	Independent Non-Executive Director

The composition of AC meets the requirements of Rules 15.09 and 15.10 of the ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and Practice 9.4 of the Malaysian Code on Corporate Governance (“MCCG”).

In FY2022, the AC held five meetings. The Group Managing Director, Executive Directors, Financial Controller, external auditors, internal auditors and other Board members will attend the AC meetings upon invitation, as and when necessary. Minutes of each meeting were recorded and tabled for confirmation at the next AC meeting and subsequently presented to the Board for notation.

The attendance record of AC members was as follows:

Name of Director	Attendance	Percentage of Attendance
Zulkifly Bin Zakaria	5/5	100%
Woo Yew Tim	5/5	100%
Lee Yew Weng	5/5	100%
Cheng Mun Mun (Appointed on 18 April 2023)	–	–

During FY2022, the AC had engaged with the external auditors to keep abreast with the key audit issues and audit concerns affecting the Company. The Chairman of the AC will highlight the key issues discussed in the AC meeting at each Board meeting.

## Terms of Reference

The Terms of Reference of the AC which laid down its duties and responsibilities are accessible via the Company’s website at [www.hiaphuat.com](http://www.hiaphuat.com).

## Independence of the Audit Committee

Hiap Huat recognised the need to uphold utmost independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the AC of the Company were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least three (3) years in the event any potential candidate to be appointed as a member of the AC was a key audit partner of the external auditors of the Group.

# AUDIT COMMITTEE REPORT

(CONT'D)

## Training and Financial Literacy of the Audit Committee Members

Collectively, the members of the AC have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the AC. The qualification and experience of the individual AC members are disclosed in the Directors' Profiles in this Annual Report, and at least one member of the AC fulfils the financial expertise requirement of the Listing Requirements.

During FY2022, all members of the AC had undertaken the relevant training programmes to keep themselves abreast of the latest development in business environment, statutory laws, regulations and best practices to enable them to effectively discharge their duties. The list of training attended is disclosed in the Corporate Governance Statement in this Annual Report.

## Summary Activities of the AC during FY2022

### 1 Ensuring Financial Statements comply with applicable Financial Reporting

- (a) Reviewed all the four Quarter's Financial Statements and the annual Audited Financial Statements of the Company and recommended the same for the Board's approval. Discussions focused particularly on any change in the accounting policies and its implementation; significant and unusual events arising from the audit; the going concern assumption; compliance with accounting standards and other legal requirements; significant matters highlighted in the financial statements; and significant judgements made by Management.
- (b) Reported its findings on the financial and Management performance, and other material matters (if any) to the Board.

### 2 Reviewing the Audit Findings of the Internal Auditors and assisting the Board in reviewing the effectiveness and adequacy of Systems of Internal Control in the Key Operation Processes:

- (a) Reviewed and approved the Internal Audit Plan for FY2022 proposed by the Internal Auditors to ensure the adequacy of the scope, coverage of works and that it has the necessary authority to carry out its works.
- (b) Reviewed and discussed the Internal Audit Reports which outlined the recommendations towards correcting areas of weaknesses and ensured that management action plans were established for the implementation of the internal auditors' recommendations. Summary of internal auditors' reports presented to the AC provides status updates for management action plans to address the findings reported in the previous audit cycles from the internal auditors.
- (c) Reviewed the adequacy of the scope, functions and competency of the internal auditors' function, and the results of the internal auditors' process to ensure the appropriate actions are taken of the recommendations of the internal auditors' function.

### 3 Reviewing the Audit Findings of the External Auditors and evaluate their performance, suitability and independence of External Auditors:

- (a) Discussed with the external auditors before the audit commences, the audit plan, significant audits findings, nature and scope of the audit and areas of audit emphasis, as well as the external auditors' evaluation of the system of internal controls and audit reports.
- (b) Reviewed and discussed with the external auditors of their audit findings inclusive of issues raised, audit recommendations and management's response to these recommendations.
- (c) Discussed and deliberated on the external auditors' reports and recommendations regarding opportunities for improvement to the significant risk areas, internal controls and financial matters areas based on observations made in the course of interim and final audits.
- (d) Held private meetings with the external auditors without the presence of the Group Managing Director, Executive Directors, Management and Secretaries to discuss on the areas of audit concern.
- (e) Evaluated the performance of the external auditors and considered the re-appointment of external auditors and their audit fees, after taking into consideration of the independence and objectivity of the external auditors and the cost effectiveness of their audit, before recommending to the Board for approval.

**Summary Activities of the AC during FY2022 (Cont'd)****4 Overseeing the Governance Practices in the Group:**

- (a) Reviewed and recommended on quarterly basis the Related Party Transactions (“RPT”) presented by Management to the Board for approval, to ensure that these transactions are undertaken in the best interest of the Company, fair, reasonable and on normal commercial terms as well as not detrimental to the interest of the minority shareholders.
- (b) Reviewed the AC Report, Statement on Risk Management and Internal Control and Corporate Governance Statement to ensure adherence to legal and regulatory reporting requirements and appropriate resolution of all accounting matters requiring significant judgement and recommended the same to the Board for approval.
- (c) Reviewed the adequacy and effectiveness of the Group’s internal control system and reported to the Board.

**Internal Audit Functions and Activities**

The Group has outsourced its Internal Audit Function to an external professional Internal Audit firm, GovernanceAdvisory.com Sdn. Bhd. (“GASB”). The internal audit activities were reported directly to the AC based on the approved annual Internal Audit Plan. The approved annual Internal Audit Plan is designed to cover entities across all levels of operations within the Group.

The internal audit firm appointed by the Company is independent of activities related to business operations and performs its duties in accordance with standards set by relevant professional bodies, namely Institute of Internal Auditors. The internal audit provides independent assessment on the effectiveness and efficiency of internal controls system established by the management, utilising a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the AC. With the internal audit function being put in place, remedial actions can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units.

The AC approves the internal audit plan during the AC meeting each financial year. Any subsequent changes to the internal audit plan are approved by the AC. The scope of internal audit covers the audits of all units and operations, including subsidiaries as stated in the letter of engagement. The cost incurred for the internal audit function during the financial year is approximately RM18,000.00.

During FY2022, the following activities were carried out by the internal auditors in discharge of its responsibilities:

- Present the Internal Audit Plan for the year for review and evaluation by the AC;
- Reviewed the Inventory Management Review function for the following companies:-
  - i. Hiap Huat Chemicals Sdn Bhd;
  - ii. Hiap Huat Services Sdn Bhd;
  - iii. Topmark Petroleum Products Sdn Bhd.
- Recommend improvements to the existing systems of internal controls;
- Follow up on implementation and disposition of audit findings and recommendation;
- Identify opportunities to improve the operations of and processes in the Company and the Group; and identification of risks and implementation of recommendations to mitigate the risks.

The AC and the Board agree that the internal audit review was done in accordance with the audit plan and the coverage is adequate. The AC and the Board are satisfied with the performance of the outsourced internal auditors and have in the interest of greater independence and continuity in the internal audit function, taken the decision to continue with the outsourced of the internal audit function.

This AC Report was approved by the Board of Directors on 18 April 2023.

# STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

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The Directors are required pursuant to the Act to prepare the financial statements for each financial year in accordance with the applicable approved accounting standards in Malaysia.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year, and of the results and cash flows of the Company and the Group for the financial year then ended.

In ensuring the preparation of these financial statements, the Directors have observed the following criteria:

- i. overseeing the overall conduct of the Company's and the Group's business;
- ii. appropriate accounting policies and practices have been adopted and applied consistently;
- iii. the statements are supported by reasonable and prudent judgements and estimates;
- iv. all applicable accounting standards have been followed, subject to any material departure and explained in the financial statements;
- v. reviewing the adequacy and integrity of internal control systems and management information system in the Company and within the Group; and
- vi. a going-concern basis has been adopted unless it is inappropriate to presume that the Group will continue its business.

The Directors are responsible for ensuring that the Company and the Group keep proper accounting records that disclose the financial position of the Company and the Group with reasonable accuracy at any time, thus enabling the financial statements to comply with the requirements of the Act and have been made out in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Listing Requirements of Bursa Securities.

The Directors are also responsible for taking the necessary steps to ensure that appropriate systems are in place to safeguard the assets of the Company and the Group, and to detect and prevent fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Company and the Group for the financial year ended 31 December 2022, the Company and the Group have 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.

# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors (“The Board”) of Hiap Huat Holdings Berhad (“Hiap Huat” or “the Company”) is committed to constantly improving the risk management and internal control system in Hiap Huat group of companies (“the Group”) to safeguard shareholders’ investments, stakeholders’ interests and the Group’s assets.

This Statement is made in accordance with the Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”) and is guided by the latest Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

The Statement outlines an overview of the nature and state of risk management and internal control of Hiap Huat and its group of companies during the financial year under review and up to the date of approval of this statement by the Board.

## BOARD RESPONSIBILITY

The Board recognises the importance of good risk management practices and sound internal control 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.

The Board continually reviews the adequacy and integrity of the Group’s risk management and internal control system, which has been embedded in all aspects of the Group’s activities, aligned with its business objectives. The Board is aware that the risk management framework and internal control system are designed to manage the Group’s risks within an acceptable risk appetite, rather than eliminate the risk. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against fraud, material misstatement or errors.

The Board through its Audit Committee (“AC”) 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 AC 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 control 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.

# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

(CONT'D)

## 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 systems 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.

The Group's established risk management practice is guided by ISO 31000: Risk Management – Principles and Guidelines. The key elements of this risk management process are as follows:

- Identify key risks associated with the Group's external and internal risks;
- Identify the existing controls that manage the identified risks;
- Confirm ownership and timelines for managing and monitoring the identified risks;
- Rate the identified risks in terms of likelihood of occurrence and the resulting impact on the organisation. The rating takes into account the effectiveness of existing controls put in place to manage the risks;
- Decide on the risk treatment and develop risk response to manage residual risks (if any); and
- Regular monitoring and updating of the Group's existing key risk profile.

The above risk management process has been in place for the year under review and up to the date of the approval of this Statement.

The Board has set up a Risk Management Committee ("RMC") which comprises half of Independent Non-Executive Director to identify, evaluate and manage significant risks faced by the Group as well as report to the Board on significant risks affecting the Group's strategic and business plans, if any. The Board will be presented with a detailed risk registers of the key risks been identified, with existing controls highlighted, the risk responses created and a risk profile for the Group have been developed. Risks identified were prioritised in terms of the likelihood of occurrence and its impact on the achievement of the Group's business objectives.

The RMC meets periodically to identify and manage risks; the risks are being continually monitored and appropriate actions taken to address any change in the existing risks or new risks identified as part of an on-going proactive risk management exercise.

The risk register of the Group was updated by the RMC. Through this update, which takes into consideration of the economic and business outlook, new risks were identified, assessed and rated, and existing risks are further re-evaluated. The updated risk register including additional mitigating action plans to be implemented were then presented to Audit Committee in the Risk Management Committee Meeting.

The detail of the principal risks faced by the Group is set out in the Management Discussion and Analysis in this Annual Report.

**KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)****2. Internal Control System**

- (i) The Group has in place an organisational structure with defined lines of responsibilities and delegation of authority. A process of hierarchical reporting has been established, which provide for a documented and auditable trail of accountability and also facilitate the 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 limits of authority across the Group's operations that sets out decisions that need to be taken and the appropriate levels of Management involved including matters that require the Board's approval.
- (iii) The Board of Directors and AC meet at least four (4) times during the financial year 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) The Group has a budgeting process which establishes plans and targets for performances to be measured on an on-going basis. Budget variances are analysed and reported internally on a quarterly basis.
- (v) 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 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.
- (vi) Internal policies and procedures had been established for key business units within the Group. Certain subsidiaries within the Group are also ISO accredited.
- (vii) Comprehensive guidelines on employment, code of conduct 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.
- (viii) A formal Whistle-blowing Policy has been established to forms part of the Group's Code of Conduct in achieving and maintaining the highest standard of work ethics in the conduct of business. The policy provide a platform to its employees to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group. The Whistle Blowing Policy is available at the corporate website at <https://www.hiaphuat.com>.
- (ix) The Group has adopted an Anti-Bribery and Anti-Corruption Policy which in line with the Listing Requirements and/or the provisions of the Malaysian Anti-Corruption Commission Act 2009. The Group is committed to carry out its business honestly and openly and has a zero tolerance of bribery and corruption. The business of the Group is conducted with high level of integrity and ethics and complies with applicable laws.
- (x) An integrated regulatory compliance monitoring and control process has been implemented within the Group on the waste management and recycled process. The Group ensures that the compliance of laws and regulations of the relevant authority to provide assurance that its products and services offered are in a manner consistent with regulatory requirements and the Group's corporate responsibilities.



## STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

(CONT'D)

### KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

#### 3. Internal Audit Function

The Group's Internal Audit Function assists the Board and AC by providing an independent assessment of the adequacy and effectiveness of the Group's internal control system.

The Group has outsourced its internal audit function to GovernanceAdvisory.com Sdn. Bhd., an independent professional internal audit firm. The Internal Auditors supports the AC, and by extension to the Board by providing independent assurance on the effectiveness of the Group's system of internal control.

The internal audit plan which reflects the identified risk was reviewed and approved by the AC. During the financial year under review, one key audit area reviewed was Inventory Management Review of the subsidiaries of the Group. All reports from the internal audit reviews, and corrective actions undertaken by Management were presented to the AC. There are no significant weaknesses which may resulted in any material losses, contingencies or uncertainties that have any material impact to the financial statements of the Group.

In performing the internal audit review, the Internal Auditors refer to and are guided by The International Professional Practices Framework ("IPPF") that includes the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

Further details of the Internal Audit Function are set out in the Audit Committee Report of this Annual Report.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide AAPG 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31 December 2022, and reported to the Board that nothing has come to their attention that causes them to believe the statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the External Auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The External Auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

### CONCLUSION

For the financial year under review, there were no significant internal control deficiencies or material weaknesses resulting in material losses or contingences requiring separate disclosure in the Annual Report.

The Board is of the view that the Group's system of internal control and risk management 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 18 April 2023.

# OTHER DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA SECURITIES

## 1. EMPLOYEE SHARE OPTION SCHEME (“ESOS”)

The ESOS of the Company was approved by the shareholders at the Extraordinary General Meeting held on 24 May 2021, and it is governed by the By-Laws.

The ESOS was implemented on 28 July 2021 and shall be in force for a period of five (5) years and may be extended for a further period of up to 5 years immediately from the expiry of the first 5 years at the discretion of our Board upon the recommendation of the ESOS Committee. Any extension of the Proposed ESOS shall not, in aggregate with the initial term, exceed 10 years from the effective date of implementation of the ESOS, or such longer period as may be allowed by Bursa Securities and/or the relevant authorities.

As of 31 December 2022, the Company has not granted any option under the ESOS to the eligible Directors and employees of the Group.

## 2. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

### Private Placement of up to 20% of the total number of issued shares

On 24 May 2021, the Company proposed to undertake a private placement of up to 20% of the total number of issued shares of the Company to independent third-party investors (excluding treasury shares) (“Private Placement”). The Private Placement has been approved by Bursa Securities with conditional on the compliance of relevant provisions under listing requirements.

A total of 65,837,000 placement shares have been allotted and listed to third party investors at an issue price of RM0.135 with gross proceeds of RM8,887,995. The summary of the utilisation of proceeds was as follows:-

Purpose	Actual proceeds raised RM'000	Actual utilisation (RM'000) as at 31 December 2022	Balance available (RM'000)	Intended Timeframe for Utilisation	Revised intended timeframe for utilisation of proceeds
Part finance the construction of a new waste treatment facility	3,000	–	3,000*	Within 18 months	Within 30 months
Purchase of new palm oil waste refining system	4,000	4,000	–	Within 18 months	–
Estimated expenses for the Private Placement	250	250	–	Within 1 month	–
Working capital requirements	1,638	1,638	–	Within 12 months	–
<b>TOTAL</b>	<b>8,888</b>	<b>5,888</b>	<b>3,000</b>		

\* The Board has extended the intended timeframe for utilisation to an additional 12 months from the approved timeframe of 18 months.

## OTHER DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENT OF BURSA SECURITIES

(CONT'D)

### 3 AUDIT AND NON-AUDIT FEES PAID TO EXTERNAL AUDITORS

During the financial year, the amount of audit and non-audit fees paid or payable to the external auditors by the Company and the Group respectively for the financial year ended 31 December 2022 were as follows:

	Company (RM)	Group (RM)
Audit Services Rendered	32,000	95,000
Non-Audit Services Rendered Review of Statement on Risk Management and Internal Control	5,000	5,000

### 4 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.

### 5 CONTRACTS RELATING TO LOAN

During the financial year, there were no material contracts relating to loans entered into by the Company involving Directors and major shareholders.

### 6 RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING

Save for such disclosure made in Note 30 to the audited consolidated financial statements in this Annual Report, there were no material recurrent related party transactions of revenue nature during the financial year ended 31 December 2022.

# 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 2022.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is engaged in investment holding. The principal activities of its subsidiaries are disclosed in Note 7 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
Profit/(Loss) for the financial year	8,053,907	(237,695)
Attributable to:		
Owners of the Company	8,154,705	(237,695)
Non-controlling interests	(100,798)	–
	8,053,907	(237,695)

## RESERVES AND PROVISIONS

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

## DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Board of Directors do not recommend any dividend in respect of the current financial year.

## ISSUE OF SHARES AND DEBENTURES

There was no issuance of share or debentures during the financial year.

## TREASURY SHARES

As at 31 December 2022, the Company held 4,113,000 treasury shares out of the total 399,138,330 issued ordinary shares. Further relevant details are disclosed in Note 15(b) to the financial statements.

## 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' REPORT

(CONT'D)

### DIRECTORS

The Directors in office during the financial year until the date of this report are:

Dato' Chan Say Hwa\*  
Datin Chow Pui Ling\*  
Soo Kit Lin\*  
Zulkifly Bin Zakaria  
Woo Yew Tim  
Lee Yew Weng  
Cheng Mun Mun (*Appointed on 18 April 2023*)

\* *Director of the Company and its subsidiaries*

The Directors who held office in the subsidiaries (excluding Directors who are also Directors of the Company) during the financial year up to the date of this report:

Soo Yat Sun

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiaries and made a part hereof.

### DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares			
	At 1.1.2022	Bought	Sold	At 31.12.2022
<b>Interests in the Company</b>				
<b>Direct interests</b>				
Dato' Chan Say Hwa	69,026,460	–	–	69,026,460
Datin Chow Pui Ling	3,363,220	–	–	3,363,220
Soo Kit Lin	66,608,460	–	–	66,608,460
Lee Yew Weng	1,000	–	–	1,000
<b>Indirect Interests</b>				
Dato' Chan Say Hwa (#)	69,971,680	–	–	69,971,680
Datin Chow Pui Ling (#)	69,026,460	–	–	69,026,460
Soo Kit Lin (#)	69,026,460	–	–	69,026,460

(#) *deemed interest by virtue of shares held by spouse and parent*

Other than as disclosed above, none of the other Directors in office at the end of the financial year have any interest in shares in the Company or its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Notes 25 and 28 to 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.

The Directors' remuneration for the Group and the Company are RM2,201,326 and RM2,129,326 respectively.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was 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.

## INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM3,000,000 and RM6,150 respectively.

No indemnity was given to or insurance effected for auditors of the Company.

## OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, 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 adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and
  - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company 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 and of the Company misleading or inappropriate.

## DIRECTORS' REPORT

(CONT'D)

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### OTHER STATUTORY INFORMATION (CONT'D)

- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the Directors:
- (i) 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 and of the Company to meet their obligations as and when they fall due;
  - (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### AUDITORS

The Auditors, TGS TW PLT (202106000004 (LLP0026851-LCA) & AF002345), have expressed their willingness to continue in office.

Auditors' remuneration for the Group and the Company as set out in Note 25 to financial statements are RM95,000 and RM32,000 respectively.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 18 April 2023.

**DATO' CHAN SAY HWA**

**DATIN CHOW PUI LING**

KUALA LUMPUR



# STATEMENT OF DIRECTORS

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 62 to 120 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 18 April 2023.

**DATO' CHAN SAY HWA**

**DATIN CHOW PUI LING**

KUALA LUMPUR

# STATUTORY DECLARATION

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

I, Dato' Chan Say Hwa, being the Director primarily responsible for the financial management of Hiap Huat Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 62 to 120 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by )  
the abovenamed at Kuala Lumpur in the )  
Federal Territory on 18 April 2023 )

**DATO' CHAN SAY HWA**

Before me,

**Commissioner for Oaths**  
**SHI' AKATUL AKMAR BINTI SAHARI (W788)**

# INDEPENDENT AUDITORS' REPORT

HIAP HUAT HOLDINGS BERHAD [REGISTRATION NO.: 200901038858 (881993-M)]  
(INCORPORATED IN MALAYSIA)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Hiap Huat Holdings Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 120.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and of their 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 2016 in Malaysia.

### Basis for opinion

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

### *Independence and Other Ethical Responsibilities*

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

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key audit matters

#### How we addressed the key audit matters

1. Inventory net realisable value

The Group estimated the net realisable value of the inventories based on an assessment of expected selling prices. The estimated net realisable value is involving significant judgement by management due to the nature of the inventories, which depending on the market condition of bunker oil price and consumers' bargaining and demands.

We discussed with the management on the basis used to determine the net realisable value.

We assessed the reasonableness of the net realisable value of inventory balance by test checking to alignment of market price of bunker oil and expected margin pattern within the reasonable period.

We test checked against the transacted price by inspecting related sales documents after the financial year end.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)****Key audit matters (Cont'd)**Key audit mattersHow we addressed the key audit matters

## 2. Impairment on trade receivables

Please refer to significant accounting judgements, estimates and assumptions in Note 2(c) and the disclosures of trade receivables and credit risk in Note 10 to the financial statements respectively.

We focused on this area given the use of significant estimates and judgement in determining the appropriate level of impairment for trade receivables.

The focus of our work involved auditing the Group's credit analyses and associated impairment assessments of trade receivables that were either in default or significantly overdue as at 31 December 2022. Our procedures performed in relation to managements' impairment assessment and testing included the following:

- We had developed understanding of the design and implementation of controls associated with monitoring of outstanding trade receivables and impairment calculation;
- We had developed an understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports or other collection reports;
- We had reviewing receipts of collections subsequent to the financial year end, customer correspondence, and considering level of activity with the customer and explanation on recoverability with significantly past due balances;
- We had assessed the reasonableness of impairment charges for identified credit exposure; and
- We had assessed the adequacy and reasonableness of the disclosures in the financial statements.

We have determined that there are no key audit matters to communicate in Company level.

## INDEPENDENT AUDITORS' REPORT

(CONT'D)

### INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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

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

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

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

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

## OTHER MATTER

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

### TGS TW PLT

202106000004 (LLP0026851-LCA) & AF002345  
Chartered Accountants

### OOI POH LIM

03087/10/2023 J  
Chartered Accountant

KUALA LUMPUR  
18 April 2023

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	30,367,439	31,054,709	340,108	493,764
Right-of-use assets	5	46,674,847	42,847,711	–	–
Investment properties	6	7,358,239	7,540,920	7,358,239	7,540,920
Investment in subsidiaries	7	–	–	39,435,026	39,435,026
Other receivables	8	128,455	201,856	–	–
		84,528,980	81,645,196	47,133,373	47,469,710
<b>Current assets</b>					
Inventories	9	7,585,653	7,065,184	–	–
Trade receivables	10	11,469,697	7,191,046	–	–
Other receivables	8	1,685,037	686,819	49,645	70,173
Amount due from subsidiaries	11	–	–	513,870	407,584
Tax recoverable		390,329	102,917	111,339	–
Fixed deposits with licensed banks	12	5,666,018	162,733	3,000,000	–
Short-term investments	13	–	6,615,974	–	6,615,974
Cash and bank balances		13,427,247	7,554,252	3,186,751	225,715
		40,223,981	29,378,925	6,861,605	7,319,446
Non-current assets classified as held for sales	14	–	–	–	–
<b>Total assets</b>		124,752,961	111,024,121	53,994,978	54,789,156

STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022

(CONT'D)

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	15	49,980,636	49,980,636	49,980,636	49,980,636
Treasury shares	15	(400,646)	(400,646)	(400,646)	(400,646)
Merger deficit	16	(9,535,114)	(9,535,114)	–	–
Revaluation reserves	17	8,881,351	8,881,351	687,219	687,219
Retained earnings		35,309,285	27,154,580	379,916	617,611
<hr/>					
Total equity attributable to owners of the Company		84,235,512	76,080,807	50,647,125	50,884,820
Non-controlling interests ("NCI")		(222,584)	(121,786)	–	–
<hr/>					
<b>Total equity</b>		<b>84,012,928</b>	<b>75,959,021</b>	<b>50,647,125</b>	<b>50,884,820</b>
<hr/>					
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Lease liabilities	18	2,625,044	838,600	–	–
Loan and borrowings	19	22,645,461	21,478,860	2,742,433	3,031,269
Deferred tax liabilities	20	7,519,050	7,005,331	181,000	168,000
<hr/>					
		32,789,555	29,322,791	2,923,433	3,199,269
<hr/>					
<b>Current liabilities</b>					
Trade payables	21	3,459,905	2,981,398	–	–
Other payables	22	985,281	524,051	150,487	209,196
Amount due to subsidiaries	11	–	–	–	227,364
Lease liabilities	18	974,478	734,653	–	–
Loan and borrowings	19	1,847,940	1,502,207	273,933	241,776
Tax payable		682,874	–	–	26,731
<hr/>					
		7,950,478	5,742,309	424,420	705,067
<hr/>					
<b>Total liabilities</b>		<b>40,740,033</b>	<b>35,065,100</b>	<b>3,347,853</b>	<b>3,904,336</b>
<hr/>					
<b>Total equity and liabilities</b>		<b>124,752,961</b>	<b>111,024,121</b>	<b>53,994,978</b>	<b>54,789,156</b>

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



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Revenue	23	80,034,925	61,730,965	4,098,000	3,600,000
Cost of sales		(59,349,298)	(47,801,905)	–	–
Gross profit		20,685,627	13,929,060	4,098,000	3,600,000
Other income		729,787	406,464	319,925	276,580
Administrative expenses		(9,600,138)	(7,495,960)	(4,433,231)	(3,419,582)
Other expenses		(61,091)	(374,351)	(34,332)	(50,030)
Net (loss)/gain on impairment of financial assets		(9,497)	13,095	–	–
<b>Profit/(Loss) from operation</b>		11,744,688	6,478,308	(49,638)	406,968
Finance costs	24	(918,709)	(727,567)	(80,238)	(94,127)
<b>Profit/(Loss) before tax</b>	25	10,825,979	5,750,741	(129,876)	312,841
Taxation	26	(2,772,072)	(2,357,923)	(107,819)	(214,495)
<b>Profit/(Loss) for the financial year</b>		8,053,907	3,392,818	(237,695)	98,346
<b>Profit/(Loss) for the financial year attributable to:</b>					
Owners of the parent		8,154,705	3,417,299	(237,695)	98,346
Non-controlling interests		(100,798)	(24,481)	–	–
		8,053,907	3,392,818	(237,695)	98,346
<b>Total comprehensive income/(loss) for the financial year attributable to:</b>					
Owners of the parent		8,154,705	3,417,299	(237,695)	98,346
Non-controlling interests		(100,798)	(24,481)	–	–
		8,053,907	3,392,818	(237,695)	98,346
<b>Earnings per share (“EPS”) (sen)</b>					
Basic	27	2.06	0.96		

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Group	Note	Attributable to the owners of the Company				Total equity RM	NCI RM	Total equity RM
		Share capital RM	Treasury shares RM	Merger deficit RM	Revaluation reserves RM			
<b>At 1 January 2021</b>		41,092,641	(400,646)	(9,535,114)	8,881,351	23,599,976	–	63,638,208
Profit for the financial year, representing total comprehensive income for the financial year		–	–	–	–	3,417,299	(24,481)	3,392,818
<b>Transactions with owners:</b>								
Issuance of shares	15	8,887,995	–	–	–	–	–	8,887,995
Disposal in shareholding of a subsidiary		–	–	–	–	137,305	(97,305)	40,000
<b>Total transactions with owners</b>		8,887,995	–	–	–	137,305	(97,305)	8,927,995
<b>At 31 December 2021</b>		49,980,636	(400,646)	(9,535,114)	8,881,351	27,154,580	(121,786)	75,959,021
<b>At 1 January 2022</b>		49,980,636	(400,646)	(9,535,114)	8,881,351	27,154,580	(121,786)	75,959,021
Profit for the financial year, representing total comprehensive income for the financial year		–	–	–	–	8,154,705	(100,798)	8,053,907
<b>At 31 December 2022</b>		49,980,636	(400,646)	(9,535,114)	8,881,351	35,309,285	(222,584)	84,012,928

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

(CONT'D)

Company	Note	Non-distributable			Distributable Retained earnings RM	Total equity RM
		Share capital RM	Treasury shares RM	Revaluation reserves RM		
<b>At 1 January 2021</b>		41,092,641	(400,646)	687,219	519,265	41,898,479
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	98,346	98,346
<b>Transaction with owners:</b>						
Issuance of share capital	15	8,887,995	-	-	-	8,887,995
<b>At 31 December 2021</b>		49,980,636	(400,646)	687,219	617,611	50,884,820
<b>At 1 January 2022</b>		49,980,636	(400,646)	687,219	617,611	50,884,820
Loss for the financial year, representing total comprehensive loss for the financial year		-	-	-	(237,695)	(237,695)
<b>At 31 December 2022</b>		49,980,636	(400,646)	687,219	379,916	50,647,125

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
<b>Cash flows from operating activities</b>					
Profit/(Loss) before tax		10,825,979	5,750,741	(129,876)	312,841
Adjustments for:					
Depreciation of property, plant and equipment		5,197,937	3,568,141	198,884	201,808
Depreciation of right-of-use assets		1,673,304	1,812,641	–	–
Depreciation of investment properties		182,681	182,681	182,681	182,681
Fair value loss on short-term investments		26,051	14,653	25,796	14,653
Dividend income on short-term investments		(137,611)	(68,859)	(101,463)	(68,859)
Gain on modification of lease contract		–	(4,072)	–	–
(Gain)/Loss on disposal of property, plant and equipment		(120,736)	(576)	1,947	–
Property, plant and equipment written off		33,093	93,960	6,589	35,377
Net loss/(gain) on impairment of financial assets:					
- Allowance for/(Reversal of) expected credit losses on trade receivables		9,497	(13,095)	–	–
Unrealised gain on foreign exchange		(37,511)	(324)	(112)	(108)
Interest expenses		918,709	727,567	80,238	94,127
Interest income		(3,285)	(52,999)	–	–
Operating profit before working capital changes		18,568,108	12,010,459	264,684	772,520
Change in working capital:					
Inventories		(520,469)	(2,159,925)	–	–
Receivables		(5,212,965)	(1,415,451)	20,528	25,687
Payables		939,737	639,042	(58,709)	(23,907)
		(4,793,697)	(2,936,334)	(38,181)	1,780
Cash generated from operations		13,774,411	9,074,125	226,503	774,300
Tax refund		72,843	–	–	–
Tax paid		(1,935,734)	(496,229)	(232,889)	(233,567)
		(1,862,891)	(496,229)	(232,889)	(233,567)
Net cash from/(used in) operating activities		11,911,520	8,577,896	(6,386)	540,733

STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

(CONT'D)

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(4,555,224)	(12,357,644)	(53,764)	(85,182)
Additions to right-of-use assets	A	(2,585,500)	(12,140,443)	–	–
Additional investment in a subsidiary		–	–	–	(5,500,000)
Interest received		3,285	52,999	–	–
Proceeds from decrease in shareholding of a subsidiary		–	40,000	–	40,000
Proceeds from disposal of property, plant and equipment		132,200	9,000	–	–
Proceeds from disposal of non-current asset held for sale		–	1,380,000	–	1,380,000
Withdrawal/(Redemption) of short-term investments		6,727,534	(2,311,887)	6,691,641	(2,311,887)
Placement of fixed deposit with a licensed bank with maturity more than 3 months		(5,500,000)	–	(3,000,000)	–
<b>Net cash (used in)/from investing activities</b>		<b>(5,777,705)</b>	<b>(25,327,975)</b>	<b>3,637,877</b>	<b>(6,477,069)</b>
<b>Cash flows from financing activities</b>					
Interest paid		(918,709)	(727,567)	(80,238)	(94,127)
Proceed from issuance of share capital		–	8,887,995	–	8,887,995
Repayment to subsidiaries		–	–	(333,650)	(1,660,319)
Repayments of lease liabilities	B	(888,671)	(1,017,266)	–	–
Drawdown of term loans		9,098,195	15,499,600	6,079,796	4,100,000
Repayments of term loans		(7,585,861)	(5,895,867)	(6,336,475)	(5,439,195)
<b>Net cash (used in)/from financing activities</b>		<b>(295,046)</b>	<b>16,746,895</b>	<b>(670,567)</b>	<b>5,794,354</b>
<b>Net cash increase/(decrease) in cash and cash equivalents</b>		<b>5,838,769</b>	<b>(3,184)</b>	<b>2,960,924</b>	<b>(141,982)</b>
<b>Effect of exchange translation differences on cash and cash equivalents</b>		<b>37,511</b>	<b>324</b>	<b>112</b>	<b>108</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>7,716,985</b>	<b>7,719,845</b>	<b>225,715</b>	<b>367,589</b>
<b>Cash and cash equivalents at the end of the financial year</b>		<b>13,593,265</b>	<b>7,716,985</b>	<b>3,186,751</b>	<b>225,715</b>

STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

(CONT'D)

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
<b>Cash and cash equivalents at the end of the financial year comprises:</b>					
Cash and bank balances		13,427,247	7,554,252	3,186,751	225,715
Fixed deposits with licensed banks		5,666,018	162,733	3,000,000	–
		19,093,265	7,716,985	6,186,751	225,715
Less: Fixed deposit with a licensed bank with maturity more than 3 months		(5,500,000)	–	(3,000,000)	–
		13,593,265	7,716,985	3,186,751	225,715

**NOTES TO THE STATEMENTS OF CASH FLOWS**

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
<b>A. Purchase of right-of-use assets</b>					
Total purchase of right-of-use assets		5,500,440	12,907,284	–	–
Less: Purchase by lease liabilities		(2,914,940)	(766,841)	–	–
Total cash used in purchase of right-of-use assets		2,585,500	12,140,443	–	–
<b>B. Cash outflows for leases as a lessee</b>					
Included in net cash from operating activities:					
Payment relating to short-term leases	25	1,842,086	1,067,902	–	–
Included in net cash from financing activities:					
Payment of lease liabilities		888,671	1,017,266	–	–
Payment on interest of lease liabilities		101,140	86,415	–	–
		989,811	1,103,681	–	–
		2,831,897	2,171,583	–	–

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 1. CORPORATE INFORMATION

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

The registered office of the Company was located at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan. With effect from 2 January 2023, the Company's registered office has been relocated to B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan.

The principal place of business of the Company was located at Lot 102521, Jalan Sungai Pinang 5/3, Kawasan Perindustrian Pulau Indah, Fasa 2, 42920 Pulau Indah, Selangor Darul Ehsan.

The principal activity of the Company is engaged in investment holding. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

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

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 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 significant accounting policies below.

### Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year.

Amendments to MFRS 16	COVID - 19 - Related Rent Concessions beyond 30 June 2021
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 - 2020	Amendments to MFRS 1 Amendments to MFRS 9 Amendments to Illustrative Examples accompanying MFRS 16 Amendments to MFRS 141

The adoption of the above amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.



## 2. BASIS OF PREPARATION (CONT'D)

### (a) Statement of compliance (Cont'd)

#### Standard issued but not yet effective

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

		<b>Effective dates for financial periods beginning on or after</b>
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101	Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 10 and MFRS 128	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above new and amendments to MFRSs when they become effective.

The initial applications of the above-mentioned new and amendments to MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company.

### (b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to nearest RM, unless otherwise stated.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022

(CONT'D)

### 2. BASIS OF PREPARATION (CONT'D)

#### (c) Significant accounting judgements, estimates and assumptions

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

#### Judgements

The following are the accounting policies that have the most significant effect on the amounts recognised in the financial statements:

##### Classification between investment properties and property, plant and equipment

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately (or leased out separately under a finance lease), the Group and the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are significant that a property does not qualify as investment property.

##### Determining the lease term of contracts with renewal and termination options Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if they are reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if they are reasonably certain not to be exercised.

The Group applies judgement in evaluating whether they are reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, they consider all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of land and building with non-cancellable period included as part of the lease term as these are reasonably certain to be exercised because there will be a significant negative effect on operation if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

## 2. BASIS OF PREPARATION (CONT'D)

### (c) Significant accounting judgements, estimates and assumptions (Cont'd)

#### **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation 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 reporting period are set out below:

#### Useful lives of property, plant and equipment, right-of-use ("ROU") assets and investment properties

The Group and the Company regularly review the estimated useful lives of property, plant and equipment, ROU assets and investment properties based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment, ROU assets and investment properties would increase the recorded depreciation and decrease the value of property, plant and equipment, ROU assets and investment properties. The carrying amount at the reporting date for property, plant and equipment, ROU assets and investment properties are disclosed in Notes 4, 5 and 6 to the financial statements.

#### Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other 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.

#### Inventories valuation

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 selling 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. Details of inventories are disclosed in Note 9 to the financial statements.

#### Determination of transaction prices

The Group and the Company are required to determine the transaction price in respect of each of their contracts with customers. In making such judgement, the Group and the Company assess the impact of any variable consideration in the contract due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no significant financing as the period between the transfer of control of good or service to a customer and the payment date is always less than one year, and no non-cash consideration noted in the contracts with customers.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022

(CONT'D)

### 2. BASIS OF PREPARATION (CONT'D)

#### (c) Significant accounting judgements, estimates and assumptions (Cont'd)

##### **Key sources of estimation uncertainty (Cont'd)**

###### Provision for expected credit loss of financial assets at amortised cost

The Group and the Company review the recoverability of their receivables at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Group's and Company's past history, existing market conditions at the end of each reporting period.

The Group and the Company use a provision matrix to calculate expected credit loss for receivables. The provision rates are based on number of days past due.

The provision matrix is initially based on the Group's and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit loss is a significant estimate. The carrying amounts at the reporting date for receivables are disclosed in Notes 8, 10 and 11 to the financial statements.

###### Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

###### Income taxes

Judgement 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 of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were 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

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations under common control are accounted for using the merger method, where the results of entities or businesses under common control are accounted for as if the combination had been effected throughout the current and previous financial periods. The assets, liabilities and reserves of these entities are recorded at their pre-combination carrying amounts or existing carrying amounts are accounted for from the perspective of the common shareholder. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of combination that would otherwise be done under the acquisition method. No new goodwill is recognised as a result of the combination. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as reserve on acquisition arising from common control.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of *MFRS 9 Financial Instruments* is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investment in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(l)(i) to the financial statements on impairment of non-financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022

(CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) Basis of consolidation (Cont'd)

##### (ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

##### (iii) Disposal of subsidiaries

If the Group loses control of a subsidiary, the assets and liabilities of the subsidiary, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

##### (iv) NCI

The excess of the aggregate of the consideration transferred the amount of any NCI in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, NCI recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired (i.e. a bargain purchase), the gain is recognised in profit and loss.

#### (b) Foreign currency translation

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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss.

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 in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

#### (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(l)(i) to the financial statements on impairment of non-financial assets.

### 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. 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 property, 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.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity, usually every five years, to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the end of the reporting period.

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of land and buildings are recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decreases or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land and buildings are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

Capital work-in-progress consists of buildings and plant and machinery under construction/installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction/installation until the property, plant and equipment are ready for intended 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.

##### (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 the Company and their cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022

(CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (c) Property, plant and equipment (Cont'd)

##### (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. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Furniture and fittings and office equipment	10% - 50%
Motor vehicles	20%
Renovation	10%
Plant and machinery	10%
Laboratory equipment	10%

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period 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 property, plant and equipment.

#### (d) Leases

##### As lessee

The Group recognises a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i) to the financial statements.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold land and factory lots	Over the remaining lease period
Leasehold buildings	Over the remaining lease period
Building warehouse	Over the lease term
Factory equipment	50%
Motor vehicles	20%

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (d) Leases (Cont'd)

##### As lessee (Cont'd)

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether they will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

##### As lessor

When the Group acts as a lessor, they determine at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group applies MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group recognises assets held under a finance lease in their statements of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

The Group recognises lease payments under operating lease as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### (e) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, Investment properties are measured at cost, including transaction costs, less any accumulated depreciation and impairment losses.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Other investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives. The principal annual depreciation rates are:

Leasehold buildings	Over the remaining lease period
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

(CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (e) Investment properties (Cont'd)

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(l)(i) to the financial statements on impairment of non-financial assets.

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the reporting period of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group and the Company account for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### (f) Financial assets

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

A financial asset (unless it is a trade receivable without financing component) is initially measured at fair value plus or minus, for an item not at fair value through profit and loss ("FVTPL"), directly attributable transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

The Group determines the classification of its financial assets at initial recognition, and the categories include trade and other receivables, fixed deposits with licensed banks, cash and bank balances. The Company determines the classification of its financial assets at initial recognition, and the categories include other receivables, amount due from subsidiaries, fixed deposits with licensed banks, cash and bank balances.

##### (i) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

##### (ii) Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income ("FVTOCI"), are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (f) Financial assets (Cont'd)

All financial assets, except for those measured at FVTPL and equity investments measured at financial assets at FVTOCI, are subject to impairment.

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 the Company commit to purchase or sell the asset.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

#### (g) Financial liabilities

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

#### (h) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as financial liabilities at fair value, net of transaction costs. Subsequently, the liability is measured at the higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*.

#### (i) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022

(CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (j) Inventories

Inventories are stated at the lower of cost and net realisable value and determined using weighted average basis.

Cost of raw materials, packing materials and finished goods consists of the expenditure incurred in bringing the inventories and other costs in bringing them to their existing location and condition.

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.

#### (k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and demand deposits 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 statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

#### (l) Impairment of assets

##### (i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised 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 the same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the other assets in the cash-generating units (group of cash-generating units) on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the 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 or amortisation, 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (l) Impairment of assets (Cont'd)

##### (ii) Financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on their historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### (m) Share capital

##### (i) Ordinary shares

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

##### (ii) Treasury shares

When issued share of the Company are repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity as treasury shares until the shares are cancelled, reissued or disposed of. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of the treasury shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is deducted against the retained earnings of the Company.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration, net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

#### (n) Provisions

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

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

Any reimbursement that the Group and the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is recognised in the profit or loss net of any reimbursement.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

(CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (o) Employee benefits

##### (i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick 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 contribute to the state pension scheme, the Employees 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 and the Company have no further payment obligations.

#### (p) Revenue recognition

##### (i) Revenue from contract with customers

Revenue is recognised when the Group and the Company satisfied a performance obligation ("PO") by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group and the Company recognise revenue from the following major sources:

##### (a) Sales of goods

The Group produces and sells of good in local and oversea markets. Revenue from sales of goods is recognised when control of the products has transferred, being the products are delivered to the customers.

Following delivery of the goods to the customers' location, the customers have full discretion over the manner of distribution and price to sell the goods, and bear the risk of obsolescence and loss in relation to the goods.

Revenue is recognised based on the price specified in the contract net of the rebates, discounts and taxes.

A receivable is recognised by the Group when the goods are delivered as this represents the point in time at which the right to consideration is unconditional, because only the passage of time is required before payment is due. No element of financing is deemed present as the revenue recognised with a credit term of 30 to 120 days, which is consistent with market practice.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (p) Revenue recognition (Cont'd)

##### (i) Revenue from contract with customers (Cont'd)

The Group and the Company recognise revenue from the following major sources: (Cont'd)

##### (b) Rendering of services

Revenue from services and management fees are recognised in the reporting period in which the services are rendered, which simultaneously received and consumes the benefits provided by the Group and the Company, and the Group and the Company have a present right to payment for the services.

##### (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) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

##### (iv) Interest income

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

#### (q) 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, until such time as the assets are substantially ready for their intended use or sale. 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 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 their 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

## 31 DECEMBER 2022

(CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (r) 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 financial 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 financial years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. 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. 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.

#### (s) Operating segments

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.

#### (t) Contingencies

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.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (u) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the assets are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets. Management must be committed to the sale, which would be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment are not depreciated once classified as held for sale.

#### (v) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused transfers.

#### (w) Earnings per share

##### (i) Basic

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

##### (ii) Diluted

Diluted earnings per share is calculated by dividing the profit or loss for the reporting period attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares in issue, adjusted for the dilutive effects of all potential ordinary shares to be issued. Diluted earnings per share is not applicable as the Group does not have potential dilutive equity instruments that would give a diluted effect to the basic earnings per share.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

(CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (x) Related parties

A related party is a person or entity that is related to the Group and the Company. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group.
  
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group.
  - (ii) The entity is an associate or joint venture of the other entity.
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) The entity is a joint venture of a third entity and the other entity is an associate of the same third entity.
  - (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
  - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the Group.
  - (viii) The entity, or any member of a company of which it is a party, provides key management personnel services to the Group.

4. PROPERTY, PLANT AND EQUIPMENT

	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
<b>Group Cost</b>							
At 1 January 2021	588,601	1,829,138	2,565,585	31,855,165	1,188,594	9,456,839	47,483,922
Additions	—	—	—	—	—	12,357,644	12,357,644
Disposals	—	—	—	(71,295)	—	—	(71,295)
Written off	(39,214)	—	(63,588)	(58,330)	—	—	(161,132)
Reclassification	93,683	2,127,870	—	11,971,458	165,019	(14,358,030)	—
At 31 December 2021/1 January 2022	643,070	3,957,008	2,501,997	43,696,998	1,353,613	7,456,453	59,609,139
Additions	—	—	—	—	—	4,555,224	4,555,224
Disposals	—	(322,617)	—	(410,837)	—	—	(733,454)
Written off	(35,316)	—	—	(71,009)	(5,000)	—	(111,325)
Reclassification	109,789	1,218,662	—	2,262,439	190,403	(3,781,293)	—
At 31 December 2022	717,543	4,853,053	2,501,997	45,477,591	1,539,016	8,230,384	63,319,584
<b>Accumulated depreciation</b>							
At 1 January 2021	275,297	1,233,428	1,815,034	20,942,092	850,481	—	25,116,332
Charge for the financial year	68,546	273,674	184,436	2,920,069	121,416	—	3,568,141
Disposals	—	—	—	(62,871)	—	—	(62,871)
Written off	(22,001)	—	(36,563)	(8,608)	—	—	(67,172)
At 31 December 2021/1 January 2022	321,842	1,507,102	1,962,907	23,790,682	971,897	—	28,554,430
Charge for the financial year	96,144	764,843	182,296	4,008,089	146,565	—	5,197,937
Disposals	—	(320,670)	—	(401,320)	—	—	(721,990)
Written off	(28,060)	—	—	(47,214)	(2,958)	—	(78,232)
At 31 December 2022	389,926	1,951,275	2,145,203	27,350,237	1,115,504	—	32,952,145
<b>Carrying amount</b>							
At 31 December 2022	327,617	2,901,778	356,794	18,127,354	423,512	8,230,384	30,367,439
At 31 December 2021	321,228	2,449,906	539,090	19,906,316	381,716	7,456,453	31,054,709

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

	Furniture and fittings and office equipment RM	Motor vehicles RM	Renovation RM	Capital work- in-progress RM	Total RM
<b>Company Cost</b>					
At 1 January 2021	143,266	651,157	584,973	15,700	1,395,096
Additions	–	–	–	85,182	85,182
Written off	(18,614)	–	(63,588)	–	(82,202)
Reclassification	48,174	–	–	(48,174)	–
At 31 December 2021/ 1 January 2022	172,826	651,157	521,385	52,708	1,398,076
Additions	–	–	–	53,764	53,764
Written off	(16,721)	–	–	–	(16,721)
Disposal	–	(7,300)	–	–	(7,300)
Reclassification	72,722	–	–	(72,722)	–
At 31 December 2022	228,827	643,857	521,385	33,750	1,427,819
<b>Accumulated depreciation</b>					
At 1 January 2021	57,088	376,365	315,876	–	749,329
Charge for the financial year	17,319	130,231	54,258	–	201,808
Written off	(10,262)	–	(36,563)	–	(46,825)
At 31 December 2021/ 1 January 2022	64,145	506,596	333,571	–	904,312
Charge for the financial year	36,382	110,364	52,138	–	198,884
Written off	(10,132)	–	–	–	(10,132)
Disposal	–	(5,353)	–	–	(5,353)
At 31 December 2022	90,395	611,607	385,709	–	1,087,711
<b>Carrying amount</b>					
At 31 December 2022	138,432	32,250	135,676	33,750	340,108
At 31 December 2021	108,681	144,561	187,814	52,708	493,764

5. RIGHT-OF-USE ASSETS

	<Valuation> Leasehold land and factory lots RM	← Cost →			Total RM
		Buildings RM	Factory equipment RM	Motor vehicles RM	
<b>Group Cost/Valuation</b>					
At 1 January 2021	30,417,755	758,262	596,794	2,161,567	33,934,378
Additions	12,140,443	766,841	–	–	12,907,284
Expiration of lease contract	–	(758,262)	(596,794)	(67,400)	(1,422,456)
At 31 December 2021/ 1 January 2022	42,558,198	766,841	–	2,094,167	45,419,206
Additions	2,584,000	–	–	2,916,440	5,500,440
At 31 December 2022	45,142,198	766,841	–	5,010,607	50,919,646
<b>Accumulated depreciation</b>					
At 1 January 2021	740,247	663,479	149,199	479,187	2,032,112
Charge for the financial year	708,847	382,348	298,397	423,049	1,812,641
Expiration of lease contract	–	(758,262)	(447,596)	(67,400)	(1,273,258)
At 31 December 2021/ 1 January 2022	1,449,094	287,565	–	834,836	2,571,495
Charge for the financial year	790,866	383,420	–	499,018	1,673,304
At 31 December 2022	2,239,960	670,985	–	1,333,854	4,244,799
<b>Carrying amount</b>					
At 31 December 2022	42,902,238	95,856	–	3,676,753	46,674,847
At 31 December 2021	41,109,104	479,276	–	1,259,331	42,847,711

- (a) The net carrying amount of the Group's right-of-use assets are pledged to licensed bank as security for the related lease liabilities and term loan respectively are as follows:

	Group	
	2022 RM	2021 RM
Leasehold land and factory lots	39,370,031	40,131,108
Motor vehicles	3,676,753	1,259,331
	43,046,784	41,390,439

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6. INVESTMENT PROPERTIES

	Group and Company	
	2022 RM	2021 RM
<b>Leasehold buildings</b>		
<b>Cost</b>		
At 1 January/31 December	8,276,070	8,276,070
<b>Accumulated depreciation</b>		
At 1 January	735,150	552,469
Charge for the financial year	182,681	182,681
At 31 December	917,831	735,150
<b>Carrying amount</b>		
At 31 December	7,358,239	7,540,920

(a) Investment properties under leases

Certain investment properties comprise buildings that are leased to third parties. Each of the leases contains a cancellable period ranging from 1 to 2 years. Subsequent renewals are negotiated with the lessee on an average renewal period of 1 year. No contingent rents are charged. The remaining lease term of leasehold lands and factory lots and buildings of the Group and of the Company are 78 (2021: 79) years.

(b) Fair value basis of investment properties

The fair values of the investment properties of the Group and of the Company were estimated by the Director's based on the recent transacted prices in the market of properties with similar condition and location. In estimating the fair value of the investment properties, the highest and best use of the investment properties are its current use. There has been no change to the valuation techniques during the financial year.

Fair value measurements of the investment properties were categories as follows:

	Group and Company	
	2022 RM	2021 RM
<b>Level 3</b>		
Recurring fair value measurements:		
Leasehold buildings	8,892,999	7,782,121

Level 3 Fair value

Level 3 fair value of land and buildings have been generally derived by using sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property site. The most significant input into this valuation approach is price per square foot of comparable properties.

## 6. INVESTMENT PROPERTIES (CONT'D)

### (c) Income and expenses recognised in profit or loss

	Group and Company	
	2022 RM	2021 RM
Rental income	218,350	205,600
Direct operating expenses:		
- Income generating investment properties	(12,504)	(12,590)
- Non-income generating investment properties properties	(2,551)	(4,007)

### (d) Investment properties pledged as securities to financial institutions

The investment properties of the Group and of the Company have been pledged as securities for loan and borrowings as disclosed in Note 19 to the financial statements.

## 7. INVESTMENT IN SUBSIDIARIES

Movements in the allowance for impairment losses are as follows:

	Company	
	2022 RM	2021 RM
At cost		
Unquoted shares	40,405,030	34,945,030
Addition	-	5,500,000
Disposal	-	(40,000)
	40,405,030	40,405,030
Less: Accumulated impairment losses	(970,004)	(970,004)
	39,435,026	39,435,026

Details of the subsidiaries are as follows:

	Company	
	2022 RM	2021 RM
At 1 January/31 December	970,004	970,004

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**7. INVESTMENT IN SUBSIDIARIES (CONT'D)**

Details of the subsidiaries are as follows: (Cont'd)

Name of company	Place of business/ Country of Incorporation	Effective equity interest		Principal activities
		2022 %	2021 %	
<b>Direct holding:</b>				
Hiap Huat Chemicals Sdn. Bhd.	Malaysia	100	100	Manufacturing, recycling and refining all kinds of industrial paints, oils and solvent chemical products and to provide all kinds of transportation services
SMachine Sdn. Bhd.	Malaysia	100	100	Distribution of paints, hardware and products, and leasing of machineries and equipment
Topmark Petroleum Products Sdn. Bhd.	Malaysia	100	100	Manufacturing, recycling and refining all kinds of petroleum based products, industrial paints, oils, solvent chemical products and other related products and to provide all kinds of transportation services
Tradergy Sdn. Bhd.	Malaysia	100	100	Dormant
Hiap Huat Services Sdn. Bhd. (a)	Malaysia	60	60	Physical refining, processing, pre-treatment, recovery, reuse and trading of waste and residues and by-products generated from oil palm and other oils and fats industry
Lab Master Sdn. Bhd.	Malaysia	100	100	Provide laboratory services including provide the products and services which involve in numerous research projects, provision of scientific or clinical advice, diagnostic testing services, dealing in all substance, apparatus and related services

(a) Changes in ownership interest

2021

On 5 January 2021, the Company disposed off its 40% equity interest in Hiap Huat Services Sdn. Bhd. for a cash consideration of RM40,000, which had resulted a gain of RM137,305.



## 7. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (Cont'd)

### (b) Material party-owned subsidiaries

Set out below are the Group's subsidiaries that have material NCI:

Name of company	Proportion of ownership interest and voting rights held by NCI		Profit allocated to NCI		Accumulated NCI	
	2022	2021	2022	2021	2022	2021
	%	%	RM	RM	RM	RM
Hiap Huat Services Sdn Bhd	40	40	(100,798)	(24,481)	(222,584)	(121,786)

Summarised financial information for subsidiaries that have NCI that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

### (i) Summarised statement of financial position

	2022 RM	2021 RM
Current assets	103,154	201,773
Current liabilities	659,613	506,238
Net assets	(556,459)	(304,465)

### (ii) Summarised statement of profit or loss and other comprehensive income

	2022 RM	2021 RM
Revenue	95,192	1,698,252
Loss for the financial year, representing total comprehensive loss for the financial year	(251,994)	(61,202)

### (iii) Summarised statement of cash flows

	2022 RM	2021 RM
Net cash (used in)/from operating activities	(256,008)	123,215
Net cash from/(used in) financing activities	152,875	(21,086)
Net cash (decrease)/increase in cash and cash equivalents	(103,133)	102,129

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8. OTHER RECEIVABLES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Non-current asset</b>				
Prepayments	128,455	201,856	–	–
<b>Current assets</b>				
Non-trade receivables	385,636	190,725	2,749	–
Deposits	428,832	255,431	25,482	24,481
Prepayments	870,569	240,663	21,414	45,692
	1,685,037	686,819	49,645	70,173
	1,813,492	888,675	49,645	70,173

Non-trade receivables are unsecured, non-interest bearing and repayable on demand.

9. INVENTORIES

	Group	
	2022 RM	2021 RM
Raw materials	2,841,222	2,907,738
Packing materials	2,618	15,322
Finished goods	4,741,813	4,142,124
	7,585,653	7,065,184
<b>Recognised in profit or loss:</b>		
Inventories recognised as cost of sales	30,017,743	25,521,195

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10. TRADE RECEIVABLES

	2022 RM	Group 2021 RM
Trade receivables	11,543,672	7,255,524
Less: Allowance for expected credit losses ("ECLs")	(73,975)	(64,478)
	11,469,697	7,191,046

Trade receivables are non-interest bearing and are generally on cash term to 30 to 120 days (2021: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The movement in allowance for ECLs of trade receivables during the financial year is as follows:

	2022 RM	Group 2021 RM
At 1 January	64,478	77,573
Allowance for ECLs	15,002	6,286
Reversal of allowance for ECLs	(5,505)	(19,381)
At 31 December	73,975	64,478

The following table provide information about the exposure to credit risk and allowance for ECLs for trade receivables:

	Gross amount RM	ECLs RM	Net amount RM
<b>Group 2022</b>			
Neither past due nor impaired	4,657,108	–	4,657,108
Past due but not impaired:			
Less than 30 days	1,905,107	(26,783)	1,878,324
31 to 60 days	2,239,683	(22,967)	2,216,716
61 to 90 days	1,107,804	–	1,107,804
More than 90 days	1,609,745	–	1,609,745
	6,862,339	(49,750)	6,812,589
Credit impaired:	11,519,447	(49,750)	11,469,697
Individual impaired	24,225	(24,225)	–
	11,543,672	(73,975)	11,469,697

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10. TRADE RECEIVABLES (CONT'D)

The following table provide information about the exposure to credit risk and allowance for ECLs for trade receivables: (Cont'd)

	Gross amount RM	ECLs RM	Net amount RM
<b>Group</b>			
<b>2021</b>			
Neither past due nor impaired	5,144,000	–	5,144,000
Past due but not impaired:			
Less than 30 days	1,373,838	(26,783)	1,347,055
31 to 60 days	292,559	(13,286)	279,273
61 to 90 days	129,990	(9,681)	120,309
More than 90 days	300,409	–	300,409
	2,096,796	(49,750)	2,047,046
	7,240,796	(49,750)	7,191,046
<b>Credit impaired:</b>			
Individual impaired	14,728	(14,728)	–
	7,255,524	(64,478)	7,191,046

11. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company	
	2022 RM	2021 RM
<b>Amount due from subsidiaries</b>		
Non-trade related	814,390	708,104
Less: Allowance for ECLs	(300,520)	(300,520)
	513,870	407,584
<b>Amount due to subsidiaries</b>		
Non-trade related	–	(227,364)

Amount due from/(to) subsidiaries are unsecured, non-interest bearing and repayable on demand.

Movements in the allowance for ECLs are as follows:

	Company	
	2022 RM	2021 RM
At 1 January/31 December	300,520	300,520

## 12. FIXED DEPOSITS WITH LICENSED BANKS

The interest rate of fixed deposits of the Group and of the Company are ranging from 2.70% to 3.55% (2021: 1.25% to 1.93%) and at 3.60% (2021: Nil) per annum and the maturities of deposits are 30 to 180 days (2021: 30 to 90 days) and 180 days (2021: Nil).

The fixed deposits with licensed banks of the Group and of the Company amounted to RM5,500,000 and RM3,000,000 (2021:RMNil and RMNil) respectively are with maturity more than 3 months.

## 13. SHORT-TERM INVESTMENTS

	Group and Company			
	2022		2021	
	Carrying amount RM	Market value of investment RM	Carrying amount RM	Market value of investment RM
<b>At fair value</b>				
- Money market fund	-	-	6,615,974	6,615,974

## 14. NON-CURRENT ASSETS HELD FOR SALE

On 16 November 2020, the Company entered into a Sale and Purchase Agreement ("SPA") to dispose of a leasehold building for a total cash consideration of RM1,380,000. As at 31 December 2021, the Conditions Precedent as set out in the SPA had been fulfilled.

	Group and Company	
	2022 RM	2021 RM
<b>Cost</b>		
At 1 January	-	1,700,000
Disposal	-	(1,700,000)
At 31 December	-	-
<b>Accumulated depreciation</b>		
At 1 January	-	34,000
Disposal	-	(34,000)
At 31 December	-	-
<b>Accumulated impairment losses</b>		
At 1 January	-	286,000
Disposal	-	(286,000)
At 31 December	-	-
<b>Carrying amount</b>		
At 31 December	-	-

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**15. SHARE CAPITAL/ TREASURY SHARES**

**(a) Share capital**

	Group and Company			
	Number of ordinary shares		Amount	
	2022 Units	2021 Units	2022 RM	2021 RM
<b>Issued and fully paid:</b>				
At 1 January	399,138,330	333,301,330	49,980,636	41,092,641
Issuance of shares				
- Private placement	-	65,837,000	-	8,887,995
At 31 December	399,138,330	399,138,330	49,980,636	49,980,636

In the prior financial year, the Company increased its issued paid-up share capital from RM41,092,641 to RM49,980,636 by way of issuance of 65,837,000 new ordinary shares through Private Placement at an issue price of RM0.135 per ordinary share for a total cash consideration of RM8,887,995.

The new ordinary shares issued in the previous financial year rank pari passu in all respects with the existing ordinary shares of the Company.

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

**(b) Treasury shares**

	Group and Company			
	Number of ordinary shares		Amount	
	2022 Units	2021 Units	2022 RM	2021 RM
At 1 January/31 December	4,113,000	4,113,000	400,646	400,646

There was no repurchase of own shares occurred in current financial year.

As at 31 December 2022, the total shares held as treasury shares amounted to 4,113,000 (2021: 4,113,000) ordinary shares at a total cost of RM400,646 (2021: RM400,646).

None of the treasury shares held were resold or cancelled during the financial year.

**16. 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 merger method of accounting.

**17. REVALUATION RESERVES**

The revaluation reserve arose from the revaluation of leasehold land and buildings, net of tax, and is not available for distribution as dividends to the shareholders.

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**18. LEASE LIABILITIES**

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Non-current	2,625,044	838,600
Current	974,478	734,653
	3,599,522	1,573,253

The maturity analysis of lease liabilities at the end of the reporting period:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Within 1 year	1,138,155	787,212
Between 1 - 2 years	921,530	472,035
Between 2 - 5 years	1,945,889	405,821
	4,005,574	1,665,068
Less: Future finance charges	(406,052)	(91,815)
Present value of lease liabilities	3,599,522	1,573,253

The Group leases warehouses, motor vehicles and factory equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

**19. LOAN AND BORROWINGS**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Secured</b>				
Term loans	24,493,401	22,981,067	3,016,366	3,273,045
<b>Non-current</b>				
Term loans	22,645,461	21,478,860	2,742,433	3,031,269
<b>Current</b>				
Term loans	1,847,940	1,502,207	273,933	241,776
	24,493,401	22,981,067	3,016,366	3,273,045

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**19. LOAN AND BORROWINGS (CONT'D)**

The term loans are repayable by 50 to 135 (2021: 50 to 240) monthly instalments.

The term loans are secured by the following:

- (a) legal charge over buildings, leasehold land and factory lots of the Group and of the Company as disclosed in Notes 5 and 6 to the financial statements;
- (b) asset purchase agreement as subsidiary's instruments;
- (c) corporate guarantee by the Company;
- (d) facility agreement; and
- (e) jointly and severally guaranteed by certain Directors of the Company.

Maturity of bank borrowings are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Within 1 year	1,847,940	1,444,884	273,933	241,776
Between 1 - 2 years	1,917,681	1,588,561	283,136	250,126
Between 2 - 5 years	7,625,178	5,461,113	1,234,703	1,089,628
After 5 years	13,102,602	14,486,509	1,224,594	1,691,515
	24,493,401	22,981,067	3,016,366	3,273,045

Ranges of interest rates of bank borrowings are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Term loans	2.57%-5.00%	2.57%-5.00%	3.40%-5.00%	3.07%-3.40%

**20. DEFERRED TAX LIABILITIES**

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
At 1 January	7,005,331	5,115,397	168,000	227,581
Recognised in profit or loss (Over)/Under provision in prior financial years	677,495 (163,776)	1,383,035 506,899	13,000 -	(59,581) -
At 31 December	7,519,050	7,005,331	181,000	168,000

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Deferred tax liabilities	7,519,050	7,005,331	181,000	168,000



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**20. DEFERRED TAX LIABILITIES (CONT'D)**

The components and movement of deferred tax assets and liabilities at the end of the reporting date prior to offsetting are as follows:

Deferred tax liabilities	Accelerated capital allowances RM	Revaluation of assets RM	Total RM
<b>Group</b>			
At 1 January 2022	4,614,775	2,390,556	7,005,331
Recognised in profit or loss	677,495	–	677,495
Over provision in prior financial years	(163,776)	–	(163,776)
<b>At 31 December 2022</b>	<b>5,128,494</b>	<b>2,390,556</b>	<b>7,519,050</b>
<b>At 31 December 2021</b>			
At 1 January 2021	2,724,841	2,390,556	5,115,397
Recognised in profit or loss	1,383,035	–	1,383,035
Under provision in prior financial years	506,899	–	506,899
<b>At 31 December 2021</b>	<b>4,614,775</b>	<b>2,390,556</b>	<b>7,005,331</b>
<b>Company</b>			
At 1 January 2022	(26,215)	194,215	168,000
Recognised in profit or loss	13,000	–	13,000
<b>At 31 December 2022</b>	<b>(13,215)</b>	<b>194,215</b>	<b>181,000</b>
<b>At 31 December 2021</b>			
At 1 January 2021	33,366	194,215	227,581
Recognised in profit or loss	(59,581)	–	(59,581)
<b>At 31 December 2021</b>	<b>(26,215)</b>	<b>194,215</b>	<b>168,000</b>

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**20. DEFERRED TAX LIABILITIES (CONT'D)**

**Unrecognised deferred tax assets**

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

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Unutilised business losses	1,278,517	1,116,558
Unabsorbed capital allowances	33,800	39,270
	<b>1,312,317</b>	<b>1,155,828</b>

In accordance with the provision of Finance Act 2018, the unutilised business losses could be carried forward for a maximum of seven consecutive years of assessment and the unused reinvestment allowance could be carried forward for a maximum of seven consecutive years of assessment after the expiry of the qualifying periods.

The Finance Act 2021 stated that the time frame to carry forward unutilised business losses for year of assessment 2019 and subsequent years of assessment be extended from seven to ten consecutive years of assessment. The other temporary differences do not expire under current tax legislation.

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.

**21. TRADE PAYABLES**

The normal trade credit terms granted to the Group ranged from 30 to 120 days (2021: 30 to 120 days) depending on the term of the contracts.

**22. OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Non-trade payables	223,551	61,605	5,551	48,906
Deposits received	81,350	40,100	81,350	40,100
Accruals	677,139	422,346	63,586	120,190
Sales and services tax ("SST")	3,241	-	-	-
	<b>985,281</b>	<b>524,051</b>	<b>150,487</b>	<b>209,196</b>

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23. REVENUE

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Revenue from contracts with customers:</b>				
- Sale of goods	80,032,565	61,730,465	-	-
- Management fees received from subsidiaries	-	-	4,098,000	3,600,000
- Services rendered	2,360	500	-	-
	<u>80,034,925</u>	<u>61,730,965</u>	<u>4,098,000</u>	<u>3,600,000</u>
<b>Timing of revenue recognition:</b>				
- At a point in time	80,034,925	61,730,965	-	-
- Overtime	-	-	4,098,000	3,600,000
	<u>80,034,925</u>	<u>61,730,965</u>	<u>4,098,000</u>	<u>3,600,000</u>

Breakdown of the Group's revenue from contracts with customers based on location of customers:

Group	Group	
	2022 RM	2021 RM
Malaysia	61,758,257	37,559,295
Singapore	5,623,649	4,398,297
Vietnam	12,653,019	18,294,675
Hong Kong	-	1,478,698
	<u>80,034,925</u>	<u>61,730,965</u>

24. FINANCE COSTS

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Interest expenses on:				
- term loans	817,569	573,107	80,238	94,127
- multi-currency trade loan	-	68,045	-	-
- lease liabilities	101,140	86,415	-	-
	<u>918,709</u>	<u>727,567</u>	<u>80,238</u>	<u>94,127</u>

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**25. PROFIT/(LOSS) BEFORE TAX**

Profit/(Loss) before tax is determined after charging/(crediting) amongst other, the following items:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Auditors' remuneration				
- statutory audit	95,000	87,000	32,000	30,000
- non-audit	5,000	5,000	5,000	5,000
Depreciation:				
- property, plant and equipment	5,197,937	3,568,141	198,884	201,808
- right-of-use assets	1,673,304	1,812,641	-	-
- investment properties	182,681	182,681	182,681	182,681
Fair value loss on short-term investment	26,051	14,653	25,796	14,653
Dividend income on short-term investment	(137,611)	(68,859)	(101,463)	(68,859)
Net loss/(gain) on impairment of financial assets	9,497	(13,095)	-	-
Property, plant and equipment written off	33,093	93,960	6,589	35,377
Realised (gain)/loss on foreign exchange	(74,467)	265,735	-	-
Unrealised gain on foreign exchange	(37,511)	(324)	(112)	(108)
(Gain)/Loss on disposal of property, plant and equipment	(120,736)	(576)	1,947	-
Interest income	(3,285)	(52,999)	-	-
Gain on termination of lease liabilities	-	(4,072)	-	-
Non-executive Directors' remunerations				
- other emoluments	231,000	181,114	207,000	181,114
Rental income	(218,350)	(205,600)	(218,350)	(205,600)
Short-term leases (a)	1,842,086	1,067,902	-	-
Wages subsidies (b)	-	(72,000)	-	-

(a) The Group leases various property and equipment with contract terms of not more than one year. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

(b) The Group was were entitled to a wage subsidy programme introduced by the government of Malaysia in response to the COVID-19 pandemic in the prior financial year.

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26. TAXATION

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Tax expenses recognised in profit or loss:</b>				
Current tax provision	2,267,006	504,901	81,725	278,910
(Under)/Over provision in prior financial years	(8,653)	(36,912)	13,094	(4,834)
	2,258,353	467,989	94,819	274,076
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	677,495	1,383,035	13,000	(59,581)
(Over)/Under provision in prior financial years	(163,776)	506,899	–	–
	513,719	1,889,934	13,000	(59,581)
	2,772,072	2,357,923	107,819	214,495

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit/(Loss) before tax	10,825,979	5,750,741	(129,876)	312,841
At Malaysian statutory tax rate of 24% (2021: 24%)	2,598,235	1,380,178	(31,170)	75,082
Expenses not deductible for tax purposes	378,370	492,229	125,895	144,247
Income not subject to tax	(69,661)	(8,431)	–	–
Movement of deferred tax assets not recognised	37,557	23,960	–	–
(Under)/Over provision of tax expense in prior financial years	(8,653)	(36,912)	13,094	(4,834)
(Over)/Under provision of deferred tax in prior financial years	(163,776)	506,899	–	–
	2,772,072	2,357,923	107,819	214,495

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**27. EARNINGS PER SHARE**

**(a) Basic earnings per share**

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year. The weighted average number of shares in issue excludes the weighted average number of treasury shares held by the Company.

	<b>2022</b>	<b>Group</b>	<b>2021</b>
	<b>RM</b>		<b>RM</b>
Net profit for the financial year to shareholder attributable	8,154,705		3,417,299
Weighted average number of shares in issue	399,138,330		333,301,330
Effect of treasury shares held	(4,113,000)		(4,113,000)
Issuance of shares	–		26,875,926
Weighted average number of shares at 31 December	395,025,330		356,064,256
Basic earnings per share (in sen)	2.06		0.96

**(b) Diluted earnings per share**

The diluted earnings per shares of the Group is equal to the basic earnings per share as the Group does not have any dilutive potential ordinary shares in issue.

**28. STAFF COSTS**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Salaries, wages and other emoluments	7,426,988	5,438,857	2,772,599	1,842,395
Social security contributions	104,855	53,327	11,943	9,407
Defined contribution plans	593,696	445,443	281,878	183,353
Other benefits	664,875	467,440	272,551	129,190
	8,790,414	6,405,067	3,338,971	2,164,345

The aggregate amount of remuneration received and receivable by the Executive Directors of the Group and of the Company during the financial year as below:

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Executive Directors</b>				
<b>Directors of the Company</b>				
Salaries, fees, wages and other emoluments	1,780,000	1,108,000	1,732,000	1,068,000
Social security contributions	2,646	2,440	2,646	2,440
Defined contribution plans	187,680	113,760	187,680	113,760
	1,970,326	1,224,200	1,922,326	1,184,200

## 29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below show the details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

	At 1.1.2022 RM	Drawdown RM	Repayment RM	Modification of lease contract RM	At 31.12.2022 RM
<b>Group</b>					
Lease liabilities	1,573,253	2,914,940	(888,671)	–	3,599,522
Term loans	22,981,067	9,098,195	(7,585,861)	–	24,493,401

	At 1.1.2021 RM	Drawdown RM	Repayment RM	Modification of lease contract RM	At 31.12.2021 RM
<b>Group</b>					
Lease liabilities	1,976,948	766,841	(1,017,266)	(153,270)	1,573,253
Term loans	13,377,334	15,499,600	(5,895,867)	–	22,981,067

	At 1.1.2022 RM	Drawdown RM	Repayment RM	Modification of lease contract RM	At 31.12.2022 RM
<b>Company</b>					
Term loans	3,273,045	6,079,796	(6,336,475)	–	3,016,366

	At 1.1.2021 RM	Drawdown RM	Repayment RM	Modification of lease contract RM	At 31.12.2021 RM
<b>Company</b>					
Term loans	4,612,240	4,100,000	(5,439,195)	–	3,273,045

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**30. RELATED PARTY DISCLOSURES**

**(a) Identifying related parties**

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control. 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 of the Company either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group and of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company directly or indirectly.

**(b) Significant related party transactions**

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
<b>Transactions with close family members of the Directors/substantial shareholder</b>		
- Allowance paid for advisory services provided	67,200	67,200
<hr/>		
	<b>Company</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
<b>Transactions with subsidiaries</b>		
- Management fee received	4,098,000	3,600,000
<hr/>		

**(c) Compensation of key management personnel**

Remuneration of other members of key management are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Salaries, wages, fee and other emoluments	421,796	361,535	-	-
Social security contribution	2,004	1,847	-	-
Defined contribution plans	58,913	41,904	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	482,713	405,286	-	-
	<hr/>		<hr/>	



### 31. SEGMENT REPORTING

The Group has one operating segment comprises mainly the manufacturing, recycling and refining all kinds of petroleum based products. Segment information has not been separately presented because internal reporting uses the Group's financial statements.

#### Geographic information

Revenue information based on the geographical location of customers is as follows:

	Revenue	
	2022 RM	2021 RM
<b>Group</b>		
Malaysia	61,758,257	37,559,295
Singapore	5,623,649	4,398,297
Vietnam	12,653,019	18,294,675
Hong Kong	–	1,478,698
	<hr/>	<hr/>
	80,034,925	61,730,965

#### Major customers

The following are major customers with revenue equal or more than 10% (2021: 10%) of the Group's total revenue:

	Revenue	
	2022 RM	2021 RM
Customer A	18,430,425	17,311,799
Customer B	7,651,558	9,989,102
	<hr/>	<hr/>
	26,081,983	27,300,901

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**32. 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 financial instruments are measured, and how income and expense, including fair value gains and losses, 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:

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Financial assets</b>				
<b>At amortised costs</b>				
Trade receivables	11,469,697	7,191,046	–	–
Other receivables	814,468	446,156	28,231	24,481
Amount due from subsidiaries	–	–	513,870	407,584
Fixed deposits with licensed banks	5,666,018	162,733	3,000,000	–
Cash and bank balances	13,427,247	7,554,252	3,186,751	225,715
	<b>31,377,430</b>	<b>15,354,187</b>	<b>6,728,852</b>	<b>657,780</b>
<b>At FVTPL</b>				
Short-term investments	–	6,615,974	–	6,615,974
	<b>31,377,430</b>	<b>21,970,161</b>	<b>6,728,852</b>	<b>7,273,754</b>
<b>Financial liabilities</b>				
<b>At amortised costs</b>				
Trade payables	3,459,905	2,981,398	–	–
Other payables	982,040	524,051	150,487	209,196
Amount due to subsidiaries	–	–	–	227,364
Bank borrowings	24,493,401	22,981,067	3,016,366	3,273,045
	<b>28,935,346</b>	<b>26,486,516</b>	<b>3,166,853</b>	<b>3,709,605</b>

### 32. FINANCIAL INSTRUMENTS (CONT'D)

#### (b) Net gain/(loss) on financial instruments

	2022 RM	Group	2021 RM
Net (loss)/gain on impairment of financial instruments:			
- Financial assets at amortised cost	(9,497)		13,095

#### (c) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and of the Company's operation whilst managing their credit, liquidity and market risks. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

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

##### (i) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arises principally from the individual characteristics of each customer and cash and bank balances. The Group's exposure to credit risk arises principally from the trade receivables, other receivables, fixed deposits with licensed banks and cash and bank balances. The Company's exposure to credit risk arises principally from the other receivables, amount due from subsidiaries, fixed deposits with licensed banks and cash and bank balances. There are no significant changes as compared to previous year.

The Group and the Company 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.

At each reporting date, the Group and the Company assess whether any of the receivables are credit impaired.

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### 32. FINANCIAL INSTRUMENTS (CONT'D)

#### (c) Financial risk management objectives and policies (Cont'd)

##### (i) Credit risk (Cont'd)

The gross carrying amounts of credit impaired receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, receivables that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks and non-financial institutions for financing facilities.

There are no significant changes as compared to previous financial year.

As at the end of the financial year, the Group has 4 (2021: 4) major customers and accounted for approximately 68% (2021: 69%) of the trade receivables outstanding.

##### (ii) Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will encounter difficulty in meeting its financial obligations as they fall due. 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 requirement and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group and the Company finance their 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 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.

32. FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Liquidity risk (Cont'd)

Group	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
<b>2022</b>						
<b>Non-derivative financial liabilities</b>						
Trade payables	3,459,905	-	-	-	3,459,905	3,459,905
Other payables	982,040	-	-	-	982,040	982,040
Lease liabilities	1,138,155	921,530	1,945,889	-	4,005,574	3,599,522
Bank borrowings	2,730,252	2,777,290	10,160,515	15,750,099	31,418,156	24,493,401
	8,310,352	3,698,820	12,106,404	15,750,099	39,865,675	32,534,868
Financial guarantee	68,100	-	-	-	68,100	-
<b>2021</b>						
<b>Non-derivative financial liabilities</b>						
Trade payables	2,981,398	-	-	-	2,981,398	2,981,398
Other payables	524,051	-	-	-	524,051	524,051
Lease liabilities	787,212	472,035	405,821	-	1,665,068	1,573,253
Bank borrowings	2,220,644	2,270,712	7,626,471	17,928,726	30,046,553	22,981,067
	6,513,305	2,742,747	8,032,292	17,928,726	35,217,070	28,059,769

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32. FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Liquidity risk (Cont'd)

Company	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
<b>2022</b>						
<b>Non-derivative financial liabilities</b>						
Other payables	150,487	-	-	-	150,487	150,487
Bank borrowings	372,240	372,240	1,488,960	1,300,236	3,533,676	3,016,366
	522,727	372,240	1,488,960	1,300,236	3,684,163	3,166,853
Financial guarantee*	47,433,832	-	-	-	47,433,832	-
<b>2021</b>						
<b>Non-derivative financial liabilities</b>						
Other payables	209,196	-	-	-	209,196	209,196
Amount due to subsidiaries	227,364	-	-	-	227,364	227,364
Bank borrowings	349,308	349,308	1,397,232	1,850,863	3,946,711	3,273,045
	785,868	349,308	1,397,232	1,850,863	4,383,271	3,709,605
Financial guarantee*	39,644,932	-	-	-	39,644,932	-

\* Being corporate guarantee granted for financing facilities of certain subsidiaries which will only be enclosed in the event of default by these companies.

## 32. FINANCIAL INSTRUMENTS (CONT'D)

### (c) Financial risk management objectives and policies (Cont'd)

#### (iii) Market risk

##### (a) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currency giving rise to this risk is United States Dollar ("USD").

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group would apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by the management.

##### Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

##### (b) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining 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 interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2022 RM	Group 2021 RM
<b>Fixed rate instruments</b>		
<u>Financial asset</u>		
Fixed deposits with licensed banks	5,666,018	162,733
<u>Financial liability</u>		
Lease liabilities	(3,500,286)	(1,086,828)
	2,165,732	(924,095)
<b>Floating rate instrument</b>		
<u>Financial liability</u>		
Term loans	24,493,401	22,981,067

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32. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

	Company	
	2022 RM	2021 RM
<b>Fixed rate instruments</b>		
<u>Financial asset</u>		
Fixed deposits with licensed banks	3,000,000	–
<b>Floating rate instrument</b>		
<u>Financial liability</u>		
Term loans	3,016,366	3,273,045

**Interest rate risk sensitivity analysis**

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/ (decreased) the Group's and the Company's profit/(loss) before tax by RM244,934 (2021: RM229,811) and RM30,164 (2021: RM32,730), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair value of financial instruments

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.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Level 2 RM	Carrying amount RM
<b>Group and Company</b>		
<b>2021</b>		
<b>Fair value of financial instruments not carried at fair value</b>		
<b>Financial asset</b>		
Short-term investments	6,615,974	6,615,974



### 32. FINANCIAL INSTRUMENTS (CONT'D)

#### (c) Financial risk management objectives and policies (Cont'd)

##### (iii) Market risk (Cont'd)

#### (c) Fair value of financial instruments (Cont'd)

##### (i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels during current and previous financial years.

##### (ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

##### (iii) Level 2 fair value

Level 2 fair value is estimated using 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).

##### Non-derivative financial instruments

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.

##### (iv) Level 3 fair value

Level 3 fair value for the financial assets and liabilities are estimated using unobservable inputs.

### 33. CAPITAL COMMITMENT

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Contracted and approved for:</b>				
- Purchase of property, plant and equipment	3,927,557	3,950,390	254,614	-

### 34. CORPORATE GUARANTEE

	Group	
	2022 RM	2021 RM
Bank guarantee for performance bond given to suppliers	68,100	-

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**34. CORPORATE GUARANTEE (CONT'D)**

	Company	
	2022 RM	2021 RM
Guarantee given to financial institutions and non-financial institutions for financing facilities granted to subsidiaries	47,433,832	39,644,932

**35. CAPITAL MANAGEMENT**

The Group's and the Company's objective when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group and the Company monitor capital using a gearing ratio. The Group's and the Company's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting period are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Total loans and borrowings, lease liabilities	27,993,687	24,067,895	3,016,366	3,273,045
Less: Deposits, bank and cash balances	(19,093,265)	(7,716,985)	(6,186,751)	(225,715)
<b>Total net debts/(cash)</b>	<b>8,900,422</b>	<b>16,350,910</b>	<b>(3,170,385)</b>	<b>3,047,330</b>
<b>Total equity</b>	<b>84,012,928</b>	<b>75,959,021</b>	<b>50,647,125</b>	<b>50,884,820</b>
<b>Gearing ratio (times)</b>	<b>0.11</b>	<b>0.22</b>	<b>N/A*</b>	<b>0.06</b>

\* N/A - Gearing ratio not applicable as the cash and cash equivalent of the Company are sufficient to settle the outstanding debt.

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

**36. DATE OF AUTHORISATION OF ISSUE**

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 18 April 2023.

# 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 31.12.2022 RM'000	Date of acquisition
1.	Lot No. A-1, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur.  <i>Title identification:</i> 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 and warehouse.	Land area: 2,088  Gross built-up area: 926.7	29 years	Leasehold for 66 years, expiring on 22.03.2053	1,021	10/12/2008
2.	Lot No. A-2, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur.  <i>Title identification:</i> 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: 1,864  Gross built-up area: 926.7	29 years	Leasehold for 66 years, expiring on 22.03.2053	928	08/08/2007
3.	Lot No. A-3, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur.  <i>Title identification:</i> 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 factory and warehouse.	Land area: 1,716  Gross built-up area: 926.7	29 years	Leasehold for 66 years, expiring on 22.03.2053	928	08/08/2007
4.	Lot No. A-4, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur.  <i>Title identification:</i> 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 and warehouse.	Land area: 1,531  Gross built-up area: 926.7	29 years	Leasehold for 66 years, expiring on 22.03.2053	881	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 31.12.2022 RM'000	Date of acquisition
5.	Lot No. A-5, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur.  <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	29 years	Leasehold for 66 years, expiring on 22.03.2053	881	10/12/2003
6.	Lot No. A-6, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur.  <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 factory and warehouse.	Land area: 2,073  Gross built-up area: 926.7	29 years	Leasehold for 66 years, expiring on 22.03.2053	1,021	11/02/1998
7.	Lot No. B-1, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur.  <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	29 years	Leasehold for 66 years, expiring on 22.03.2053	928	25/05/2010
8.	Lot No. B2, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur.  <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 used as factory and warehouse.	Land area: 1,261  Gross built-up area: 587	29 years	Leasehold for 66 years, expiring on 22.03.2053	650	19/09/2011

## 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 31.12.2022 RM'000	Date of acquisition
9.	Lot No. B3, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur.  <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 used as administration office.	Land area: 1,222  Gross built-up area: 587	29 years	Leasehold for 66 years, expiring on 22.03.2053	649	19/09/2011
10.	Lot No. B4, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur.  <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 used as factory and warehouse.	Land area: 1,390  Gross built-up area: 587	29 years	Leasehold for 66 years, expiring on 22.03.2053	696	19/09/2011
11.	Lot No. 21, Jalan Sungai Pinang 5/3, Phase 2A Taman Perindustrian Pulau Indah, Klang, Selangor Darul Ehsan.  <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 stories office building used as administration office, factory and warehouse.	Land area: 12,386  Gross built-up area: 5,748.57	9 years	Leasehold for 99 years, expiring on 24.02.2097	19,732	07/07/2009
12.	D-22-01, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.  <i>Title identification:</i> Strata Title PN 94193/ M1-C/23/182, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 182, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan.	Soho Duplex Unit used as investment property.	Gross built-up area: 152.00	8 years	Leasehold for 99 years, expiring on 23.11.2100	1,141	10/05/2013

## 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 31.12.2022 RM'000	Date of acquisition
13.	D-22-03, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.  <i>Title identification:</i> Strata Title PN 94193/ M1-C/23/184, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 184, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan.	Soho Duplex Unit used as investment property.	Gross built-up area: 157.00	8 years	Leasehold for 99 years, expiring on 23.11.2100	1,312	10/05/2013
14.	D-22-03A, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.  <i>Title identification:</i> Strata Title PN 94193/ M1-C/23/185, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 185, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor.	Soho Duplex Unit used as investment property.	Gross built-up area: 157.00	8 years	Leasehold for 99 years, expiring on 23.11.2100	1,312	10/05/2013
15.	D-22-05, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.  <i>Title identification:</i> Strata Title PN 94193/ M1-C/23/186, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 186, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor.	Soho Duplex Unit used as investment property.	Gross built-up area: 152.00	8 years	Leasehold for 99 years, expiring on 23.11.2100	1,140	10/05/2013

## 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 31.12.2022 RM'000	Date of acquisition
16.	D-22-06, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.  <i>Title identification:</i> Strata Title PN 94193/ M1-C/23/187, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 187, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor.	Soho Duplex Unit used as investment property.	Gross built-up area: 152.00	8 years	Leasehold for 99 years, expiring on 23.11.2100	1,141	10/05/2013
17.	D-22-07, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.  <i>Title identification:</i> Strata Title PN 94193/ M1-C/23/188, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 188, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor.	Soho Duplex Unit used as investment property.	Gross built-up area: 157.00	8 years	Leasehold for 99 years, expiring on 23.11.2100	1,312	10/05/2013
18.	Pulau Indah Industrial Land, Jalan Sungai ChongDong 33/KS11, Taman Perindustrian Pulau Indah Fasa 3, Klang, Selangor Darul Ehsan.  <i>Title identification:</i> Individual Title Lot PT 159462 (HS(D) 165823) in the Mukim and District of Klang, State of Selangor.	Industrial land	Land area: 16,591.72	-	Leasehold for 78 years, expiring on 14.04.2099	12,009	30/12/2019

## 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 31.12.2022 RM'000	Date of acquisition
19.	Lot 60, Kawasan Perindustrian Gebeng, 26080, Kuantan, Pahang Darul Makmur.  <i>Title identification:</i> Individual Title H.S. (D) 7468, PT 14524, Mukim Sungai Karang, Daerah Kuantan, Pahang Darul Makmur.	Industrial land	Land area: 2,699.656	-	Leasehold for 66 years, expiring on 26.11.2050	1,288	13/06/2022
20.	Lot 61, Jalan Gebeng 1/10, Kawasan Perindustrian Gebeng, 26080, Kuantan, Pahang Darul Makmur.  <i>Title identification:</i> Individual Title PN 6994, Lot 8956, Mukim Sungai Karang, Daerah Kuantan, Pahang Darul Makmur.	Industrial land	Land area: 2,700	-	Leasehold for 66 years, expiring on 22.02.2064	1,289	13/06/2022



# STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2023

## SHARE CAPITAL

Total Number of Issued Shares	: 399,138,330 (including treasury shares of 4,113,000)
Issued Share Capital	: RM49,980,636.00
Class of Shares	: Ordinary Share
Voting Rights	: One vote for each ordinary share held

## DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MARCH 2023

Size of Holding	No. of shareholders	% of shareholders*	No. of holdings	% of shares*
1 - 99	38	1.74	1,033	0.00
100 - 1,000	184	8.41	91,700	0.02
1,001 - 10,000	583	26.63	3,968,298	1.00
10,001 - 100,000	1,069	48.83	47,001,800	11.90
100,001 to less than 5% of issued shares	313	14.30	208,327,579	52.74
5% and above of issued shares	2	0.09	135,634,920	34.34
<b>Total</b>	<b>2,189</b>	<b>100.00</b>	<b>395,025,330</b>	<b>100.00</b>

\* Calculated based on 395,025,330 excluding treasury shares of 4,113,000

## SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2023

No.	Name of Substantial Shareholder	No. of Shares held		No. of Shares held	
		Direct	%*	Indirect	%*
1	Dato' Chan Say Hwa	69,026,460	17.47	3,363,220 <sup>(a)</sup>	0.85
2	Soo Kit Lin	66,608,460	16.86	–	–
3	Datin Chow Pui Ling	3,363,220	0.85	69,026,460 <sup>(b)</sup>	17.47

<sup>(a)</sup> Deemed interested through direct holding of spouse, Datin Chow Pui Ling.

<sup>(b)</sup> Deemed interested through direct holding of spouse, Dato' Chan Say Hwa.

\* Calculated based on 395,025,330 excluding treasury shares of 4,113,000

## DIRECTORS' INTERESTS IN SHARES AS AT 31 MARCH 2023

No.	Name of Director	No. of Shares held		No. of Shares held	
		Direct	%*	Indirect	%*
1	Zulkifly Bin Zakaria	–	–	–	–
2	Dato' Chan Say Hwa	69,026,460	17.47	3,363,220 <sup>(1)</sup>	0.85
3	Datin Chow Pui Ling	3,363,220	0.85	69,026,460 <sup>(2)</sup>	17.47
4	Soo Kit Lin	66,608,460	16.86	–	–
5	Lee Yew Weng	1,000	0 <sup>(3)</sup>	–	–
6	Woo Yew Tim	–	–	–	–

<sup>(1)</sup> Deemed interested through direct holding of spouse, Datin Chow Pui Ling.

<sup>(2)</sup> Deemed interested through direct holding of spouse, Dato' Chan Say Hwa.

<sup>(3)</sup> Negligible

\* Calculated based on 395,025,330 excluding treasury shares of 4,113,000

## STATISTICS OF SHAREHOLDINGS AS AT 31 MARCH 2023

(CONT'D)

### LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 31 MARCH 2023)

No.	NAME OF SHAREHOLDERS	No. of Shares	%
1	CHAN SAY HWA	69,026,460	17.47
2	SOO KIT LIN	66,608,460	16.86
3	TAN SIEW CHING	17,000,000	4.30
4	LEE MEE YOKE	10,837,000	2.74
5	SOUTHERN REALTY RESOURCE SDN. BHD.	8,000,000	2.03
6	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)	7,000,000	1.77
7	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (SRB/PMS)	7,000,000	1.77
8	KONG KOK SING	6,000,000	1.52
9	KONG KOK CHOY	5,900,000	1.49
10	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' NG AIK KE (001)	5,300,000	1.34
11	CHOW HOW FAI	5,169,600	1.31
12	LEE BEE GEOK	4,110,900	1.04
13	LAU KIM SAN	3,815,000	0.97
14	TEOH HIN HENG	3,520,000	0.89
15	CHOW PUI LING	3,363,220	0.85
16	SUA YONG CHIN	2,805,000	0.71
17	ONG BOK LIM	2,728,000	0.69
18	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HIEW CHEE WAN	2,700,000	0.68
19	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAU YOKE LAN (CLT)	2,400,000	0.61
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD SEK YONG WEE	2,352,500	0.60
21	YONG SIW YA	2,337,100	0.59
22	CHIN KA WONG	2,297,000	0.58
23	LEO LEE HSIA	2,000,000	0.51
24	TYE SOK CIN	2,000,000	0.51
25	LEE CHAY YEW	1,725,200	0.44
26	SUA TIEN FONG	1,703,800	0.43
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD YAU YOKE LAN	1,700,000	0.43
28	CHONG KIM LIAN	1,600,000	0.41
29	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOSEPH GOH KA KEE	1,600,000	0.41
30	LIOW SIN CHOW	1,600,000	0.41
	<b>Total</b>	<b>254,199,240</b>	<b>64.36</b>

\* Calculated based on 399,138,330 including treasury shares of 4,113,000

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirteenth Annual General Meeting (“13<sup>th</sup> AGM”) of Hiap Huat Holdings Berhad (“Hiap Huat” or “the Company”) will be conducted on a virtual basis through live streaming and remote participation and voting (“RPV”) from the Broadcast Venue at Lot 4.1, 4th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 29 May 2023 at 9.00 a.m. or at any adjournment thereof for the following purposes:-

## AGENDA

### AS ORDINARY BUSINESS:

- |   |   |
|---|---|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon.   | <i>Please refer to Explanatory Note 1</i> |
| 2. To approve the payment of Directors’ fees of up to RM250,000 for the financial year ending 31 December 2023 and other benefits payable of up to RM50,000 commencing from the conclusion of the 13th AGM up to the next AGM of the Company to be divided amongst of the Directors of the Company. | <b>Ordinary Resolution 1</b>              |
| 3. To re-elect Dato’ Chan Say Hwa as Director, who retires by rotation in accordance with Clause 105(1) of the Company’s Constitution and who being eligible, has offered himself for re-election.  | <b>Ordinary Resolution 2</b>              |
| 4. To re-elect Ms. Cheng Mun Mun, who retires in accordance with Clause 114 of the Company’s Constitution and who being eligible, has offered herself for re-election.  | <b>Ordinary Resolution 3</b>              |
| 5. To re-appoint TGS TW PLT (“TGS”) as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.   | <b>Ordinary Resolution 4</b>              |

### AS SPECIAL BUSINESS:

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

- |  |                              |
|--|------------------------------|
| 6. <b>AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016</b> | <b>Ordinary Resolution 5</b> |
|--|------------------------------|

“THAT pursuant to section 85 of the Companies Act 2016, read in conjunction with Clause 61 of the Company’s Constitution, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares ranking equally to the existing issued shares of the Company arising from the allotment and issuance of shares.

THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 (“the Act”), the Constitution of the Company, the Ace Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), and subject to the approvals of the relevant governmental/ regulatory authorities, the Directors be and are hereby authorised and empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares) at any point in time.

AND THAT authority under this resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or when it is required by law to be held, whichever is earlier, AND THAT the Directors be and are empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities.”

## NOTICE OF ANNUAL GENERAL MEETING

(CONT'D)

### **7. PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY FOR THE PURCHASE OF ITS OWN ORDINARY SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")**

*Ordinary Resolution 6*

"THAT, subject always to the Act, the provisions of the Constitution of the Company, the AMLR of Bursa Securities and the approvals of all relevant authorities (if any), the Board of Directors of the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase and/or hold such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- (i) the maximum aggregate number of shares which may be purchased and/or held as treasury shares by the Company pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase including the shares previously purchased and retained as treasury shares (if any);
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the aggregate retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of purchase; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares, or cancel the shares, or retain part of the shares so purchased as treasury shares and cancel the remainder, or resell the shares, or transfer the shares or distribute the shares as dividends or in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force.

THAT the authority conferred by this resolution will commence immediately upon the passing of this resolution and will continue to be in force until:

- (a) the conclusion of the next AGM of the Company following the general meeting at which such resolution is passed, at which time the authority will lapse, unless by an ordinary resolution passed at the general meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (c) the authority is revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first, but shall not prejudice the completion of the purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Act, the rules and regulations made pursuant thereto and the guidelines issued by Bursa Securities and/or any other relevant authority.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company".

**8. RETENTION OF MR. WOO YEW TIM AS INDEPENDENT NON-EXECUTIVE DIRECTOR PURSUANT TO PRACTICE 5.3 OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE** *Ordinary Resolution 7*

“THAT subject to the approval be and is hereby given to Mr. Woo Yew Tim who has served as an Independent Non-Executive Director (“INED”) of the Company for a cumulative term of more than nine (9) years to continue to act as an INED of the Company until the conclusion of the next AGM.”

9. To transact any other ordinary business for which due notice shall have been given in accordance with the Act.

**BY ORDER OF THE BOARD**

**Tan Tong Lang (MAICSA 7045482 /SSM PC No. 202208000250)**

**Thien Lee Mee (LS 0010621 / SSM PC No. 201908002254)**

Company Secretaries

Kuala Lumpur

Dated this 28 April 2023

**Notes:**

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy may but need not, be a member of the Company. Where a member/shareholder appoints two (2) or more proxies to attend and vote at the meeting, such appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
2. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) or more proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee defined under the SICDA 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 nominees may appoint in respect of each omnibus account it holds.
4. Where the authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its Common Seal or under the hands of an officer or attorney duly authorised.
6. The Form of Proxy must be deposited at the Share Registrar Office of the Company at B-21-1, Northpoint Mid Valley City, No. 1 Medan Syed Putra Utara, 59200 Kuala Lumpur, W.P. Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjourned thereof.
7. For the purposes of determining a member who shall be entitled to attend the meeting, the Company shall be requesting the Record of Depositors as at 18 May 2023. Only a depositor whose name appears on the Record of Depositors as at 18 May 2023 shall be entitled to attend, speak and vote at the meeting as well as for appointment of proxy(ies) to attend, speak and vote on his/her stead.
8. Pursuant to Rule 8.31A of the Listing Requirements of Bursa Securities, all resolutions set out above will be put to vote by way of poll.

# NOTICE OF ANNUAL GENERAL MEETING

(CONT'D)

## EXPLANATORY NOTES TO ORDINARY AND SPECIAL BUSINESS:

### 1. Audited Financial Statements for the Financial Year Ended 31 December 2022

This Agenda no.1 is meant for discussion only as Section 340(1)(a) of the Act provide that the audited financial statements are to be laid in the general meeting and does not require a formal approval of the shareholders. Hence, this Agenda item is not put forward to the shareholders for voting.

### 2. Ordinary Resolution 1: Payment of Directors' Fees and Other Benefits Payable

Pursuant to Section 230(1) of the Act, fees and benefits payable to the Directors of public company or a listed company and its subsidiaries shall be approved by shareholders at a general meeting. The Directors' benefits payable comprises of meeting attendance allowances and other claimable benefits.

In determining the estimated total amount of Directors' benefits, the Board has considered various factors, among others, the estimated claimable benefits and estimated number of meetings for the Board and Board Committees held for the period commencing from 13<sup>th</sup> AGM until the next AGM of the Company.

In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall.

### 3. Ordinary Resolution 2: Re-election of Director

Clause 105(1) of the Company's Constitution states that an election of Directors shall take place each year at the annual general meeting of the Company, where one-third of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election, PROVIDED ALWAYS that Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

Dato' Chan Say Hwa is standing for re-election as Directors of the Company and being eligible, has offered himself for re-election.

For the purpose of determining the eligibility of the Directors to stand for re-election at the 13<sup>th</sup> AGM, the Nomination Committee has considered the requirements under Rule 2.20A of the Listing Requirements of Bursa Securities and recommended Dato' Chan Say Hwa for re-election as Director pursuant to Clause 105(1) of the Company's Constitution.

#### Retirement Director

En. Zulkifly Bin Zakaria who is retiring pursuant to Clause 105(1) of the Company's Constitution at the 13<sup>th</sup> AGM of the Company, has expressed his intention not to seek re-election at the forthcoming 13<sup>th</sup> AGM of the Company. Hence, he shall cease to be a Director of the Company at the conclusion of the 13<sup>th</sup> AGM of the Company.

### 4. Ordinary Resolution 3: Re-election of Directors who retire in accordance with Clause 114 of the Company's Constitution

Clause 114 of the Company's Constitution states that an election of Directors shall take place if the Company, at the meeting at which a Director retires by rotation, does not fill the vacancy, the retiring Director shall, if willing to act, be deemed to have been reappointed unless at the meeting, it is resolved not to fill the vacancy or unless a resolution for the reappointment of the Director is put to the meeting and lost. All Directors who retire from office shall be eligible for re-election.

Ms. Cheng Mun Mun is standing for re-election as Directors of the Company and being eligible, has offered herself for re-election.

For the purpose of determining the eligibility of the Directors to stand for re-election at the 13<sup>th</sup> AGM, the Nomination Committee has considered and recommended Ms. Cheng Mun Mun for re-election as Directors pursuant to Clause 114 of the Company's Constitution.

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**EXPLANATORY NOTES TO ORDINARY AND SPECIAL BUSINESS: (CONT'D)****5. Ordinary Resolution 4: Re-appointment of Auditors**

The Audit Committee and the Board have considered the re-appointment of TGS as auditor of the Company and collectively agreed that TGS have met the relevant criteria prescribed by Rule 15.21 of Ace Market Listing Requirement.

**6. Ordinary Resolution 5: Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016**

The proposed Ordinary Resolution 5, if passed, is a general mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the total number of issued share of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company ("10% General Mandate").

The 10% 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. The 10% General Mandate, unless revoked or varied by the Company in general meeting, will expire at the next AGM.

The Board, having considered the current and prospective financial position, needs and capacity of the Company, is of the opinion that the 10% General Mandate is in the best interest of the Company and its subsidiaries.

**7. Ordinary Resolution 6: Proposed Renewal of Share Buy-Back Authority**

The Ordinary Resolution 6, if passed, will renew the authority given to the Directors of the Company to purchase its own ordinary shares of up to 10% of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the total amount of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of purchase of the Company's shares. This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM after that date is required by the law to be held, whichever occurs first.

Further information on the Proposed Renewal Share Buy-Back Authority is set out in the Share Buy-Back Statement to Shareholders dated 28 April 2023 which is dispatched together with the Company's Annual Report 2022.

## NOTICE OF ANNUAL GENERAL MEETING

(CONT'D)

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### 8. **Ordinary Resolution 7: Retention of Independent Non-Executive Director pursuant to Practice 5.3 of the Malaysian Code on Corporate Governance**

Pursuant to the Malaysian Code on Corporate Governance, it is recommended that approval of shareholders be sought in the event that the Company intends to retain the independent director who has served in that capacity for more than nine (9) years. Following an assessment and recommendation by the Nomination Committee, the Board recommended that Mr. Woo Yew Tim who has served as INED for a cumulative term of more than nine (9) years to continue to be designated as INED of the Company based on the following key justifications:

- (a) he fulfills the criteria under the definition of Independent Director as stated in the Listing Requirements of Bursa Securities and, therefore, is able to bring independent and objective judgment to the Board as a whole;
- (b) his experience in the relevant industries has enabled him to provide the Board and Board Committees, as the case may be, with pertinent expertise, skills, contribution and competence;
- (c) he has been with the Company for a certain period and therefore understands the Company's business operations which enables them to contribute actively and effectively during deliberations or discussions at Board and Committee meetings;
- (d) he continues to be scrupulously independent in his thinking and in his effectiveness as constructive challenger of the Group Managing Director and Executive Directors; and
- (e) he exercises due care during his tenure as an INED and carried out his professional duties in the best interest of the Company and shareholders.



# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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No notice of nomination has been received to date from any member nominating any individual for election as a Director at the 13<sup>th</sup> AGM of the Company. There is therefore no individual standing for election as Director, save for the above Directors who are standing for re-election.

Further details of Directors standing for re-election as Directors at the 13<sup>th</sup> AGM are set out in their respective profiles which appear in the Directors' Profile of this Annual Report and the details of their interests in the securities of the Company are disclosed in the Statistics of Shareholdings of this Annual Report.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Rule 6.04 of the AMLR of Bursa Securities. Please refer to the proposed Ordinary Resolution 5 as stated in the Notice of Annual General Meeting of the Company for the details.

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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. / Registration No. \_\_\_\_\_

of \_\_\_\_\_

Email Address: \_\_\_\_\_ Contact No. \_\_\_\_\_ being a member/members of **HIAP HUAT**

**HOLDINGS BERHAD [Registration No. 200901038858 (881993-M)]**, hereby appoint \_\_\_\_\_

NRIC No. / Passport No. \_\_\_\_\_ of \_\_\_\_\_

Email Address: \_\_\_\_\_ Contact No.: \_\_\_\_\_ and/or \_\_\_\_\_

NRIC No. / Passport No. \_\_\_\_\_ of \_\_\_\_\_

Email Address: \_\_\_\_\_ Contact No.: \_\_\_\_\_

(#you are required to fill in the contact no. and email address in order to participate the Thirteenth Annual General Meeting ("13<sup>th</sup> AGM"), otherwise, we are unable to register you as the participant of the meeting)

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 Thirteenth Annual General Meeting ("13<sup>th</sup> AGM") of the Company will be conducted on a virtual basis through live streaming and remote participation and voting ("RPV") from the Broadcast Venue at Lot 4.1, 4th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 29 May 2023 at 9.00 a.m. and at any adjournment thereof in the manner as indicate below:

No.	Resolutions		For	Against
1.	To approve the payment of Directors' fees and other benefits payable for the financial year ending 31 December 2023	<b>Ordinary Resolution 1</b>		
2.	To re-elect Dato' Chan Say Hwa as Director	<b>Ordinary Resolution 2</b>		
3.	To re-elect Ms. Cheng Mun Mun as Director	<b>Ordinary Resolution 3</b>		
4.	To re-appoint TGS TW PLT as Auditors of the Company and to authorise the Directors to fix their remuneration	<b>Ordinary Resolution 4</b>		
5.	To approve the authority to allot shares pursuant to Section 75 and 76 of the Companies Act, 2016	<b>Ordinary Resolution 5</b>		
6.	Proposed Renewal of Share Buy-Back Authority	<b>Ordinary Resolution 6</b>		
7.	Retention of Mr. Woo Yew Tim as Independent Non-Executive Director pursuant to Practice 5.3 of the Malaysian Code on Corporate Governance	<b>Ordinary Resolution 7</b>		

(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 \_\_\_\_\_, 2023

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

The proportions of my/our holdings to be represented by my/our proxies are as follows:-

**First Proxy**  
No. of Shares: .....

Percentage: .....%

**Second Proxy**  
No. of Shares: .....

Percentage: .....%

### Notes:

- A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy may but need not, be a member of the Company. Where a member/shareholder appoints two (2) or more proxies to attend and vote at the meeting, such appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
- Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) or more proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee defined under the SICDA 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 nominees may appoint in respect of each omnibus account it holds.
- Where the authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its Common Seal or under the hands of an officer or attorney duly authorised.
- The Form of Proxy must be deposited at the Share Registrar Office of the Company, Aldpro Corporate Services Sdn. Bhd. at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1 Medan Syed Putra Utara, 59200 Kuala Lumpur, W.P. Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjourned thereof.
- For the purposes of determining a member who shall be entitled to attend the meeting, the Company shall be requesting the Record of Depositors as at 18 May 2023. Only a depositor whose name appears on the Record of Depositors as at 18 May 2023 shall be entitled to attend, speak and vote at the meeting as well as for appointment of proxy(ies) to attend, speak and vote on his/her stead.
- Pursuant to Rule 8.31A of the Listing Requirements of Bursa Securities, all resolutions set out above will be put to vote by way of poll.


Fold this flap for sealing

Then fold here

AFFIX  
STAMP

**THE SHARE REGISTRAR OF  
HIAP HUAT HOLDINGS BERHAD**  
[REGISTRATION NO. 200901038858 (881993-M)]  
c/o Aldpro Corporate Services Sdn Bhd  
B-21-1, Level 21, Tower B  
Northpoint Mid Valley City  
No. 1 Medan Syed Putra Utara  
59200 Kuala Lumpur  
W.P. Kuala Lumpur

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Kawasan Perindustrian Pulau Indah, Fasa 2  
42920 Pulau Indah, Selangor Darul Ehsan

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