Hiap Huat Holdings Berhad
(881993-M)

annual report 2015

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Zulkifly bin Zakaria
Independent Non-Executive Chairman

Chan Say Hwa
Group Managing Director

Chow Pui Ling
Executive Director

Soo Kit Lin
Executive Director

Wong Kah Ming
Independent Non-Executive Director

Woo Yew Tim
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Zulkifly bin Zakaria

Member
Wong Kah Ming
Woo Yew Tim

REMUNERATION COMMITTEE

Chairman
Wong Kah Ming

Member
Zulkifly bin Zakaria
Woo Yew Tim

NOMINATION COMMITTEE

Chairman
Woo Yew Tim

Member
Zulkifly bin Zakaria
Wong Kah Ming

COMPANY SECRETARIES

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

REGISTERED OFFICE

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

HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS

Block D-22-07, Sunway Nexis
No 1, Jalan PJU 5/1 Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Tel no. : +603-2106 9866
Fax no. : +603-2106 9863

AUDITORS

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

PRINCIPAL BANKERS

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

SHARE REGISTRAR

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

STOCK EXCHANGE LISTING

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

WEBSITE

www.hiaphuat.com

INVESTOR RELATIONS

E-mail : enquiries@hiap.huat.com
Tel no. : +603-2106 9866

DIRECTORS' PROFILES

ZULKIFLY BIN ZAKARIA
Independent Non-Executive Chairman

Zulkifly bin Zakaria, a Malaysian aged 61, was appointed to the Board of Directors of Hiap Huat Holdings Berhad ("Hiap Huat" or the "Company") ("Board") as the Independent Non-Executive Chairman of the Company on 10 October 2011. He graduated from University Technology MARA with a Diploma in Banking in 1976 and subsequently obtained his Masters in Business Administration from the University of Wales, Cardiff, United Kingdom in 1998.

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

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

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

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

CHAN SAY HWA
Group Managing Director

Chan Say Hwa, a Malaysian aged 37, is the Group Managing Director of the Company. He is mainly responsible for our Group's overall strategy and development of our Group's overall vision. In addition, he oversees the development of our sales and marketing strategies and the implementation of sales plans and marketing of products to existing and new customers, the Company's growth, quality assurance, policy and strategy as well as monitoring the Company's overall profitability. He is also in charge of the review of appointments of sub-contractors and suppliers and enhancing the Company's reputation in the market from time to time.

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

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

CHOW PUI LING
Executive Director

Chow Pui Ling, a Malaysian aged 35, is an Executive Director of our Company. She is responsible for the daily operations of the business and reviewing the planning, operations and control of the business processes from time to time. She graduated with Masters in International Business in year 2012.

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

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

DIRECTORS' PROFILES (Cont'd)

SOO KIT LIN
Executive Director

Soo Kit Lin, a Malaysian aged 61, was appointed as a Non-Independent Non-Executive Director on 9 December 2009. Subsequently on 1 May 2013, she was re-designated as an Executive Director. She is one of the co-founders of Hiap Huat Manufacturing and Trading Co. and thereafter Hiap Huat and its subsidiaries ("Hiap Huat Group" or the "Group"). She has more than 26 years of experience in the business of waste recycling, paint manufacturing and distribution of environmental friendly products. Her expertise and contribution extends to resource planning and management where her prudent management has contributed to the continuing business success and growth of our Group.

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

WONG KAH MING
Independent Non-Executive Director

Wong Kah Ming, a Malaysian aged 37, was appointed as an Independent Non-Executive Director of the Company on 10 October 2011. He graduated with a Bachelor of Commerce majoring in Accounting and Finance from Curtin University of Technology, Australia in 2000. He is a Member of CPA Australia and Malaysia Institute of Accountants since 2004. He has over 10 years of experience in the areas of accounting, internal audit, legal affairs, financial planning, corporate affairs, corporate finance and investor relations.

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

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

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

WOO YEW TIM
Independent Non-Executive Director

Woo Yew Tim, a Malaysian aged 38, 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 15 years of combined experience in the areas of financial reporting, auditing, taxation and corporate finance advisory.

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

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

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

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Hiap Huat Holding Berhad ("Hiap Huat", "the Company" or "the Group"), it gives me great pleasure to present the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended (FYE) 31 December 2015.

2015 has been a challenging year for us with the deteriorating global crude oil price, tougher competition together with the weak demand from local and export sector. Nevertheless, the Group remain focused on its core competencies and prudent management of investment to remain competitive in its business.

FINANCIAL PERFORMANCE

Our financial performance in 2015 reflected an adverse impact of falling global crude oil price as well as stiff competition within the industry with revenue down by 33% to RM24.5 million.

During the year, we have reviewed our operating cost to minimise wastage while maximising productivity to ensure we stay profitable. The cost saving measures which include cutting overhead, managing stock control and lowering cost of sales implemented by the Group has resulted the Group's gross profit margin increasing marginally by 3.5% from 25.41%.

In view of the decline in revenue and the write down of inventory value for the FYE 31 December 2015, the Group's loss before taxation was higher by RM1.38 million as compared to the preceding financial year of RM0.18 million.

MOVING FORWARD

2016 will be a year of tough challenges for the Malaysian economy and the Group's business as it is very much dependent on the magnitude of fluctuation in crude oil price and government monetary measures.

Despite the challenging business and economic environment, the Group continues to explore and engage in new innovative production method. It is also focusing on strengthening its market presence including cost rationalisation and productivity improvement to ensure its ongoing success in today's competitive market.

EMPLOYEE ENGAGEMENT AND DEVELOPMENT

The Group also emphasise on enhancing the quality and ability of employees through variety of training programmes and workshop for all levels of employees. This is to enhance their knowledge and expand the employees' competency level in executing daily functions.

We are committed on developing our people to the best of their abilities as we believe every employee plays a vital role in the Group's success. This is also to imbue them a sense of duty towards environment protection and pollution which is part of our commitment towards our contribution to the environment.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to thank our shareholders, customers, business associates and stakeholders for their continued support, trust and confidence in us. We would also like to extend our heartfelt appreciation to the employee and management of the Group for their hard work and contribution to the Group. We shall remain committed in our quest to achieve our long term objective of the Group whilst not losing sight of the welfare of our employee.

Zulkifly bin Zakaria
Independent Non-Executive Chairman

CORPORATE SUSTAINABILITY STATEMENT

Hiap Huat perceived corporate sustainability as its commitment to create long term value for the shareholders, environment and society through innovation and overall operational excellence.

Mindful of the need to be a corporately responsible organisation, the Group undertook various steps to play its part in contributing to the welfare of the society and communities in the environment it operates. The Group recognises that for long term sustainability, its strategic orientation will need to look beyond the financial parameters. Hence, the Group supports important causes such as donation to the needy, community services, promoting a healthy and safety culture within the organisation.

Within this context we have defined our commitment to Corporate Sustainability into following areas:

EMPLOYEE WELFARE

Hiap Huat's goal is to create a safe and supportive working environment for every employee to contribute their best and recognise the importance of our employees to feel proud and inspired to work with the Group.

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

The HS Committee strives to prevent all accidents, injuries and occupational illnesses through the active participation of employees by establishing all facilities in a manner that safeguards our employees and the communities in which they operate. In addition, the Group provides medical and healthcare insurance for employees commensurate with their involvement, rank and level of employment. We are proud to share that the HS Committee reported zero lost time due to injury in year 2015.

To provide a rewarding and supporting working environment, Hiap Huat encourages continual professional and personal development of employees through various training programmes, workshops and seminar. Over 40 different employees training programs were organised and participated over the course of the year, targeted at all levels from our ground workers to upper management. The programmes covered topics such as Certified Environmental Professional in Scheduled Waste Management, Chemical Handling, Classification, Labelling & Safety Data Sheet of Hazardous Chemicals, ISO9001, 14001 & OHSAS 18001 Awareness Internal Audit, Strategy Development & Execution, UNEP Eco Innovation Programme and Good and Service Tax.

To promote healthier living and encourage social interaction amongst employee, Hiap Huat encourage employee on sport and fitness programme such as gym and swimming after working hours by utilised the executive club facilities in the office building and sponsor on the weekly badminton training session.

ENVIRONMENTAL AWARENESS

Throughout the year, Hiap Huat has actively taken initiative to raise awareness on environmental issues and to reduce the impact of its business on the environment. In order to achieve this, the Group has set up several programs to improve the environmental performance of recycling activities through the integration of cleaner technology in our operations. This will lessen the impact on the environment and demonstrate our further commitment to continuously considering better approaches and improving on current innovations to make the business in a more environmentally friendly way. We hope to be an exemplary model for society with regards to environmentally sustainable business practices.

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

Hiap Huat has an Environment Management System in place for monitoring effluent as well. All this is done without sacrificing on quality as the Group adheres to strict ISO guidelines in our production lines. We are constantly refining our efficiency, ensuring that our production processes are not detrimental to the environment through monitoring (rotation by schedule). We believe that increased efficiency will result in a reduction in energy consumption and less wastage of natural resources.

Hiap Huat further adheres to the principles of Re-use, Re-cycle, Recover and Reduce in manufacturing our products and to reduce the generation of waste during the production. The Group uses electricity and waste efficiently in our manufacturing activities and we continuously review our environmental objectives and targets.

CORPORATE SUSTAINABILITY STATEMENT (Cont'd)

ENVIRONMENTAL AWARENESS (Cont'd)

In the work place, the employees have developed a culture of reducing electricity and paper usage, recycling waste plastic materials as well as reusing paper or adopting a paperless system for selected processes. Further, the Annual Report and Investor Handbook of Hiap Huat are published in CD-ROM format and posted on Hiap Huat's website to reduce the paper usage and natural resources.

During the year, Hiap Huat participated in the FMM Waste Management Conference 2015 whereby our Group Managing Director, Mr. Chan Say Hwa given a talk on the topic of "Chemical Recycling Technology" to inspire the general public awareness on the important of recycle and appreciation for the earth's environment.

SOCIAL AWARENESS

Aside from operating an environmentally friendly business, the Group also takes an active role in giving back to the community as well as shaping the next generation. During 2015 Chinese New Year, representative from Hiap Huat visited Padmasambhava Children Loving Association Klang Selangor to provide the children encouragement, hope and awareness that they are not forgotten during festive season and in the same time to educate the children on the importance of recycling and environmental conservation.

MARKETPLACE

Hiap Huat is committed to maintain a proper framework to ensure that the business is run in an efficient and transparent manner in the interest of all its stakeholders. Ensuring that the business is conducted in a fair, transparent, sustainable and professional manner, Hiap Huat is focused on delivering products of quality and being customer focused. Our business imperative is to carry out our activities responsibly and with integrity. Our people are expected to behave in an honest and ethical manner in accordance with our policies, business rules and guidelines.

CORPORATE GOVERNANCE STATEMENT

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

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

Below is a statement and description in general on how the Group has applied the principles and complied with the best practice provisions as laid out in MCCG throughout the financial year ended 31 December 2015 pursuant to Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

A. DIRECTORS

1. Board Balance

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

The Board consists of six (6) members, comprising an Independent Non-Executive Chairman, a Group Managing Director, two (2) Executive Directors and two (2) Independent Non-Executive Directors. The Company is in compliance with Rule 15.02 of the Listing Requirements whereby at least two (2) or one third (1/3) of its Board members are independent directors. The profile of each Director is presented separately in page 3 and 4 of the Annual Report 2015.

The current Board composition are persons of high calibre, experienced and are professionals in their respective fields. Together, this bring a wide range of mix of industry specific knowledge, broad based business and commercial experience that are vital to the Board’s successful stewardship of the Group.

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

The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of boardroom and workforce gender diversity policy. However, the Board does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the Group. The Group basically evaluate the suitability of candidates as new Board member or as a member of the workforce based on the candidates’ competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender. Equal opportunity is given and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation. Nevertheless, the Board will evaluate and match the criteria of the potential candidate as well as considering the boardroom diversity for any new proposed appointment of directors of the Company in the future. Currently, our Board comprise of two (2) female directors.

2. Board Responsibilities

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

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

A. DIRECTORS (Cont'd)

2. Board Responsibilities (Cont'd)

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

- Review and adopt strategic plan 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. The Board also monitor budgetary exercise which to supports the Group's business plan and budget plan.

- Implementation of internal compliance controls and justify measure to address principle risks.

  The Board is fully alert of the responsibilities to maintain a proper internal control system. The Board's responsibilities 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 responsibility 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.

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

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

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

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

3. 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 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 Ethics and Conduct are available for reference at the Company's website at www.hiaphuat.com.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

A. DIRECTORS (Cont'd)

4. Board Charter

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

The Board Charter is available on the Company's website at www.hiaphuat.com.

5. Promote Sustainability

The Board ensures that the Company's strategies promote sustainability with attention given particularly to environmental, social and governance ("ESG") aspects of business which underpin sustainability. The Board understands that balancing ESG aspects with the interests of various stakeholders is essential to enhancing investor perception and public trust.

The Group is committed to the continuous efforts in maintaining a delicate balance between its sustainability agenda and other stakeholders' interest. The details of the sustainability efforts are set out in the "Corporate Sustainability Statement" of this Annual Report.

6. Whistle-blowing Policy

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 details of the Whistle-blowing Policy are available for reference at the Company's website at www.hiaphuat.com.

7. Supply of information

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers shall be forwarded to each director no later than seven (7) days before the date of the meeting. This is to ensure that Board 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 Board paper and seek for any clarification as and when they may need advisers or further explanation from management and 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.

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

In addition, all Directors have direct access to the advice and services of the Company Secretaries who is responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulatory are complied with. 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. The Directors may consult the Chairman or other Board members prior to seeking any independent professional advice.

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

8. Company Secretaries

The Board is supported by qualified and competent Company Secretaries who are responsible for ensuring that the Company's Memorandum and Articles of Association, procedures and policies and regulations are complied with. The Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretaries is 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.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

A. DIRECTORS (Cont'd)

8. Company Secretaries (Cont'd)

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.

9. Board Meetings

There were five (5) Board of Directors' Meetings held during the financial year ended 31 December 2015. Details of the attendance of the Directors at the Board of Directors' Meetings are as follow:

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

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

All the Directors are required to devote sufficient time and efforts to carry out their responsibilities. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees.

Each Board member is expected to achieve at least fifty percent (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.

Notwithstanding that no specific quantum of time has been fixed, all the Board members are required to notify the Board before accepting any new directorship. 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 fulfil 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 Listing Requirements).

10. Directors' Training

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. 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 STATEMENT (Cont'd)

A. DIRECTORS (Cont'd)

10. Directors' Training (Cont'd)

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

Name of Director	Courses attended
Zulkifly bin Zakaria	1. Advocacy Sessions on Management Discussion & Analysis for CEO/CFO
Chan Say Hwa	1. FMM National Export Conference 2015: Go Global Through Technology 2. Advocacy Sessions on Management Discussion & Analysis for CEO/CFO 3. Good and Service Tax
Chow Pui Ling	1. ISO9001, 14001 & OHSAS 18001 Awareness and Internal Audit 2. NLP Practitioner Certification 3. Advocacy Sessions on Management Discussion & Analysis for CEO/CFO 4. Train The Trainer 5. Good and Service Tax
Soo Kit Lin	1. Public Speaking
Wong Kah Ming	1. Advocacy Sessions on Management Discussion & Analysis for CEO/CFO
Woo Yew Tim	1. Advocacy Sessions on Management Discussion & Analysis for CEO/CFO 2. Tax Seminar

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.

11. Nomination Committee

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

The Nomination Committee shall meet at least once a year unless otherwise determine by the Nomination Committee. The Quorum for meeting and/or for the sanction and endorsement of approvals in writing shall be at least two (2) members, of which at least one (1) shall be an independent director.

In fulfilling its primary objectives, the Nomination Committee shall undertakes, amongst others, the following duties and responsibilities:

(i) to regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;

(ii) to evaluate the effectiveness of the Board as a whole, the various Committees and each individual Director's contribution to the effectiveness on the decision making process of the Board;

(iii) give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future;

CORPORATE GOVERNANCE STATEMENT (Cont'd)

A. DIRECTORS (Cont'd)

11. Nomination Committee (Cont'd)

(iv) prepare a description of the role and capabilities required for a particular appointment;

(v) identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;

(vi) In determining the process for the identification of suitable new candidates, the Nomination Committee will ensure that an appropriate review or search is undertaken by an independent third party to ensure the requirement and qualification of the candidate nominated;

(vii) to make recommendations to the Board on candidates it considers appropriate for appointment; and

(viii) to recommend to the Board concerning the re-election by shareholders of any director under the "retirement by rotation" provisions in the Company's Article of Association.

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 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.

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.

Factors considered by the Nomination Committee when recommending a person for appointment as a director include:

(i) the merits and time commitment required for a Non-Executive Director to effectively discharge his or her duties to the Company;

(ii) the 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

(iii) the extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

The Nomination Committee would conduct an assessment on the performance of the Board, as a whole, based on a self-assessment approach. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board considers and approves recommendations by the Nomination Committee on the re-election and re-appointment of Directors at the Company's forthcoming annual general meeting. The Nomination Committee is satisfied with the current size of the Board, and with the mix of qualifications, skills & experience among the Board members. Among other evaluation criteria is the commitment displayed, the depth of contribution, ability to communicate and undertake assignments on behalf of the Board.

The present members of the Nomination Committee are:

Chairman
Woo Yew Tim - Independent Non-Executive Director

Members
Zulkifly bin Zakaria - Independent Non-Executive Chairman
Wong Kah Ming - Independent Non-Executive Director

CORPORATE GOVERNANCE STATEMENT (Cont'd)

A. DIRECTORS (Cont'd)

12. Re-election of Directors

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

13. Reinforce Independence

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

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

As recommended by the MCCG, 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 director's re-designation as a non-independent director. In the event the Board intends to retain such Director as Independent Director after the letter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at a general meeting, normally the annual general meeting of the Company.

As at the date of this statement, none of the independent directors had served the Company for more than nine (9) years as per the recommendations of MCCG.

B. DIRECTORS' REMUNERATION

1. Procedures

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, taking into account the comparative market rates that 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 caliber 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. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, 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. The aggregate annual Directors' fees are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

B. DIRECTORS' REMUNERATION (Cont'd)

2. Disclosure

The aggregate remuneration of Directors for the financial year ended 31 December 2015 is as follow:

	Executive Directors (RM)	Non-Executive Directors (RM)
Salary and *other emoluments	1,186,260	-
Directors' fee	-	132,000
Total	1,186,260	132,000

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

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

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

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

3. Remuneration Committee

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

The Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The Remuneration Committee shall meet at least once a year and at such time, the Chairman of the Remuneration Committee may request for a meeting as and when deemed necessary. The quorum of the Remuneration Committee meeting shall be two (2) members, of which at least one (1) shall be an independent director. The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendations of the Remuneration Committee.

The present members of the Remuneration Committee are as follow:

Chairman
Wong Kah Ming - Independent Non-Executive Director

Members
Zulkifly bin Zakaria - Independent Non-Executive Chairman
Woo Yew Tim - Independent Non-Executive Director

CORPORATE GOVERNANCE STATEMENT (Cont'd)

C. COMMUNICATION BETWEEN THE COMPANY AND ITS SHAREHOLDERS AND INVESTORS

Corporate disclosure policies and procedures

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

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

The practice of disclosure of information is to adopt the best practices recommended in the MCCG with regard to strengthening engagement and communication with shareholders, it is not only established just to comply with the Listing requirements of Bursa Securities.

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, the Company's Annual Report, circulars and financial results are dispatched on annually basis to the shareholders to provide an overview of the Group's business activities and performances. The Share Registrar is available to attend to administrative matters relating to shareholder interests. The Company strive to provide a high level of transparency reporting in order to provide value for users.

Leverage on Information Technology for Effective Dissemination of Information

The Company's website at www.hiaphuat.com incorporates an Investor Relations section which provides all relevant information on the Company accessible to the public. This section enhances the Investor Relations function by including all announcements made by the Company and its annual reports.

The quarterly financial results are announced via Bursa LINK after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

Shareholders and investors may also forward their queries to the Company via email to enquiry@hiaphuat.com.

Dialogue with Shareholders

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board is of the view that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

The Chairman or the Group Managing Director of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought at the general meeting.

Whilst the Company aims to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. The shareholders will be notified of the meeting together with a copy of the Company's Annual Report at least twenty one (21) days before the meeting. At the AGM, the Board will present to the shareholders with a comprehensive report on the progress and performance of the Group and the shareholders are encouraged to participate in the questions and answers session there at, where they will be given the opportunity to raise questions or seek more information during the AGM. Informal discussions between the Directors, senior management staff, the shareholders and investors are always active before and after the general meetings.

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.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

C. COMMUNICATION BETWEEN THE COMPANY AND ITS SHAREHOLDERS AND INVESTORS (Cont'd)

Annual General Meeting (Cont'd)

On poll voting, the Board is of the opinion that with the current level of shareholders' attendance at general meetings, voting by way of a show of hands continues to be efficient. During the general meetings, the Chairman of the meeting will remind all members present about their right to demand for a poll in accordance with the provisions of the Articles of Association of the Company in the voting on any resolutions. Currently, all resolutions put forth for the shareholders' approval are carried out by a show of hands, unless a poll is demanded or specifically required.

D. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

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

2. Risk Management and Internal Control

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal control, 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, respond appropriate to risks of the Group.

As an effort to enhance the system of internal control, the Board together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review to the existing 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.

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 information on the Group's internal control is further elaborated in pages 24 to 26 on the Statement on Risk Management and Internal Control of this Annual Report.

3. Relationship with Auditors

The Company has established a transparent arrangement with the auditors to meet their professional requirements. From time to time, the auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention. The Audit Committee also meets the external auditors without the presence of the Executive Directors and the management at least twice a year on any matters relating to the Group and its audit activities.

In assessing the independence of external auditors, the Audit Committee reviewed and considered a written assurance from the external auditors, confirming that they are, and have been, independent throughout the conduct of their audit engagement with the Company in accordance with the independence criteria of International Standards on Auditing and By-Laws issued by the Malaysian Institute of Accountants.

Annual appointment or re-appointment of the external auditor 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.

The Audit Committee is satisfied with the competence and independence of the external auditors for the financial year under review.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2015, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

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

F. COMPLIANCE STATEMENT

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 and all other applicable laws, where applicable.

AUDIT COMMITTEE'S REPORT

1. COMPOSITION

Chairman
Zulkifly bin Zakaria - Independent Non-Executive Chairman

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

The Audit Committee meets periodically to carry out its functions and duties pursuant to its terms of reference. Other Board members also attend meetings upon the invitation of the Audit Committee. The Audit Committee is able to obtain external professional advice and to invite any outsider with relevant experience to attend its meeting, if necessary.

2. TERMS OF REFERENCE

2.1 Members

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

i) must be a member of the Malaysian Institute of Accountants ("MIA"); or

ii) if he is not a member of the MIA, he must have at least three (3) years' working experience and:

   a) passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
   b) must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

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

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

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

2.2 Chairman

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

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

2.3 Meetings and Minutes

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

AUDIT COMMITTEE'S REPORT (Cont'd)

2. TERMS OF REFERENCE (Cont'd)

2.3 Meetings and Minutes (Cont'd)

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

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

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

2.4 Quorum

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

2.5 Notice and Minutes of Meetings

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

The Secretary shall:

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

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

2.6 Duties and Responsibilities

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

(i) Review and discuss with the external and internal auditors the nature and scope of their respective audit strategy, audit plans or programmes.

(ii) Review the external auditors' statutory and other audit reports and management letter and the response from the management.

(iii) Review the scope and results of the internal audit procedures.

(iv) Review with the external and internal auditors their evaluations of the system of internal accounting controls, in particular with regard to the adequacy of the Group's internal control system.

(v) Review quarterly and yearly balance sheets and income statements of the Company and the Group, prior to the approval by the Board of Directors, focusing particularly on:

   (a) changes in or implementation of major accounting policies;
   (b) significant and unusual events; and
   (c) compliance with accounting standards and other legal requirements.

AUDIT COMMITTEE'S REPORT (Cont'd)

2. TERMS OF REFERENCE (Cont'd)

2.6 Duties and Responsibilities (Cont'd)

(vi) Commission and review the findings of internal investigations into matters within its terms of reference.

(vii) Promptly report to Bursa Securities on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of Listing Requirements.

(viii) Review interested person transactions, which are defined as transactions between the Company, its subsidiary companies or target associated company and a director, chief executive officer, or substantial shareholder of the Company or their associates.

(ix) To verify the allocation of option pursuant to a share scheme for employees at the end of each financial year and to prepare a statement verifying such allocation in the annual reports.

(x) Recommend to the Board on the appointment or re-appointment of external auditors and their fees and make appropriate recommendations on matters of resignation or dismissal of external auditors.

(xi) Review on the policies implemented by the Company to ensure that the Company's risk are identified and evaluated and that controls in place are adequate and functioning property to address the risks.

(xii) Review and approve the statement to be included in the annual report concerning internal control and risk management.

(xiii) Review the Company's policies and to ensure the good corporate governance practices are implemented and maintained throughout the Company and its subsidiaries and make appropriate recommendations to the Board in monitoring MCCG of conduct of the Board of Directors.

(xiv) Carry out such other functions as may be agreed to by the Audit Committee and the Board.

2.7 Authority

(i) The Audit Committee is authorised by the Board to investigate any matter within the Audit Committee's terms of reference. It shall have full and unrestricted access to any information pertaining to the Group and shall have the resources it requires to perform its duties. All employees of the Group are required to comply with the requests made by the Audit Committee.

(ii) The Audit Committee is authorised by the Board to obtain outside legal or external independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company.

(iii) The Audit Committee shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

(iv) The Audit Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary, in order to enable the Audit Committee and the external auditors or the internal auditors or both, to discuss problems and reservations and any other matter the external auditors or internal auditors may wish to bring up to the attention of the Audit Committee.

(v) The internal auditors report directly to the Audit Committee and shall have direct access to the Chairman of the Audit Committee on all matters of control and audit. All proposals by management regarding the appointment, transfer and removal of senior staff members of the Internal Audit of the Group shall require prior approval of the Audit Committee. The Audit Committee is also authorised by the Board to obtain information on any resignation of internal audit staff members and provide the staff member an opportunity to submit his reasons for resigning.

AUDIT COMMITTEE'S REPORT (Cont'd)

3. ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2015, the Audit Committee held five (5) meetings. Details of the attendance of committee members are as follow:

Name	Attendance
Zulkifly bin Zakaria	5/5
Wong Kah Ming	5/5
Woo Yew Tim	5/5

4 SUMMARY ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

The activities of the Audit Committee during the financial year ended 31 December 2015 include the following:

a) Reviewed the quarterly unaudited financial of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Group's results to Bursa Securities;

b) Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 December 2015;

c) Reviewed the annual audited financial statements of the Group before recommending to the Board for their approval and release of the Group's results to Bursa Securities;

d) Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised, audit recommendations and management's response to these recommendations;

e) Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control before recommending to the Board for approval and inclusion in the Annual Report;

f) Reviewed and considered the nomination of external auditors for recommendation to the Board for re-appointment.

g) Reviewed the effectiveness of the Group's system of internal control;

h) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;

i) Reviewed the Company's compliance with the Listing Requirements, applicable Approved Accounting Standards and other relevant legal and regulatory requirements; and

j) Report to the Board on its activities and significant findings and results.

5 INTERNAL AUDIT FUNCTIONS

The Group has outsourced its internal audit function to a professional services firm, which reports directly to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives. With the internal audit function being put in place, remedial action can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units. The costs incurred for the internal audit function in respect of the financial year under review is approximately RM65,895.

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

During the financial year under review, the following internal audit activities were undertaken:

(i) Presented the results of the internal audit and follow up review at the scheduled Audit Committee meetings;

AUDIT COMMITTEE'S REPORT (Cont'd)

5 INTERNAL AUDIT FUNCTIONS (Cont'd)

(ii) Reviewed the adequacy and effectiveness of the systems of internal control and compliance with the policies and procedure of the Group in accordance with the approved audit plan and recommend improvements on the following subsidiaries over the business process / area as set out below:

Name of Subsidiaries	Business Process/Area
Hiap Huat Chemicals Sdn. Bhd. ("HHC")	• Production • Engineering and Maintenance
Topmark Petroleum Products Sdn. Bhd. ("TPP")	• Production • Engineering and Maintenance
Transada Chemicals Sdn. Bhd. ("TC")	• Procurement • Inventory Management

(iii) Performed follow-up on previous auditable activities of Hiap Huat, HHC, TPP and TC to ensure that corrective actions have been implemented in a timely manner; and

(iv) Reviewed the annual statement on internal audit function and Statement on Risk Management and Internal Control to be published in the Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors ("the Board") of Hiap Huat Holdings Berhad ("Hiap Huat" or "the Company") is pleased to report on its Statement on Risk Management and Internal Control, which provides an overview of the nature and state of risk management and internal controls of Hiap Huat and its group of companies ("the Group") during the financial year under review and up to the date of approval of this statement by the Board. This statement is guided by the latest Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

RESPONSIBILITY

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

Due to inherent limitations in any risk management and internal control system, such system are designed to manage the risk may impede the achievement of the Group's business objectives rather than eliminate these 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 has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the Audit Committee on a periodic basis.

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

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

KEY FEATURES OF THE GROUP's RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements that have been established in the-of 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 Board has set up a Risk Management Committee ("RMC") which comprises of Senior Management and Head of Departments of the Group 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. Detail risk registers of the key risks been identified and existing controls including the risk responses have been created and a risk profile for the Group has been developed. Risks identified were prioritised in terms of likelihood of occurrence and its impact on the achievement of the Group's business objectives.

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

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

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

2. Internal Control System

(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 Audit Committee 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) Internal policies and procedures had been established for key business units within the Group. Certain subsidiaries within the Group are ISO accredited.

(v) The Group has a budgeting process which establishes plans and targets for performances to be measured on an on-going basis. Budget variances are analysed and reported internally on a quarterly basis.

(vi) 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.

(vii) Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Group. Monthly management accounts containing key financial results, operational performances and comparison of actual performance against budgets are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Board for their review and approval. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.

3. Internal Audit Function

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

The internal audit adopts a risk based approach in developing its audit plan which addresses the core auditable areas of the Group based on risk assessment report dated 15 April 2014 and is approved by the Audit Committee.

During the financial year ended 31 December 2015, the outsourced internal audit function carried out audits in accordance with the approved audit plan. The result of their review which includes the significant internal audit findings, recommendations for improvements, management's response and proposed action plans is discussed with Senior Manager prior to present to the Audit Committee. Follow-up reviews of the implementation of action plans are carried out to ensure that the matters highlighted in the internal audit reports have been adequately addressed.

Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("Guidelines") issued by the Malaysian Institute of Accountants ("MIA"), 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.

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS (Cont'd)

RPG 5 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

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 cognisant 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.

OTHER DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA SECURITIES

1. **UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE**

   During the financial year, there were no proceeds raised by the Company from any corporate proposals.

2. **SHARE BUY-BACKS**

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

3. **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

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

4. **DEPOSITORY RECEIPT PROGRAMMES**

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

5. **IMPOSITION OF SANCTIONS/PENALTIES**

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

6. **NON-AUDIT FEES**

   There were RM5,000.00 non-audit fees paid to the external auditors for the financial year ended 31 December 2015. The non-audit fee is for reviewing the Statement on Risk Management and Internal Control.

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

   There were no significant variances between the results for the financial year and the unaudited results previously announced on 29 February 2016.

8. **PROFIT GUARANTEE**

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

9. **MATERIAL CONTRACTS**

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

10. **CONTRACTS RELATING TO LOAN**

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

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

    Save for such disclosure made in note 28 to the audited consolidated financial statements on page 73 of this Annual Report, there were no material recurrent related party transactions of revenue nature during the financial year ended 31 December 2015.

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

Principal Activities

The principal activity of the Company is that of investment holding. The principal activities of its subsidiary companies are disclosed in Note 6 to the financial statements.

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

Financial Results

	Group RM	Company RM
Net loss for the financial year	1,611,517	3,543,819
Attributable to:		
Owners of the parent	1,608,456	3,543,819
Non-controlling interests	3,061	-
	1,611,517	3,543,819

Reserves and Provisions

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

Options Granted Over Unissued Shares

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

Directors

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

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

DIRECTORS' REPORT (Cont'd)

Directors' Interests

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

	No. of ordinary shares of RM0.10 each			
	At 1.1.2015	**Addition**	**Disposed**	**At 31.12.2015**
Direct interest				
Chan Say Hwa	66,105,460	-	-	66,105,460
Soo Kit Lin	66,608,460	-	-	66,608,460
Indirect interest				
Chow Pui Ling (#)	66,105,460	-	-	66,105,460
Soo Kit Lin (#)	54,901,410	783,600	40,208,600	15,476,410

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

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

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

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

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.

Other Statutory Information

(a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:

 (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that 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 realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(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

DIRECTORS' REPORT (Cont'd)

Other Statutory Information (Cont'd)

(b) At the date of this report, the Directors are not aware of any circumstances: (Cont'd)

(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.

(c) At the date of this report, there does not exist:

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

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

(d) 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 its 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, Messrs UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 March 2016.

CHAN SAY HWA

CHOW PUI LING

KUALA LUMPUR

STATEMENT BY DIRECTORS

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

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 35 to 80 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 34 to the financial statements on page 81 have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 March 2016.

CHAN SAY HWA

CHOW PUI LING

KUALA LUMPUR

STATUTORY DECLARATION

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

I, CHAN SAY HWA, being the Director primarily responsible for the financial management of HIAP HUAT HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 35 to 81 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 29 March 2016.)

CHAN SAY HWA

Before me,

No. W521
MOHAN A.S. MANIAM

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the financial statements of Hiap Huat Holdings Berhad, which comprise statements of financial position as at 31 December 2015 of the Group and of the Company, and 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 a summary of significant accounting policies and other explanatory information, as set out on pages 35 to 80.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

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

Other Reporting Responsibilities

The supplementary information set out in Note 34 on page 81 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

UHY
Firm Number: AF 1411
Chartered Accountants

CHAN JEE PENG
Approved Number: 3068/08/16 (J)
Chartered Accountant

KUALA LUMPUR

29 March 2016

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Non-Current Assets					
Property, plant and equipment	4	61,434,876	58,508,940	9,410,875	5,459,028
Investment property	5	1,329,051	-	1,329,051	-
Investment in subsidiary companies	6	-	-	34,305,130	14,830,130
		62,763,927	58,508,940	45,045,056	20,289,158
Current Assets					
Inventories	7	12,502,919	13,099,812	-	-
Trade receivables	8	5,827,652	7,322,163	-	-
Other receivables	9	596,807	2,773,838	72,440	48,181
Amounts owing by subsidiary companies	10	-	-	731,060	25,262,345
Tax recoverable		574,404	848,289	23,600	96,024
Fixed deposits with licensed banks	11	1,397,351	381,178	-	-
Cash and bank balances		971,104	917,217	301,224	276,905
		21,870,237	25,342,497	1,128,324	25,683,455
Non-current assets classified as held for sale	12	-	10,199,747	-	-
		21,870,237	35,542,244	1,128,324	25,683,455
Total Assets		84,634,164	94,051,184	46,173,380	45,972,613
Equity					
Share capital	13	33,330,133	33,330,133	33,330,133	33,330,133
Share premium	14	7,762,508	7,762,508	7,762,508	7,762,508
Merger deficit	15	(9,535,114)	(9,535,114)	-	-
Revaluation reserves	16	3,040,689	8,560,582	-	-
Retained earnings/(Accumulated losses)		19,666,335	15,714,887	(7,331,719)	(3,787,900)
Equity attributable to owners of the parent		54,264,551	55,832,996	33,760,922	37,304,741
Non-controlling interests		45,939	-	-	-
Total		54,310,490	55,832,996	33,760,922	37,304,741
Non-Current Liabilities					
Finance lease payables	17	694,513	1,597,272	-	-
Bank borrowings	18	18,078,272	18,250,662	7,531,972	3,556,931
Deferred tax liabilities	19	1,882,567	2,156,888	-	-
		20,655,352	22,004,822	7,531,972	3,556,931
Current Liabilities					
Trade payables	20	1,629,611	1,919,502	-	-
Other payables	21	2,824,019	4,937,097	303,077	341,325
Amounts owing to subsidiary companies	10	-	-	3,822,452	3,851,974
Finance lease payables	17	823,997	971,162	-	-
Bank borrowings	18	4,390,695	8,385,605	754,957	917,642
		9,668,322	16,213,366	4,880,486	5,110,941
Total Liabilities		30,323,674	38,218,188	12,412,458	8,667,872
Total Equity and Liabilities		84,634,164	94,051,184	46,173,380	45,972,613

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 2015

		Group		Company	
		2015	**2014**	**2015**	**2014**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	22	24,534,789	36,608,297	2,404,352	2,054,281
Cost of sales		(17,572,132)	(27,306,934)	-	-
Gross profit		6,962,657	9,301,363	2,404,352	2,054,281
Other income		1,990,829	202,165	11,097	74,388
Administrative expenses		(9,402,397)	(8,485,526)	(5,771,282)	(3,337,447)
(Loss)/profit from operations		(448,911)	1,018,002	(3,355,833)	(1,208,778)
Finance costs	23	(1,248,591)	(1,202,276)	(188,790)	-
Loss before tax	24	(1,697,502)	(184,274)	(3,544,623)	(1,208,778)
Taxation	25	85,985	(164,727)	804	47,347
Net loss for the financial year		(1,611,517)	(349,001)	(3,543,819)	(1,161,431)
Other comprehensive income for the financial year					
Item that will not be reclassified subsequently to profit or loss					
Revaluation of land and buildings		-	8,560,582	-	-
Effect of change in tax rate on revaluation reserves		40,011	-	-	-
Other comprehensive income for the financial year		40,011	8,560,582	-	-
Total comprehensive (loss)/ income for the financial year		(1,571,506)	8,211,581	(3,543,819)	(1,161,431)
Net loss for the financial year attributable to:					
Owners of the parent		(1,608,456)	(349,001)	(3,543,819)	(1,161,431)
Non-controlling interests		(3,061)	-	-	-
		(1,611,517)	(349,001)	(3,543,819)	(1,161,431)
Total comprehensive (loss)/ income attributable to:					
Owners of the parent		(1,568,445)	8,211,581	(3,543,819)	(1,161,431)
Non-controlling interests		(3,061)	-	-	-
		(1,571,506)	8,211,581	(3,543,819)	(1,161,431)
(Loss)/Earnings per share (sen)					
- Basic	27	(0.48)	(0.10)		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Attributable to Owners of the Parent							
	Non-distributable				Distributable			
Group	Share Capital RM	Share Premium RM	Merger Deficit RM	Revaluation Reserves RM	Retained Earnings RM	Total RM	Controlling Interests RM	Total Equity RM
At 1 January 2015	33,330,133	7,762,508	(9,535,114)	8,560,582	15,714,887	55,832,996	-	55,832,996
Net loss for the financial year	-	-	-	-	(1,608,456)	(1,608,456)	(3,061)	(1,611,517)
Other comprehensive income for the financial year:								
Effect of change in tax rate on revaluation reserves	-	-	-	40,011	-	40,011	-	40,011
Total comprehensive income for the financial year	-	-	-	40,011	(1,608,456)	(1,568,445)	(3,061)	(1,571,506)
Realisation of revaluation reserves	-	-	-	(5,559,904)	5,559,904	-	-	-
Transaction with owner:								
Disposal of partial interest in a subsidiary	-	-	-	-	-	-	49,000	49,000
At 31 December 2015	33,330,133	7,762,508	(9,535,114)	3,040,689	19,666,335	54,264,551	45,939	54,310,490
At 1 January 2014	33,330,133	7,762,508	(9,535,114)	-	16,063,888	47,621,415	-	47,621,415
Net loss for the financial year	-	-	-	-	(349,001)	(349,001)	-	(349,001)
Other comprehensive income for the financial year:								
Revaluation of land and buildings	-	-	-	8,560,582	-	8,560,582	-	8,560,582
Total comprehensive income for the financial year	-	-	-	8,560,582	(349,001)	8,211,581	-	8,211,581
At 31 December 2014	33,330,133	7,762,508	(9,535,114)	8,560,582	15,714,887	55,832,996	-	55,832,996

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (Cont'd)

	Non-distributable			
	Share Capital RM	Share Premium RM	Accumulated losses RM	Total Equity RM
Company				
At 1 January 2014	33,330,133	7,762,508	(2,626,469)	38,466,172
Net loss for the financial year, representing total comprehensive income for the financial year	-	-	(1,161,431)	(1,161,431)
At 31 December 2014	33,330,133	7,762,508	(3,787,900)	37,304,741
At 1 January 2015	33,330,133	7,762,508	(3,787,900)	37,304,741
Net loss for the financial year, representing total comprehensive income for the financial year	-	-	(3,543,819)	(3,543,819)
At 31 December 2015	33,330,133	7,762,508	(7,331,719)	33,760,922

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash Flows From Operating Activities				
Loss before tax	(1,697,502)	(184,274)	(3,544,623)	(1,208,778)
Adjustments for:				
Depreciation of property, plant and equipment	4,736,468	4,495,259	193,806	42,978
Depreciation of investment property	4,483	-	4,483	-
Fair value loss of financial asset at fair value through profit or loss	-	63,100	-	63,100
Gain on disposal of financial assets at fair value through profit or loss	-	(71,333)	-	(71,333)
Gain on disposal of property, plant and equipment	(271,924)	(28,999)	-	-
Gain on disposal of non-current assets held for sale	(1,560,253)	-	-	-
Property, plant and equipment written off	185,630	15,482	3,315	7,989
Impairment loss on investment in subsidiary companies	-	-	1,326,000	-
Impairment loss on amount owing by subsidiary companies	-	-	668,930	-
Impairment losses on trade receivables	162,879	-	-	-
Interest expenses	1,434,904	1,312,422	375,103	110,146
Interest income	(20,972)	(21,301)	(1,827)	(3,055)
Inventories written down	1,317,563	-	-	-
Operating profit/(loss) before working capital changes	4,291,276	5,580,356	(974,813)	(1,058,953)
Changes in working capital:				
Inventories	(720,670)	(2,792,211)	-	-
Trade receivables	1,331,632	(925,444)	-	-
Other receivables	2,177,031	(1,702,603)	(24,259)	42,050
Trade payables	(289,891)	304,092	-	-
Other payables	(3,810,529)	(342,784)	(38,248)	56,922
Subsidiary companies	-	-	3,003,395	(707,413)
	(1,312,427)	(5,458,950)	2,940,888	(608,441)
Cash generated from/(used in) operations	2,978,849	121,406	1,966,075	(1,667,394)
Interest received	20,972	21,301	1,827	3,055
Interest paid	(1,434,904)	(1,312,422)	(375,103)	(93,873)
Tax paid	(627,546)	(934,936)	(23,600)	(65,411)
Tax refund	753,106	16,918	96,828	-
	(1,288,372)	(2,209,139)	(300,048)	(156,229)
Net cash from/(used in) operating activities	1,690,477	(2,087,733)	1,666,027	(1,823,623)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (Cont'd)

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Cash Flows From Investing Activities					
Additional investment in subsidiary companies		-	-	(20,562)	-
Proceeds from disposal of investment in a subsidiary		49,000	-	49,000	-
Purchase of property, plant and equipment	4(e)	(3,209,661)	(1,213,111)	(1,024,202)	(364,449)
Proceeds from disposal of financial assets at fair value fair value through profit and loss		-	2,130,032	-	2,130,032
Proceeds from disposal of non-current assts held for sale		11,760,000	-	-	-
Proceeds from disposal of property, plant and equipment		455,768	29,000	-	-
Net cash from/(used in) investing activities		9,055,107	945,921	(995,764)	1,765,583
Cash Flows From Financing Activities					
Net change in banker acceptance		(743,000)	743,000	-	-
Repayment of bank borrowings		(4,598,735)	(2,339,772)	(645,944)	-
Repayment of finance lease payables		(1,049,924)	(1,613,890)	-	-
(Increase)/Decrease in fixed deposits pledged		(1,016,173)	71,691	-	-
Net cash used in financing activities		(7,407,832)	(3,138,971)	(645,944)	-
Net increase/(decrease) in cash and cash equivalents		3,337,752	(4,280,783)	24,319	(58,040)
Cash and cash equivalents at the beginning of the financial year		(3,385,049)	895,734	276,905	334,945
Cash and cash equivalents at the end of the financial year		(47,297)	(3,385,049)	301,224	276,905
Cash and cash equivalents at the end of the financial year comprises:					
Cash and bank balances		971,104	917,217	301,224	276,905
Fixed deposits with licensed banks		1,397,351	381,178	-	-
Bank overdrafts		(1,018,401)	(4,302,266)	-	-
		1,350,054	(3,003,871)	301,224	276,905
Less: Fixed deposits pledged to licensed banks		(1,397,351)	(381,178)	-	-
		(47,297)	(3,385,049)	301,224	276,905

NOTES TO THE FINANCIAL STATEMENTS

1. **Corporate Information**

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

The principal place of business of the Company is located at Block D-22-07, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 6. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

2. **Basis of Preparation**

(a) Statement of compliance

The financial statements of the Group and 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, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the 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 119	Defined Benefits Plans: Employee contributions
Annual Improvements to MFRSs 2010 – 2012 Cycle	
Annual Improvements to MFRSs 2011 – 2013 Cycle	

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

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. **Basis of Preparation (Cont'd)**

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

		Effective dates for financial periods beginning on or after
Annual Improvements to MFRSs 2012 – 2014 Cycle		1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between An Investor and its Associate of Joint Venture	To be announced

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

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

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

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

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Group is in the process of assessing the impact of this Standard. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. **Basis of Preparation (Cont'd)**

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

(c) Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, 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.

Judgments

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 *Investment Property* in making judgment 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 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.

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

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 (Note 4)

The Group regularly review the estimated useful lives of property, plant and equipment 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 would increase the recorded depreciation and decrease the value of property, plant and equipment.

Impairment of investment in subsidiary companies

The Company reviews its investments in subsidiary companies when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount at the reporting date for investment in subsidiary companies is disclosed in Note 6.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. **Basis of Preparation (Cont'd)**

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

Key sources of estimation uncertainty (Cont'd)

Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 8, 9 and 10 respectively.

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 sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 7.

Income taxes

Judgment 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 recognises 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. As at 31 December 2015, the Group has tax recoverable of RM574,404 (2014: RM848,289).

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) Subsidiary companies

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

Subsidiary companies are consolidated using the acquisition method of accounting except for those subsidiary companies acquired under common control, which was accounted for under the merger method of accounting.

Under the merger method of accounting, the results of subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. **Significant Accounting Policies (Cont'd)**

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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

If the business combination is achieved in stages, 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.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement* 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 subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies 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(h) to the financial statements on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies 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 subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, 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.

(b) Foreign currency transactions and balances

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. **Significant Accounting Policies (Cont'd)**

(b) Foreign currency transactions and balances

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

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(h)(i).

(i) Recognition and measurement

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

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

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

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 is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease 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 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.

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 their intended use.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. **Significant Accounting Policies (Cont'd)**

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

(i) Recognition and measurement (Cont'd)

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

(d) Leases

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

(i) Finance lease

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. **Significant Accounting Policies (Cont'd)**

(d) Leases (Cont'd)

(i) Finance lease (Cont'd)

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

(ii) Operating lease

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

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

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

(e) 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, but not for sale in the ordinary course of business, use in the production or supply of goods and services or for administrative purposes.

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment in Note 3(c). The policy of recognition and measurement of impairment losses is in accordance with Note 3(h)(i).

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

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. Transfer between investment property, plant and equipment and inventories do not change the carrying amount and the cost of the property transferred.

(f) Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. **Significant Accounting Policies (Cont'd)**

(g) Financial assets

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

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

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

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

Financial assets at fair value through profit or loss include financial assets held for trading, contingent consideration in a business combination or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired principally for the purpose of selling it in the near term. Derivatives, including separated embedded derivatives, are also categorised as held for trading unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

(ii) Loans and receivables

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

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

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

(h) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets and non-current assets classified as held for sale) 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. **Significant Accounting Policies (Cont'd)**

(h) Impairment of assets (Cont'd)

(i) Non-financial assets (Cont'd)

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 that same asset.

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.

(ii) Financial assets

All financial assets, other than investments in subsidiary companies are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

<u>Financial assets carried at amortised cost</u>

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. **Significant Accounting Policies (Cont'd)**

(i) Financial liabilities

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

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

The Group and the Company classify their financial liabilities at initial recognition into other financial liabilities measured at amortised cost.

The Group's and the Company's other financial liabilities comprise trade and other payables, amount owing to subsidiary companies and loans and borrowings.

Trade and other payables, amount owing to subsidiary companies are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

<u>Financial guarantee contracts</u>

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

A financial liability is derecognised when, and only when, the obligation specified in the contract 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.

(j) 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.

(k) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. **Significant Accounting Policies (Cont'd)**

(l) Share capital

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

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(m) 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 each end of the 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 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 relating expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(n) Revenue

(i) Sale of goods

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

(ii) Rendering of service

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers during the period.

(iii) 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.

(iv) Interest income

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

(v) Management fee

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

NOTES TO THE FINANCIAL STATEMENTS (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. 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 Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(p) 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 theirs intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

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

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

(q) Income taxes

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. **Significant Accounting Policies (Cont'd)**

(q) Income taxes (Cont'd)

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

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

(r) Segment reporting

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

(s) 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.

(t) 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 asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset. Management must be committed to the sale, which should 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. Property, Plant and Equipment

	<--- At valuation		--->	<---			At cost		--->	
	Leasehold land and factory lots RM	Leasehold bungalow land RM	Buidling RM	Furniture and fittings and office equipment RM	Motor vehicles RM	Renovation RM	Plant and machinery RM	Laboratory equipment RM	Capital work-in--progress RM	Total RM
Group										
2015										
Cost/Valuation										
At 1 January 2015	27,625,509	717,907	-	1,615,028	3,938,215	1,664,171	30,359,338	1,103,309	5,159,984	72,183,461
Additions	-	-	-	258,751	-	893,973	3,212,216	-	5,000,472	9,365,412
Reclassification	-	-	9,645,420	-	-	-	134,817	-	(9,780,237)	-
Transferred to investment property (Note 5)	-	-	(1,344,740)	-	-	-	-	-	-	(1,344,740)
Disposals	-	-	-	(2,570)	(979,559)	-	(164,250)	-	-	(1,146,379)
Written off	-	-	-	(210,586)	-	(11,350)	(24,292)	-	(24,360)	(270,588)
At 31 December 2015	27,625,509	717,907	8,300,680	1,660,623	2,958,656	2,546,794	33,517,829	1,103,309	355,859	78,787,166
Accumulated depreciation										
At 1 January 2015	1,417,976	142,761	-	430,706	2,860,383	778,578	7,899,457	144,660	-	13,674,521
Charge for the financial year	522,180	14,358	108,046	156,354	418,329	157,620	3,249,251	110,330	-	4,736,468
Transferred to investment property (Note 5)	-	-	(11,206)	-	-	-	-	-	-	(11,206)
Disposals	-	-	-	(535)	(881,790)	-	(80,210)	-	-	(962,535)
Written off	-	-	-	(66,556)	-	(5,769)	(12,633)	-	-	(84,958)
At 31 December 2015	1,940,156	157,119	96,840	519,969	2,396,922	930,429	11,055,865	254,990	-	17,352,290
Carrying amount										
At 31 December 2015	25,685,353	560,788	8,203,840	1,140,654	561,734	1,616,365	22,461,964	848,319	355,859	61,434,876

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	<---- At valuation	---->		<----			At cost		---->	
	Leasehold land and factory lots RM	Leasehold bungalow land RM	Buidling RM	Furniture and fittings and office equipment RM	Motor vehicles RM	Renovation RM	Plant and machinery RM	Laboratory equipment RM	Capital work-in--progress RM	Total RM
Group										
2014										
Cost/Valuation										
At 1 January 2014	28,892,273	597,703	-	1,313,638	3,681,142	1,484,728	29,432,887	1,060,749	567,178	67,030,298
Additions	-	-	-	319,116	391,035	179,443	926,451	42,560	4,592,806	6,451,411
Revaluation surplus	9,733,236	120,204	-	-	-	-	-	-	-	9,853,440
Disposals	-	-	-	-	(50,000)	-	-	-	-	(50,000)
Written off	-	-	-	(17,726)	(83,962)	-	-	-	-	(101,688)
Reclassified as held for sale (note 12)	(11,000,000)	-	-	-	-	-	-	-	-	(11,000,000)
At 31 December 2014	27,625,509	717,907	-	1,615,028	3,938,215	1,664,171	30,359,338	1,103,309	5,159,984	72,183,461
Accumulated depreciation										
At 1 January 2014	1,648,826	130,807	-	284,823	2,431,451	666,539	4,917,706	35,568	-	10,115,720
Charge for the financial year	569,403	11,954	-	148,127	562,893	112,039	2,981,751	109,092		4,495,259
Disposals	-	-	-	-	(49,999)	-	-	-	-	(49,999)
Written off	-	-	-	(2,244)	(83,962)	-	-	-	-	(86,206)
Reclassified as held for sale (note 12)	(800,253)	-	-	-	-	-	-	-	-	(800,253)
At 31 December 2014	1,417,976	142,761	-	430,706	2,860,383	778,578	7,899,457	144,660	-	13,674,521
Carrying amount										
At 31 December 2014	26,207,533	575,146	-	1,184,322	1,077,832	885,593	22,459,881	958,649	5,159,984	58,508,940

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	- At valuation -	<----	---- At cost ----	----	---->	
	Buildings RM	**Capital work-in-progress RM**	**Office Equipment RM**	**Renovation RM**	**Furniture and Fittings RM**	**Total RM**
Company						
2015						
Cost/Valuation						
At 1 January 2015	-	5,000,807	509,207	-	-	5,510,014
Additions	-	4,644,613	-	584,973	252,916	5,482,502
Reclassification	9,645,420	(9,645,420)	-	-	-	-
Reclassified to investment property (Note 5)	(1,344,740)	-	-	-	-	(1,344,740)
Written off	-	-	(3,400)	-	-	(3,400)
At 31 December 2015	8,300,680	-	505,807	584,973	252,916	9,644,376
Accumulated depreciation						
At 1 January 2015	-	-	50,986	-	-	50,986
Charge for the financial year	108,046	-	57,507	23,391	4,862	193,806
Reclassified to investment property (Note 5)	(11,206)	-	-	-	-	(11,206)
Written off	-	-	(85)	-	-	(85)
At 31 December 2015	96,840	-	108,408	23,391	4,862	233,501
Carrying amount						
At 31 December 2015	8,203,840	-	397,399	561,582	248,054	9,410,875
2014						
Cost/Valuation						
At 1 January 2014	-	432,361	263,403	-	-	695,764
Additions	-	4,568,446	254,303	-	-	4,822,749
Written off	-	-	(8,499)	-	-	(8,499)
At 31 December 2014	-	5,000,807	509,207	-	-	5,510,014
Accumulated depreciation						
At 1 January 2014	-	-	8,518	-	-	8,518
Charge for the financial year	-	-	42,978	-	-	42,978
Written off	-	-	(510)	-	-	(510)
At 31 December 2014	-	-	50,986	-	-	50,986
Carrying amount						
At 31 December 2014	-	5,000,807	458,221	-	-	5,459,028

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

(a) The carrying amount of property, plant and equipment of the Group acquired under finance lease are as follows:

	Group	
	2015 RM	**2014 RM**
Motor vehicles	537,529	1,026,239
Plant and machinery	2,690,065	4,400,108
	3,227,594	5,426,347

Leased assets are pledged as security for the related finance lease liabilities.

(b) The carrying amount of property, plant and equipment of the Group and of the Company pledged as securities to licensed banks for credit facilities granted to the Company and certain subsidiaries as disclosed in Note 18 are as follows:

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Leasehold land and factory lots	25,120,351	25,629,531	-	-
Buildings	8,203,840	-	8,203,840	-
Capital work-in-progress	-	5,000,807	-	5,000,807
	33,324,191	30,630,338	8,203,840	5,000,807

(c) The remaining lease term of the leasehold land and factory lots of the Group ranges from 38 to 81 (2014: 39 to 82) years.

(d) The remaining lease term of the leasehold bungalow land is 80 (2014: 81) years.

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

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Aggregate costs	9,365,412	6,451,411	5,482,502	4,822,749
Less: Finance lease financing	-	(345,000)	-	-
Less: Term loans financing	(4,458,300)	(4,893,300)	(4,458,300)	(4,458,300)
Less: Outstanding amount included in other payables	(1,697,451)	-	-	-
Cash payments	3,209,661	1,213,111	1,024,202	364,449

(f) Capitalisation of borrowing costs

The capital work-in-progress is in respect of the costs incurred on constructions of office suites and plant and machinery. The construction of the office suites and plant and machinery has been completed during the financial year. The construction of office suites is financed by term loan facilities from a licensed bank. The amount of borrowing costs capitalised during the financial year was RM186,313 (2014: RM110,146).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

(g) Revaluation of leasehold land and buildings

Leasehold land and buildings of the subsidiary companies were revalued on 27 November 2014 and 31 December 2014 respectively, by independent professional valuers. The fair value of land was determined based on market comparable approach that reflects recent transaction price for similar properties. The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the financial year.

Details of the Group's leasehold land and buildings and information about the fair value hierarchy as at 31 December 2015 are as follows:

	Level 1 RM	Level 2 RM	Level 3 RM
Leasehold land and buildings	-	26,246,139	-

There were no transfer between Level 1 and Level 2 during the financial year.

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been RM22,348,091 (2014: RM27,151,829).

(h) On 10 March 2016, a subsidiary company of the Company entered into a sale and purchase agreement with a third party to dispose of leasehold land and buildings at carrying amount of RM565,000, for total consideration of RM950,000.

5. **Investment Property**

	Group and Company 2015 RM	2014 RM
Cost		
A 1 January	-	-
Transferred from property, plant and equipment (Note 4)	1,344,740	-
At 31 December	1,344,740	-
Accumulated depreciation		
At 1 January	-	-
Transferred from property, plant and equipment (Note 4)	11,206	-
Charge for the financial year	4,483	-
At 31 December	15,689	-
Carrying amount		
At 31 December	1,329,051	-

(a) Investment property under leases

During the financial year, a property has been transferred from property, plant and equipment to investment property, since the building was no longer used by the Group and the Company and would be leased to a third party.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. **Investment Property (Cont'd)**

(b) Fair value basis of investment property

The fair value was based on Directors' estimation using the latest available market information and recent experience and knowledge in the location and category property being valued. The fair values of investment property of the Group as at 31 December 2015 are classified as level 3 of fair value hierarchy and determined to be approximately RM1,350,000 (2014: Nil).

Estimation uncertainty and key assumptions:

The Directors estimate the fair values of the Group's and the Company's investment properties based on the following techniques for the properties:

- Comparison of the Group's and the Company's investment properties with similar properties that were listed for sales within the same locality or other comparable localities; and
- Enquiries from relevant property valuers and real estate agents on market conditions and changing market trends.

(c) Income and expenses recognised in profit or loss

The following are recognised in profit or loss in respect of investment property:

	Group and Company	
	2015	**2014**
	RM	**RM**
Rental income	9,270	-
Direct operating expenses	987	-

(d) Investment property pledged as security to a licensed bank

Investment property at carrying amount of RM1,329,051 (2014: Nil) has been pledged to secure banking facilities granted to the Company as disclosed in Note 18.

6. **Investment in Subsidiary Companies**

	Company	
	2015	**2014**
	RM	**RM**
At cost		
Unquoted shares	35,631,130	14,830,130
Less: Accumulated impairment losses	(1,326,000)	-
	34,305,130	14,830,130

During the financial year, due to declining business operations of certain subsidiary companies, the Company carried out a review of the recoverable amounts. The recoverable amounts are estimated based on fair value less costs of disposal approximately RM90,000. An impairment loss amounting to RM1,326,000 was recognised during the financial year.

The fair values are within level 3 of the fair value hierarchy. The fair values have been derived using the adjusted net asset valuation techniques by reference to the fair value of its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

6. **Investment in Subsidiary Companies (Cont'd)**

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

Name of company	Effective equity interest 2015 %	Effective equity interest 2014 %	Principal activities
Direct holding:			
Hiap Huat Chemicals Sdn. Bhd.	100	100	Manufacturing, recycling and refining all kinds of petroleum based products, industrial paints, oils and solvent chemical products
Xia Fa Hardware Sdn. Bhd.	100	100	Distributor of paint, and related products
Topmark Petroleum Products Sdn. Bhd. ("TMP")	100	100	Manufacturing, recycling and refining all kinds of petroleum based products, industrial paints, oils, solvent chemicals products and other related products
Hiap Huat Portal Solutions Sdn. Bhd. ("HHPS")	100	100	Trading in hydraulic oil, transformer oil, petroleum products and to provide the products and services related to online trading, internet marketing, online transaction processing, mobile commerce, supply chain management, electronic data interchange and automated data collection systems.
Transada Chemicals Sdn. Bhd.	100	100	Manufacturing, recycling and refining all kinds of industrial paints, oils and solvent chemicals products
Hiap Huat Loyalty Solutions Sdn. Bhd. ("HHLS")	100	100	Manufacturing, recycling and refining all kinds of petroleum based products, industrial paints, oils, solvent chemicals products and other related products
Hiap Huat Services Sdn. Bhd. ("HHS')	51	100	Dormant
Lab Master Sdn. Bhd. (formerly known as Hiap Huat Chemicals (Labuan) Sdn. Bhd.) ("LAB")	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) Acquisition of subsidiary companies

During the financial year, the Company subscribed:

(i) 20,000,000 new ordinary shares of RM1.00 each in TMP and the subscription amount was settled by way of capitalisation of amount owing by TMP to the Company.

(ii) 550,000 new ordinary shares of RM1.00 each in HHPS and the subscription amount was settled by way of cash consideration of RM10,725 and remaining amount by capitalisation of amount owing by HHPS to the Company.

(iii) 300,000 new ordinary shares of RM1.00 each in LAB and the subscription amount was settled by way of cash consideration of RM9,837 and remaining amount by capitalisation of amount owing by LAB to the Company.

(b) Disposal of a subsidiary company

On 10 July 2015, the Company disposed of its 49% equity interest in a subsidiary company, HHS to a third party for cash consideration of RM49,000. Hence, HHS became a 51% owned subsidiary company of the Company since then.

The effect of the disposal on the financial results and financial position of the Group is minimal and no impact to the Group.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

7. **Inventories**

	Group 2015 RM	Group 2014 RM
Raw materials	6,070,666	9,283,811
Packing materials	284,190	233,710
Finished goods	6,148,063	3,582,291
	12,502,919	13,099,812
Recognised in profit or loss: Inventories written down	1,317,563	-

8. **Trade Receivables**

	2015 RM	2014 RM
Trade receivables	5,990,531	7,322,163
Less: Accumulated impairment losses	(162,879)	-
	5,827,652	7,322,163

The Group's normal trade credit terms range from 30 to 120 (2014: 30 to 120) days. Other credit terms are assessed and approved on a case by case basis. Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

The Group's credit exposures are concentrated mainly on five (5) (2014: two (2)) trade receivables, which accounted for 39% (2014: 46%) of total trade receivables as at 31 December 2015.

Movement in the allowance for impairment losses of trade receivables is as follows:

	2015 RM	2014 RM
At 1 January	-	-
Impairment losses recognised	162,879	-
At 31 December	162,879	-

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

	Group 2015 RM	Group 2014 RM
Neither past due nor impaired	3,681,771	5,859,058
Past due but not impaired:		
Less than 30 days	830,295	296,915
More than 30 days	1,315,586	1,166,190
	2,145,881	1,463,105
	5,827,652	7,322,163
Impaired	162,879	-
	5,990,531	7,322,163

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

8. Trade Receivables (Cont'd)

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

As at 31 December 2015, trade receivables of RM2,145,881 (2014: RM1,463,105) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM162,879 (2014: Nil), related to customers that are in financial difficulties and have defaulted on payments. These balances are expected to be recovered through the debt recovery process.

9. Other Receivables

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Other receivables	231,940	79,469	23,736	1,000
Deposits	205,059	2,512,355	22,412	6,500
Prepayments	159,808	182,014	26,292	40,681
	596,807	2,773,838	72,440	48,181

Included in the previous financial year's deposits of the Group was an amount of RM2,228,176 relating to partial payment paid for the acquisition of property, plant and equipment by a subsidiary company. The amount has been transferred to property, plant and equipment upon the acquisition was completed during the financial year.

10. Amount Owing by/(to) Subsidiary Companies

	Company	
	2015 RM	**2014 RM**
Amount owing by subsidiary companies		
Non-interest bearing	1,399,990	25,262,345
Less: Accumulated impairment losses	(668,930)	-
	731,060	25,262,345
Amount owing to subsidiary companies		
Non-interest bearing	3,822,452	3,851,974

Movements in the allowance for impairment loss are as follows:

	Company	
	2015 RM	**2014 RM**
At 1 January	-	-
Impairment losses recognised	668,930	-
At 31 December	668,930	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

10. **Amount Owing by/(to) Subsidiary Companies (Cont'd)**

During the financial year, due to declining business operations of certain subsidiary companies, the Company carried out a review of the recoverable amounts. The recoverable amounts are estimated based on fair value less costs of disposal approximately RM12,000. An impairment loss amounting to RM668,930 was recognised during the financial year.

The fair values are within level 3 of the fair value hierarchy. The fair values have been derived using the adjusted net asset valuation techniques by reference to the fair value of its assets and liabilities.

The amount owing by/(to) subsidiary companies represent non-trade in nature, unsecured, non-interest bearing and are repayable on demand.

11. **Fixed Deposits with Licensed Banks**

The fixed deposits of the Group have been pledged to licensed banks as securities for credit facilities granted to certain subsidiary companies as disclosed in Note 18.

The interest rate of fixed deposits is 3.39% (2014: 3.20%) per annum and the maturities of deposits is 365 (2014: 365) days.

12. **Non-Current Assets Classified as Held for Sale**

On 22 December 2014, the Company announced that a subsidiary company of the Company has entered into a Sale and Purchase Agreement ("SPA") to dispose one unit of leasehold land and factory lot for cash consideration of RM11,760,000. The disposal of the leasehold land and factory lot was completed on 21 May 2015, and had resulted a gain of RM1,560,253.

	Group	
	2015 RM	**2014 RM**
At carrying amount:		
At beginning of the financial year	10,199,747	-
Reclassified from property, plant and equipment (Note 4)	-	10,199,747
Disposal	(10,199,747)	-
At end of the financial year	-	10,199,747

13. **Share Capital**

	Group and Company			
	Number of Shares		**Amount**	
	2015 Units	**2014 Units**	**2015 RM**	**2014 RM**
Ordinary share of RM0.10 each				
Authorised				
At 1 January/ 31 December	500,000,000	500,000,000	50,000,000	50,000,000
Issued and fully paid				
At 1 January/ 31 December	333,301,330	333,301,330	33,330,133	33,330,133

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14. **Share Premium**

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. Share premium amounting to RM8,500,000 arose from issuance of 85,000,000 shares of RM0.10 each at a premium of RM0.10 per share in the financial year of 2012, net of share issuance expenses amounting to RM737,492.

15. **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 subsidiary companies acquired under the merger method of accounting.

16. **Revaluation Reserve**

The revaluation reserve represents increases in the fair value of leasehold land and buildings, and decrease to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

17. **Finance Lease Payables**

	Group	
	2015 RM	**2014 RM**
Minimum lease payments		
Within one year	885,312	1,094,499
Later than one year and not later than two years	557,286	911,653
Later than two year and not later than five years	165,630	779,987
	1,608,228	2,786,139
Less: Future finance charges	(89,718)	(217,705)
Present value of minimum lease payments	1,518,510	2,568,434
Present value of minimum lease payments		
Within one year	823,997	971,162
Later than one year and not later than two years	532,270	849,388
Later than two year and not later than five years	162,243	747,884
	1,518,510	2,568,434
Analysed as:		
Repayable within twelve months	823,997	971,162
Repayables after twelve months	694,513	1,597,272
	1,518,510	2,568,43

The Group leases motor vehicles and plant and machinery under finance lease (Note 4).

The finance lease liabilities interest is charged at rates ranging from 2.31% to 3.45% (2014: 2.31% to 3.45%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18. Bank Borrowings

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Secured				
Fixed rate				
Term loans	33,078	96,870	-	-
Banker acceptance	-	743,000	-	-
Floating rate				
Term loans	21,417,488	21,494,131	8,286,929	4,474,573
Bank overdrafts	1,018,401	4,302,266	-	-
	22,468,967	26,636,267	8,286,929	4,474,573
Non-current				
Term loans	18,078,272	18,250,662	7,531,972	3,556,931
Current				
Term loans	3,372,294	3,340,339	754,957	917,642
Bank overdrafts	1,018,401	4,302,266	-	-
Banker acceptance	-	743,000	-	-
	4,390,695	8,385,605	754,957	917,642
	22,468,967	26,636,267	8,286,929	4,474,573

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

(a) facility agreement;

(b) guarantee coverage from the Credit Guarantee Corporation (M) Berhad;

(c) fixed charge over leasehold land and buildings of the Company and its certain subsidiary companies as disclosed in Notes 4(b) and 5(d);

(d) pledge of fixed deposits of the Group as disclosed in Note 11;

(e) corporate guarantee by the Company and one of the subsidiary company; and

(f) jointly and severally guaranteed by certain Directors of the Company.

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

Maturity of bank borrowings is as follows:

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Within one year	4,390,695	8,385,605	754,957	917,642
Between one to two years	3,410,865	3,427,604	788,042	962,237
Between two to five years	4,760,433	8,501,415	2,577,447	2,594,694
After five years	9,906,974	6,321,643	4,166,483	-
	22,468,967	26,636,267	8,286,929	4,474,573

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18. **Bank Borrowings (Cont'd)**

Ranges of interest rates of bank borrowings are as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	%	**%**	**%**	**%**
Term loans	4.00 - 6.80	4.00 - 6.80	4.5	4.25
Bank overdrafts	8.10 - 8.40	7.60 - 8.40	-	-
Banker acceptance	-	5.71	-	-

19. **Deferred Tax Liabilities**

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
At 1 January	2,156,888	1,349,480	-	41,700
Recognised in profit or loss (Note 25)	(234,310)	(485,450)	-	(41,700)
Recognised in other comprehensive income	(40,011)	1,292,858	-	-
At 31 December	1,882,567	2,156,888	-	-

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Deferred tax liabilities	4,051,398	4,367,049	123,000	113,468
Deferred tax assets	(2,168,831)	(2,210,161)	(123,000)	(113,468)
	1,882,567	2,156,888	-	-

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

Deferred tax liabilities	**Accelerated capital allowances RM**	**Revaluation of assets RM**	**Total RM**
Group			
At 1 January 2015	3,074,191	1,292,858	4,367,049
Recognised in profit or loss	42,882	(318,522)	(275,640)
Recognised in other comprehensive income	-	(40,011)	(40,011)
At 31 December 2015	3,117,073	934,325	4,051,398
At 1 January 2014	3,208,490	-	3,208,490
Recognised in profit or loss	(134,299)	-	(134,299)
Recognised in other comprehensive income	-	1,292,858	1,292,858
At 31 December 2014	3,074,191	1,292,858	4,367,049

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19. **Deferred Tax Liabilities (Cont'd)**

The components and movements of deferred tax liabilities and assets are as follows: (Cont'd)

Deferred tax assets	**Unabsorbed capital allowances RM**	**Unutilised tax losses RM**	**Total RM**
Group			
At 1 January 2015	(2,157,061)	(53,100)	(2,210,161)
Recognised in profit or loss	25,330	16,000	41,330
At 31 December 2015	(2,131,731)	(37,100)	(2,168,831)
At 1 January 2014	(1,843,154)	(15,856)	(1,859,010)
Recognised in profit or loss	(313,907)	(37,244)	(351,151)
At 31 December 2014	(2,157,061)	(53,100)	(2,210,161)

Deferred tax liability	**Accelerated capital allowances RM**
Company	
At 1 January 2015	113,468
Recognised in profit or loss	9,532
At 31 December 2015	123,000
At 1 January 2014	41,700
Recognised in profit or loss	71,768
At 31 December 2014	113,468

Deferred tax assets	**Unabsorbed capital allowances RM**	**Unutilised tax losses RM**	**Total RM**
Company			
At 1 January 2015	(62,989)	(50,479)	(113,468)
Recognised in profit or loss	(27,711)	18,179	(9,532)
At 31 December 2015	(90,700)	(32,300)	(123,000)
At 1 January 2014	-	-	-
Recognised in profit or loss	(62,989)	(50,479)	(113,468)
At 31 December 2014(62,989)	(50,479)	(113,468)	(113,468)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19. **Deferred Tax Liabilities (Cont'd)**

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

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Unutilised tax losses	2,619,600	1,813,300	1,331,000	496,000
Unabsorbed capital allowances	3,524,300	1,566,400	-	-
	6,143,900	3,379,700	1,331,000	496,000

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 subsidiary companies that have a recent history of losses.

20. **Trade Payables**

The Group's normal trade credit terms range from 30 to 120 days (2014: 30 to 120 days). Other credit terms are assessed and approved on a case to case basis.

21. **Other Payables**

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Other payables	2,338,318	2,414,427	103,004	104,904
Deposits received	-	1,024,339	-	-
Accruals	485,701	1,498,331	200,073	236,421
	2,824,019	4,937,097	303,077	341,325

Included in previous financial year's deposits received of the Group was an amount of RM940,800 relating to earnest deposit received for disposal of leasehold land and factory lot that classified as non-current assets held for sale. The disposal was completed during the financial year.

22. **Revenue**

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Sale of goods and services	24,534,789	36,608,297	-	-
Management fees received from subsidiary companies	-	-	2,404,352	2,054,281
	24,534,789	36,608,297	2,404,352	2,054,281

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

23. Finance Costs

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Interest expenses on:				
Finance lease payables	143,382	160,523	-	-
Term loans	1,155,703	989,492	375,103	110,146
Bank overdrafts	125,201	153,573	-	-
Banker acceptance	10,618	8,834	-	-
	1,434,904	1,312,422	375,103	110,146
Less: Term loan interests capitalised in capital work-in-progress	(186,313)	(110,146)	(186,313)	(110,146)
	1,248,591	1,202,276	188,790	-

24. (Loss)/Profit Before Tax

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

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Auditors' remuneration				
- statutory audit	80,000	78,000	20,000	20,000
Directors' remuneration				
- Fees	132,000	143,000	132,000	143,000
- Salary and other emoluments	1,068,000	1,088,839	1,068,000	1,088,839
- EPF	118,260	132,668	118,260	132,668
Depreciation of investment property	4,483	-	4,483	-
Depreciation of property, plant and equipment	4,736,468	4,495,259	193,806	42,978
Impairment loss on trade receivables	162,879	-	-	-
Impairment loss on investment in subsidiary companies	-	-	1,326,000	-
Impairment loss on amount owing by subsidiary companies	-	-	668,930	-
Inventories written down	1,317,563	-	-	-
Property, plant and equipment written off	185,630	15,482	3,315	7,989
Rental of premises	378,558	41,609	61,620	-
Rental of factory	72,000	108,000	-	-
Rental of machinery	2,352	16,611	-	-
Rental of warehouse	72,000	72,000	-	-
Realised loss on foreign exchange	10,112	-	-	-
Fair value loss of financial asset at fair value through profit or loss	-	63,100	-	63,100
Gain on disposal of financial assets at fair value through profit or loss	-	(71,333)	-	(71,333)
Gain on disposal of property, plant and equipment	(271,924)	(28,999)	-	-
Gain on disposal of non-current assets held for sale	(1,560,253)	-	-	-
Interest income				
- fixed deposits	(14,561)	(14,283)	-	-
- overnight deposits	(6,411)	(7,018)	(1,827)	(3,055)
Realised gain on foreign exchange	(1,334)	(3,068)	-	-
Rental income	(9,270)	-	(9,270)	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25. **Taxation**

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Tax expenses recognised in profit or loss:				
Current tax provision	137,425	664,300	-	800
Under/(Over) provision in prior year	10,900	(14,123)	(804)	(6,447)
	148,325	650,177	(804)	(5,647)
Deferred tax:				
Relating to origination and reversal of temporary differences	(30,612)	39,550	-	(63,700)
(Over)/Under provision in prior year	(203,698)	(525,000)	-	22,000
	(234,310)	(485,450)	-	(41,700)
Tax expenses for the financial year	(85,985)	164,727	(804)	(47,347)

Malaysian income tax is calculated at the statutory tax rate of 25% (2014: 25%) of the estimated assessable profits for the financial year.

The Malaysian corporate statutory tax rate has been reduced from 25% to 24% with effect from year of assessment 2016. The computation of deferred tax as at 31 December 2015 has reflected these changes.

A reconciliation of income tax expenses applicable to 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	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Loss before tax	(1,697,502)	(184,274)	(3,544,623)	(1,208,778)
At Malaysian statutory tax rate of 25% (2014: 25%)	(424,376)	(46,069)	(886,156)	(302,195)
Effect of change in tax rate for deferred tax	(177,664)	-	(9,500)	-
Expenses not deductible for tax purposes	332,192	442,888	677,748	90,745
Income not subject to tax	(275,022)	-	-	-
Reinvestment allowance	(11,749)	(190,496)	-	-
Deferred tax assets not recognised	663,432	497,527	217,908	148,550
Over/(under)provision of income tax expense in prior year	10,900	(14,123)	(804)	(6,447)
(Over)/Underprovision of deferred tax in prior year	(203,698)	(525,000)	-	22,000
Tax expenses for the financial year	(85,985)	164,727	(804)	(47,347)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25. Taxation (Cont'd)

The Group and the Company has the following estimated unused tax losses and unabsorbed capital allowances available for set-off against future taxable profit. The said amounts are subject to approval by the tax authorities.

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Unutilised tax losses	2,774,200	2,025,700	1,466,000	698,000
Unabsorbed capital allowances	12,406,500	10,194,600	378,000	252,000
	15,180,700	12,220,300	1,844,000	950,000

26. Staff Costs

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Staff costs (excluding Directors)	4,440,418	4,681,355	1,278,263	1,186,809

Included in the staff costs are contributions made to the Employees Provident Fund under a defined contribution plan for the Group and the Company amounting to RM389,759 and RM124,500 (2014: RM407,425 and RM115,941) respectively.

27. Loss Per Share

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

	Group	
	2015 RM	2014 RM
Net loss for the financial year attributable to ordinary shareholders	(1,608,456)	(349,001)
Weighted average number of ordinary shares in issue	333,301,330	333,301,330
Basic loss per ordinary share (in sen)	(0.48)	(0.10)

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

28. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability directly or indirectly, to control 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 or 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 either directly or indirectly. The key management personnel of the Group include all the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. **Related Party Disclosures (Cont'd)**

(b) Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed in Note 10, the significant related party transactions of the Company are as follows:

	Group	
	2015 RM	**2014 RM**
Transactions with close family members of the Directors/substantial shareholder		
Allowance paid for advisory services provided	72,800	67,200
Transaction with a Director of the Company		
Rental of office	61,620	-

(c) The remuneration of the key management personnel is as follows:

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Key management personnel				
- Salary and other emoluments	1,068,000	1,469,979	1,068,000	1,259,667
- Fees	132,000	143,000	132,000	143,000
- EPF	118,260	178,130	118,260	152,870
	1,318,260	1,791,109	1,318,260	1,555,537

29. **Segmental Reporting**

Segmental reporting is not presented as the principal activities of the Group are predominantly carried out in Malaysia and are engaged in a single business segment of manufacturing, recycling and refining all kinds of petroleum based products.

30. **Capital Commitment**

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Authorised and contracted for:				
Capital work-in-progress	-	6,687,450	-	6,687,450
Plant and machinery	-	865,065	-	-
	-	7,552,515	-	6,687,450

31. **Financial Instruments**

(a) Classification of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. **Financial Instruments (Cont'd)**

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

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:

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
Group			
2015			
Financial Assets			
Trade receivables	5,827,652	-	5,827,652
Other receivables	436,999	-	436,999
Fixed deposits with licensed banks	1,397,351	-	1,397,351
Cash and bank balances	971,104	-	971,104
	8,633,106	-	8,633,106
Financial Liabilities			
Trade payables	-	1,629,611	1,629,611
Other payables	-	2,824,019	2,824,019
Finance lease payables	-	1,518,510	1,518,510
Bank borrowings	-	22,468,967	22,468,967
	-	28,441,107	28,441,107
2014			
Financial Assets			
Trade receivables	7,322,163	-	7,322,163
Other receivables	2,591,824	-	2,591,824
Fixed deposits with licensed banks	381,178	-	381,178
Cash and bank balances	917,217	-	917,217
	11,212,382	-	11,212,382
Financial Liabilities			
Trade payables	-	1,919,502	1,919,502
Other payables	-	4,937,097	4,937,097
Finance lease payables	-	2,568,434	2,568,434
Bank borrowings	-	26,636,267	26,636,267
	-	36,061,300	36,061,300

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. **Financial Instruments (Cont'd)**

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

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
Company			
2015			
Financial Assets			
Other receivables	46,148	-	46,148
Amounts owing by subsidiary companies	731,060	-	731,060
Cash and bank balances	301,224	-	301,224
	1,078,432	-	1,078,432
Financial Liabilities			
Other payables	-	303,077	303,077
Amounts owing to subsidiary companies	-	3,822,452	3,822,452
Bank borrowings	-	8,286,929	8,286,929
	-	12,412,458	12,412,458
2014			
Financial Assets			
Other receivables	7,500	-	7,500
Amounts owing by subsidiary companies	25,262,345	-	25,262,345
Cash and bank balances	276,905	-	276,905
	25,546,750	-	25,546,750
Financial Liabilities			
Other payables	-	341,325	341,325
Amounts owing to subsidiary companies	-	3,851,974	3,851,974
Bank borrowings	-	4,474,573	4,474,573
	-	8,667,872	8,667,872

(b) Financial risk management objectives and policies

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. **Financial Instruments (Cont'd)**

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

(i) Credit risk

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

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured loans and advances to subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM12,060,458 (2014: RM10,285,262), representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

No financial assets carry a significant exposure to credit risk except as disclosed in Note 8. Save as disclosed in Note 8, the Group has no significant concentration of credit risk with its exposure spread over a large number of customers. The Company has no significant concentration of credits risks except for loans to its subsidiary companies where risks of default have been assessed to be low.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall 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 requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. **Financial Instruments (Cont'd)**

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

(ii) Liquidity risk (Cont'd)

	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
Group						
2015						
Non-derivative financial liabilities						
Trade payables	1,629,611	-	-	-	1,629,611	1,629,611
Other payables	2,824,019	-	-	-	2,824,019	2,824,019
Finance lease payables	885,312	557,286	165,630	-	1,608,228	1,518,510
Bank borrowings	4,322,928	4,200,866	6,537,968	11,368,894	26,430,656	22,468,967
	9,661,870	4,758,152	6,703,598	11,368,894	32,492,514	28,441,107
2014						
Non-derivative financial liabilities						
Trade payables	1,919,502	-	-	-	1,919,502	1,919,502
Other payables	4,937,097	-	-	-	4,937,097	4,937,097
Finance lease payables	1,094,499	911,653	779,987	-	2,786,139	2,568,434
Bank borrowings	9,366,485	4,241,190	9,844,153	7,689,522	31,141,350	26,636,267
	17,317,583	5,152,843	10,624,140	7,689,522	40,784,088	36,061,300
Company						
2015						
Non-derivative financial liabilities						
Other payables	303,077	-	-	-	303,077	303,077
Amount owing to subsidiary companies	3,822,452	-	-	-	3,822,452	3,822,452
Bank borrowings	1,096,116	1,096,116	3,288,348	4,438,234	9,918,814	8,286,929
	5,221,645	1,096,116	3,288,348	4,438,234	14,044,343	12,412,458
2014						
Non-derivative financial liabilities						
Other payables	341,325	-	-	-	341,325	341,325
Amount owing to subsidiary companies	3,851,974	-	-	-	3,851,974	3,851,974
Bank borrowings	1,096,116	1,096,116	2,740,818	-	4,933,050	4,474,573
	5,289,415	1,096,116	2,740,818	-	9,126,349	8,667,872

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. **Financial Instruments (Cont'd)**

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

(iii) 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:

	2015 RM	**2014 RM**
Group		
Floating rate instruments		
Financial liabilities	22,435,889	25,796,397
Fixed rate instruments		
Financial assets	(1,397,351)	(381,178)
Financial liabilities	1,551,588	3,408,304
	154,237	3,027,126
Company		
Floating rate instruments		
Financial liabilities	8,286,929	4,474,573

Interest rate risk sensitivity analysis

<u>Fair value sensitivity analysis for fixed rate instruments</u>

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.

<u>Cash flow sensitivity analysis for floating rate instruments</u>

A change in 0.25% interest rate at the end of the reporting period would have increased/(decreased) the Group and the Company's loss before tax by RM56,090 and RM20,717 (2014: RM64,491 and RM11,186) respectively, 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.

(iv) Foreign currency exchange risk

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. **Financial Instruments (Cont'd)**

(c) Fair values 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.

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

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

	2015 RM	2014 RM
Group		
Financial liabilities		
Finance lease payables (Level 2)		
- Carrying amount (non-current)	694,513	1,597,272
- Fair value	696,570	1,612,861
Bank borrowings (Level 2)		
- Carrying amount (non-current)	-	32,817
- Fair value	-	29,918

(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).

<u>Non-derivative financial instruments</u>

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 values for the financial assets and liabilities are estimated using unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32. Capital Management

The Group's objectives when managing capital are to safeguard the Group'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 may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The gearing ratios are as follows:

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Total loans and borrowings (RM)	23,987,477	29,204,701	8,286,929	4,474,573
Less: Deposits, bank and cash balances (RM)	(2,368,455)	(1,298,395)	(301,224)	(276,905)
Total net debts (RM)	21,619,022	27,906,306	7,985,705	4,197,668
Total equity (RM)	54,264,551	55,832,996	33,760,922	37,304,741
Gearing ratio (%)	40%	50%	24%	11%

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

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

33. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 March 2016.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34. **Supplementary Information On The Disclosure Of Realised And Unrealised Profits Or Losses**

The following analysis of realised and unrealised retained earnings / (accumulated losses) of the Group and of the Company as at the reporting date is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

The retained earnings / (accumulated losses) of the Group and of the Company as at 31 December 2015 and 31 December 2014 is analysed as follows:

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Total retained profits/ (accumulated losses) of the Company and its subsidiaries				
- realised	19,342,098	17,662,962	(7,331,719)	(3,787,900)
- unrealised	(1,882,567)	(2,156,888)	-	-
	17,459,531	15,506,074	(7,331,719)	(3,787,900)
Consolidation adjustments	2,206,804	208,813	-	-
	19,666,335	15,714,887	(7,331,719)	(3,787,900)

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

LIST OF PROPERTIES

AS AT 31 DECEMBER 2015

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 31.12.2015 RM'000	Date of acquisition
1.	Lot No. A-1, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Title identification: PN 11605 Lot 18211 (formerly held under HS(D) 12163, PT No. 15677), Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory	Land area: 2,088 Gross built-up area: 926.7 Land area: 1,864 Gross built-up area: 926.7	22 years	Leasehold for 66 years, expiring on 22.03.2053	970	10/12/2008
2.	Lot No. A-2, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* PN11606 Lot 18212 (formerly held under HS(D) 12164, PT No. 15678), Mukim and District of Bentong, State of Pahang	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse	Land area: 1,864 Gross built-up area: 926.7	22 years	Leasehold for 66 years, expiring on 22.03.2053	893	08/08/2007
3.	Lot No. A-3, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* PN 11607 Lot 18213 (formerly held under HS(D) 12165, PT No. 15679), Mukim and District of Bentong, State of Pahang	Industrial land with a 1½ storey semi-detached factory building used as administrative office and factory	Land area: 1,716 Gross built-up area: 926.7	22 years	Leasehold for 66 years, expiring on 22.03.2053	864	08/08/2007
4.	Lot No. A-4, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* PN 11609 Lot 18214 (formerly held under HS(D) 12166, PT No. 15680), Mukim and District of Bentong, State of Pahang	Industrial land with a 1½ storey semi-detached factory building used as factory	Land area: 1,553 Gross built-up area: 926.7	22 years	Leasehold for 66 years, expiring on 22.03.2053	827	08/08/2007

LIST OF PROPERTIES (cont'd)

AS AT 31 DECEMBER 2015

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 31.12.2015 RM'000	Date of acquisition
5.	Lot No. A-5, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:*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	22 years	Leasehold for 66 years, expiring on 22.03.2053	767	10/12/2003
6.	Lot No. A-6, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:*PN 11611 Lot 18216 (formerly held under Pajakan Negeri 2486, Lot 15403), Mukim Bentong, Daerah Bentong, Negeri Pahang	Industrial land with a 1½ storey semi-detached factory building used as production office, factory and warehouse	Land area: 2,073 Gross built-up area: 926.7	22 years	Leasehold for 66 years, expiring on 22.03.2053	869	11/02/1998
7.	Lot B-1, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* 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	22 years	Leasehold for 66 years, expiring on 22.03.2053	765	25/052010
8.	Lot No. A352, Taman Rimba, Janda Baik, 28700 Bentong, Pahang *Title identification:* HS (D) 9885, PT 13760, Mukim Bentong, Daerah Bentong, Negeri Pahang	Agricultural land that is currently vacant	Land area: 4,150 Gross built-up area: Nil	N/A	Leasehold for 99 years, expiring on 08.09.2095	560	21/08/1999

LIST OF PROPERTIES (cont'd)

AS AT 31 DECEMBER 2015

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 31.12.2015 RM'000	Date of acquisition
9.	No. 71, Jalan Indusrial 4/2, Gopeng Industrial Park, 31600 Gopeng, Perak *Title identification:* Pajakan Negeri 330083, Lot 300226, Mukim Teja, Daerah Kampar, Negeri Perak	Industrial land with a single storey semi-detached factory building with a 2 storey office portion used as production office and factory	Land area: 668 Gross built-up area: 229	17 years	Leasehold for 99 years, expiring on 14.07.2096	283	19/08/2002
10.	No. 72, Jalan Indusrial 4/2, Gopeng Industrial Park, 31600 Gopeng, Perak *Title identification:* Pajakan Negeri 330093, Lot 300227, Mukim Teja, Daerah Kampar, Negeri Perak	Industrial land with a single storey semi-detached factory building with a 2 storey office portion used as production office and factory	Land area: 683 Gross built-up area: 229	17 years	Leasehold for 99 years, expiring on 14.07.2096	283	19/08/2002
11.	Lot No. B2, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* PN 11600 Lot 18209 Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building currently under renovation to be used as warehouse	Land area: 1,261 Gross built-up area: 587	22 years	Leasehold for 66 years, expiring on 22.03.2053	691	19/09/2011
12.	Lot No. B3, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* PN 11602 Lot 18208 Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building currently under renovation to be used as warehouse	Land area: 1,222 Gross built-up area: 587	22 years	Leasehold for 66 years, expiring on 22.03.2053	711	19/09/2011
13.	Lot No. B4, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* PN 11603 Lot 18207 Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building currently under renovation to be used as warehouse	Land area: 1,390 Gross built-up area: 587	22 years	Leasehold for 66 years, expiring on 22.03.2053	770	19/09/2011

LIST OF PROPERTIES (cont'd)

AS AT 31 DECEMBER 2015

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 31.12.2015 RM'000	Date of acquisition
14.	Lot 21, Jalan Sungai Pinang 5/3, Phase 2A Taman Perindustrian Pulau Indah, Klang, Selangor *Title identification:* Individual Title PN 24351, Lot 102521, in the Mukim of Klang, District of Klang, State of Selangor	Industrial land with a single storey refinery and recycling factory and a 2 storey office building(2)	Land area: 12,386 Gross built-up area: 5,748.57	2 Year (1)	Leasehold for 99 years, expiring on 24.02.2097	16,993	07/07/2009

Note :

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

STATISTICS OF SHAREHOLDINGS
AS AT 31 MARCH 2016

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

DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MARCH 2016

Size of Holding	No. of shareholders	% of shareholders	No. of holdings	% of shares
1 – 99	27	1.52	811	0.00
100 - 1,000	93	5.23	53,400	0.02
1,001 - 10,000	380	21.39	2,531,000	0.76
10,001 - 100,000	955	53.74	45,275,720	13.58
100,001 to less than 5% of issued shares	320	18.01	152,726,479	45.82
5% and above of issued shares	2	0.11	132,713,920	39.82
Total	**1,777**	**100.00**	**333,301,330**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2016

No.	Name of Substantial Shareholder	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Chan Say Hwa	66,105,460	19.83	-	-
2	Soo Kit Lin	66,608,460	19.98	9,934,310[(a)]	2.98
3	Chan Ban Hin	9,934,310	2.98	66,608,460[(b)]	19.98
4	Chow Pui Ling	-	-	66,105,460[(c)]	19.83

[(a)] *Deemed interested through direct holding of spouse, Chan Ban Hin.*
[(b)] *Deemed interested through direct holding of spouse, Soo Kit Lin.*
[(c)] *Deemed interested through direct holding of spouse, Chan Say Hwa.*

DIRECTORS' INTERESTS IN SHARES AS AT 31 MARCH 2016

No.	Name of Director	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Zulkifly Bin Zakaria	-	-	-	-
2	Chan Say Hwa	66,105,460	19.83	-	-
3	Chow Pui Ling	-	-	66,105,460[(1)]	19.83
4	Soo Kit Lin	66,608,460	19.98	9,934,310[(2)]	2.98
5	Wong Kah Ming	-	-	-	-
6	Woo Yew Tim	-	-	-	-

[(1)] *Deemed interested through direct holding of spouse, Chan Say Hwa.*
[(2)] *Deemed interested through direct holding of spouse, Chan Ban Hin.*

STATISTICS OF SHAREHOLDINGS (cont'd)

AS AT 31 MARCH 2016

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 31 MARCH 2016)

No.	Name of Shareholders	No. of Shares	%
1	SOO KIT LIN	66,608,460	19.98
2	CHAN SAY HWA	66,105,460	19.83
3	AMSEC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHAN BAN HIN (SMART)	9,305,020	2.79
4	PAKIRISAMY BASKARAN A/L P THANGAVELU	4,250,000	1.28
5	ONG LEE VENG @ ONG CHUAN HENG	3,999,900	1.20
6	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR YOONG SIN KUEN (MY1568)	3,401,000	1.02
7	CHONG KIM LIAN	3,005,600	0.90
8	LEONG THAI CHEONG	2,682,500	0.80
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIENG TIONG CHIN (8071004)	2,631,000	0.79
10	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN ENG HOO	2,500,000	0.75
11	RHB NOMINEES (TEMPATAN) SDN BHD SITT HOCK GHEE	2,310,000	0.69
12	TAN ENG HOO	2,271,000	0.68
13	LAU KIM SAN	2,230,000	0.67
14	CHIN SIEW YIN @ CHAN SIEW YEE @ J BAPTIST	2,100,000	0.63
15	LOW KENG KHEONG	1,995,000	0.60
16	KOH CHEE MENG	1,876,600	0.56
17	ONG IT SHAW	1,825,000	0.55
18	RHB NOMINEES (TEMPATAN) SDN BHD CHAN CHUM	1,760,000	0.53
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHO CHONG YAU (E-TSA)	1,480,000	0.44
20	YAYASAN GURU MALAYSIA BERHAD	1,440,200	0.43
21	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR HONG CHOOI KIM	1,400,000	0.42
22	ONG POH LAN	1,400,000	0.42
23	LIEW SWEE MIN	1,344,000	0.40
24	AW KWOK CHING	1,300,000	0.39
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW KOK KWAN (E-KPG)	1,295,000	0.39
26	SAW KONG BENG	1,291,500	0.39
27	AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR TAY BOON HUAT	1,200,000	0.36
28	THAM HON KEONG	1,157,300	0.35
29	HA TUNG HUA	1,082,000	0.32
30	CHUAH TIONG PAN	1,060,000	0.32
	TOTAL	**196,306,540**	**58.90**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth (6th) Annual General Meeting of Hiap Huat Holdings Berhad ("Hiap Huat" or "the Company") will be held at Room Green II, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 24 May 2016 at 9.00 a.m. for the purpose of transacting the following businesses:

1. To receive the Audited Consolidated Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon. — Ordinary Resolution 1

2. To approve the payment of Directors' fees of RM132,000.00 to non-executive directors of the Company for the financial year ended 31 December 2015. — Ordinary Resolution 2

3. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:-

   i) Woo Yew Tim (Article 95) — Ordinary Resolution 3
   ii) Chow Pui Ling (Article 95) — Ordinary Resolution 4

4. To re-appoint Messrs UHY as Auditors of the Company and to authorise the Directors to fix their remuneration. — Ordinary Resolution 5

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

5. **Authority To Directors To Allot And Issue Shares** — Ordinary Resolution 6

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

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

By order of the Board,

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

Kuala Lumpur
29 April 2016

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes

1. A member entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. The provision of Section 149(1)(b) of the Act shall not apply to the Company.

2. Where a member appoints two (2) proxies, the appointment of such proxies shall not be valid unless the member specifies the proportion of his shareholding to be represented by each such proxy.

3. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or signed by attorney so authorised.

5. The Form of Proxy must be deposited at the Registered Office of the Company at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

6. For the purpose of determining a member who shall be entitled to attend the Sixth (6^{th}) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 17 May 2016. Only members whose name appears on the Record of Depositors as at 17 May 2016 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Ordinary Resolution 6: Authority to Directors to Allot and Issue Shares

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

The general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions at any time without convening a general meeting as it would be both costs and time consuming to organise a general meeting.

As at the date of this Notice, no new shares in the Company were issued pursuant to the general mandate granted to the Directors at the Fifth (5th) Annual General Meeting held on 22 June 2015 and which will lapse at the conclusion of the Sixth (6th) Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election at the Sixth (6th) Annual General Meeting of the Company are:

(i)	Woo Yew Tim	Article 95	Ordinary Resolution 3
(ii)	Chow Pui Ling	Article 95	Ordinary Resolution 4

The profile of the above Directors are set out on pages 3 to 4 of the Annual Report 2015. The details of the interest of the above Directors in the securities of the Company or its related corporations are disclosed in the Directors report on page 29 of the aforesaid Annual Report.

The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 11 of the Annual Report 2015.

The Sixth (6th) Annual General Meeting of the Company will be held at Room Green II, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 24 May 2016 at 9.00 a.m.

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Hiap Huat Holdings Berhad (881993-M)

Number of shares held	CDS Account No.

Form of Proxy

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

I / We *(Full Name in Block Letters)*______________________________

NRIC No. / Passport No. / Company No. ______________________________

of ______________________________

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

______________________________NRIC No. / Passport ____________________

of ______________________________

and/or ______________________________

of ______________________________

NRIC No. / Passport No. ______________________________

or failing him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us and on my/our behalf at the Sixth (6th) Annual General Meeting of the Company to be held at Room Green II, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 24 May 2016 at 9.00 a.m. and at any adjournment thereof in the manner as indicate below:-

NO.	RESOLUTIONS	FOR	AGAINST
1.	**Ordinary Resolutions** To receive the Audited Consolidated Financial Statements for the year ended 31 December 2015 and Reports of the Directors' and Auditors thereon.		
2.	To approve the payment of Directors' fees of RM132,000.00 to the non-executive directors of the Company.		
3.	To re-elect Woo Yew Tim as Director.		
4.	To re-elect Chow Pui Ling as Director.		
5.	To re-appoint Messrs UHY as Auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	**As Special Business :-** To approve the ordinary resolution pursuant to Section 132D of the Companies Act, 1965.		

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

Signed this ___________ day of ____________________, 2016.

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 : ……………………………%

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

NOTES:

1. A member entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. The provision of Section 149(1)(b) of the Act shall not apply to the Company.
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FOLD THIS FLAP FOR SEALING

FOLD HERE

Affix stamp

THE COMPANY SECRETARY

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

FOLD HERE

Hiap Huat
Holdings Berhad
(881993-M)

www.hiaphuat.com

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