Hiap Huat Holdings Berhad
(881993-M)

ANNUAL REPORT 2019

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Zulkifly Bin Zakaria
Independent Non-Executive Chairman/ Senior Independent Non-Executive Director

Dato' Chan Say Hwa
Group Managing Director

Datin Chow Pui Ling
Executive Director

Soo Kit Lin
Executive Director

Wong Kah Ming
Independent Non-Executive Director

Woo Yew Tim
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Zulkifly Bin Zakaria
Independent Non-Executive Chairman/ Senior Independent Non-Executive Director

Member
Wong Kah Ming
Independent Non-Executive Director

Woo Yew Tim
Independent Non-Executive Director

REMUNERATION COMMITTEE

Chairman
Wong Kah Ming
Independent Non-Executive Director

Member
Zulkifly Bin Zakaria
Independent Non-Executive Chairman/ Senior Independent Non-Executive Director

Woo Yew Tim
Independent Non-Executive Director

NOMINATION COMMITTEE

Chairman
Woo Yew Tim
Independent Non-Executive Director

Member
Zulkifly Bin Zakaria
Independent Non-Executive Chairman/ Senior Independent Non-Executive Director

Wong Kah Ming
Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Chairman
Zulkifly Bin Zakaria
Independent Non-Executive Chairman/ Senior Independent Non-Executive Director

Member
Dato' Chan Say Hwa
Group Managing Director

Datin Chow Pui Ling
Executive Director

Soo Kit Lin
Executive Director

Wong Kah Ming
Independent Non-Executive Director

Woo Yew Tim
Independent Non-Executive Director

COMPANY SECRETARIES

Tan Tong Lang *(MAICSA 7045482 / SSM PC No. 201908002253)*
Thien Lee Mee *(LS0009760 / SSM PC No. 201908002254)*

REGISTERED OFFICE

Suite 10.02, Level 10,
The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur.
Tel no : +603-2298 0263
Fax no : +603-2298 0268

HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS

Lot 102521, Jalan Sungai Pinang 5/3,
Kawasan Perindustrian Pulau Indah,
Fasa 2, 42920 Pulau Indah,
Selangor Darul Ehsan.
Tel no : +603 -3884 9368
Fax no : +603 -3102 3110

AUDITORS

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

SHARE REGISTRAR

Boardroom.com Sdn Bhd
Suite 10.02, Level 10,
The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur.
Tel no : +603-2298 0263
Fax no : +603-2298 0268

STOCK EXCHANGE LISTING

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

WEBSITE

www.hiaphuat.com

INVESTOR RELATIONS

Email : enquiry@hiaphuat.com
Tel no : +603 -3884 9368

DIRECTORS' PROFILES

Zulkifly Bin Zakaria
Age 65, Male, Malaysian
Independent Non-Executive Chairman/Senior Independent Non-Executive Director
Chairman of Audit Committee and Risk Management Committee
Member of Nomination Committee and Remuneration Committee

Zulkifly Bin Zakaria was appointed to the Board of Directors of Hiap Huat Holdings Berhad ("Hiap Huat" or the "Company") ("Board") as the Independent Non-Executive Chairman of the Company on 10 October 2011. On 24 May 2016, he was appointed by the Board as Senior Independent Non-Executive Director of the Company. He graduated from University Technology MARA with a Diploma in Banking in 1976 and subsequently obtained his Master in Business Administration from the University of Wales, Cardiff, United Kingdom in 1998.

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

He sits on the Board of Directors of Malaysia-China Business Council and the Vice President of the Malaysia-China Friendship Society. He also sits on the board of the Perak Islamic Council's economic arm company namely Perbadanan Kemajuan Ekonomi Islam Negeri Perak (PKEINPk) and its subsidiary companies. Saved as disclosed, he does not hold any directorship in listed issuer.

He has no family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2019.

He has attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019.

Dato' Chan Say Hwa
Age 41, Male, Malaysian
Group Managing Director
Member of Risk Management Committee

Dato' Chan Say Hwa is the Group Managing Director of the Company. He is mainly responsible for 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 and also in charge of the production technology innovation and product's research and development.

He joined Hiap Huat Chemicals Sdn Bhd ("HHC") in year 2000 as the Factory Operation Supervisor. He was then promoted to Factory Manager in year 2002 and subsequently became the General Manager in year 2004. 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 19 years of experience in the recycling business mainly involved in manufacturing, marketing and general management.

He does not hold directorships in any other public companies and listed issuer. He is the spouse of Datin Chow Pui Ling and son of Soo Kit Lin, both the Executive Directors and a major shareholder of the Company. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2019.

He has attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019.

DIRECTORS' PROFILES (Cont'd)

Datin Chow Pui Ling
Age 39, Female, Malaysian
Executive Director
Member of Risk Management Committee

Datin Chow Pui Ling 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 Director of Hiap Huat.

She does not hold directorships in any other public companies and listed issuer. She is the spouse of Dato' Chan Say Hwa, the Group Managing Director and a major shareholder of the Company and daughter-in-law of Soo Kit Lin, the Executive Director and a major shareholder of the Company. She has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction or penalties imposed upon her by any relevant regulatory bodies for the financial year ended 31 December 2019.

She has attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019.

Soo Kit Lin
Age 65, Female, Malaysian
Executive Director
Member of Risk Management Committee

Soo Kit Lin was appointed as a Non-Independent Non-Executive Director of the Company on 9 December 2009. Subsequently on 1 May 2013, she was re-designated as an Executive Director of Hiap Huat. She is one of the co-founders of Hiap Huat Manufacturing and Trading Co. and thereafter Hiap Huat and its subsidiaries. She has more than 31 years of experience in the business of waste recycling, paint manufacturing and distribution of environmental friendly products. Her expertise and contribution extend to resource planning and management where her prudent management has contributed to the continuing business success and growth of our Group.

She does not hold directorships in any other public companies and listed issuer. She is the mother of Dato' Chan Say Hwa, the Group Managing Director and a major shareholder of the Company and mother-in-law of Datin Chow Pui Ling, the Executive Director and a major shareholder of the Company. She has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction or penalties imposed upon her by any relevant regulatory bodies for the financial year ended 31 December 2019.

She has attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019.

DIRECTORS' PROFILES (Cont'd)

Wong Kah Ming
Age 41, Male, Malaysian
Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Audit Committee, Nomination Committee and Risk Management Committee

Wong Kah Ming 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 18 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 does not hold directorships in any other public companies and listed issuer. He has no family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction or penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2019.

He has attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019.

Woo Yew Tim
Age 42, Male, Malaysian
Independent Non-Executive Director
Chairman of Nomination Committee
Member of Audit Committee, Remuneration Committee and Risk Management Committee

Woo Yew Tim was appointed as an Independent Non-Executive Director of the Company on 8 August 2012. He holds a Bachelor of Business majoring in Accounting and Finance from the University of Technology Sydney, Australia. He is a chartered accountant under the membership of CPA Australia as well as the Malaysian Institute of Accountants. He has over 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 currently the special assistant to the group CEO of K-Star Sports Limited.

He does not hold directorships in any other public companies and listed issuer. He has no family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction or penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2019.

He has attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019.

PROFILES OF KEY SENIOR MANAGEMENT

Lau Tuck Wai
Age 51, Male, Malaysian
Financial Controller

Lau Tuck Wai joined the Company in 22 June 2018. He is the Financial Controller of the Group and is responsible for the financial management processes, accounting and treasury. He holds a professional accountancy qualification from the Association of Chartered Certified Accountants and is a member of the Malaysian Institute of Accountants. Prior to joining Hiap Huat, he worked, amongst others, as a Manager-Finance with Turiya Bhd, as a Finance Manager with IEV Group of Companies and as a Finance Manager with Turbo-Mech Bhd.

He does not hold directorship in any other public companies and listed issuer. He has no family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction or penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2019.

Chow How Fai
Age 37, Male, Malaysian
General Manager Operations for Pulau Indah Plant

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

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

He is the brother and brother-in-law of Datin Chow Pui Ling and Dato' Chan Say Hwa. He does not hold directorship in any other public companies or listed issuer. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction or penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2019.

Chow Chiat Wee
Age 33, Male, Malaysian
General Manager Operations for Bentong Plant

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

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

He is the brother and brother-in-law of Datin Chow Pui Ling and Dato' Chan Say Hwa. He does not hold directorship in any other public companies or listed issuer. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction or penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2019.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Hiap Huat Holdings 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 31 December 2019 ("FYE 2019").

In a year of economic and competitive challenges, Hiap Huat remain focused on its core competencies and prudent management of investment to remain competitive in its business and continued to deliver on its competitive strategies to generate profitability and create shareholders' value.

Financial Performance

For the financial year under review, the Group recorded a revenue at RM50.93 million, approximately 4.48% lower as compared to RM53.32 million in the financial year ended 31 December 2018 ("FYE2018"). The decrease in Group's revenue of RM2.39 million was mainly due to the decrease in demand in recycled petroleum products.

The Group's gross profit margin, however increased by approximately 4.22% as compared to 17.09% recorded in the FYE2018. The higher gross profit margin was mainly due from different product mix with higher contribution from Schedule waste collection services.

The administrative expenses remained fairly consistent as compared to FYE2018. The increase in administrative expenses are mainly due to the depreciation of right-of-use assets due to effect of adopting MFRS 16 and a slight increase in employment expenses.

Resulting from the above, the Group has recorded a profit before taxation of RM3.15 million as compared to the profit before taxation of RM2.23 million in the FYE2018. The increase of profit before tax was mainly due to increase in gross profit in FYE 2019 which flows through to the profit before tax level.

Moving Forward

2020 will be another tough and challenging year to the Group due to uncertainty of COVID-19 pandemic, oil prices and the economy. The Group's business performance in a way correlated on the magnitude of fluctuation in crude oil price which may assert a downward pressure on the Group's revenue and margin. However, we are not tied to any long term contract with suppliers which will hamper our options and abilities to maneuver.

Despite the uncertainties, challenging business and economic environment, the Group is resilience and able to meet the challenges ahead by continuing to explore and engage in new innovative products and production methods. The Group continues to manage its resources efficiently, to optimise cost efficiencies, stringent stock control measures to enhance its financial performance and productivity in an uncertain and competitive market environment. Further, the Group will continue to look out for new opportunities to enhance the revenue stream and profitability.

We believe the Group's relatively strong financial position put us in good standing to overcome the challenges ahead.

Acknowledgement

On behalf of the Board, I wish to take this opportunity to express my gratitude to our shareholders, customers, business associates and stakeholders for their unwavering support, trust and confidence in the Group. I would also like to extend my heartfelt appreciation to thank my fellow Directors, the Management and employees of the Group for their dedication and contribution to the Group for another successful year. 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. I trust that the enthusiasm and professionalism in carrying out their duties to the Group will enable the Group to prosper and generate increasingly better returns to all our stakeholders.

Zulkifly Bin Zakaria
Independent Non-Executive Chairman/
Senior Independent Non-Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")

The following MD&A is a review of the business and operation, discussion of the financial results and condition, performance of operating segments, risk and uncertainties and future outlook of Hiap Huat Holdings Berhad (“Hiap Huat”, “the Company”, or “the Group”). This MD&A should be read in conjunction with the Company’s audited financial statements and the accompanying notes for the financial year ended 31 December 2019 (“FYE 2019”).

Business and Operation Overview

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

The Company was listed on ACE Market, Bursa Malaysia in 2012 with its corporate head office in Kota Damansara, Petaling Jaya, Selangor Darul Ehsan and subsequently it has been moved to Pulau Indah, Port Klang, Selangor Darul Ehsan to be closed to business operation as the Company’s recycling & refining facility is situated at Pulau Indah, Port Klang, Selangor Darul Ehsan. The group has another recycling & refining facility in Bentong, Pahang Darul Makmur. Our recycling & refining processes are accredited by various certificate include ISO 9001, ISO 14001, ISO 17025, ISO 45001 and ISCC (International Sustainability Carbon Certificate).

Vision Statement

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

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

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

Mission Statement

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

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

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

Business Objectives and Strategies

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

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

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A") (Cont'd)

Business Objectives and Strategies (Cont'd)

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

Financial Review Revenue

The Group's operates principally in Malaysia and generated revenue from both local 87.67% (FYE 2018: 93.80%) and export market 12.33% (FYE 2018: 6.20%) from Singapore, Italy and Vietnam. For FYE2019, the Group's revenue decreased by 4.48% to RM50.93 million primarily due to decreased in revenue in recycled petroleum products.

Gross Profit Margin

The Group's gross profit margin stood at 21.31%, representing an increase of approximately 4.22% as compare to 17.09% recorded in the financial year ended 31 December 2018 ("FYE2018"). The higher gross profit margin was mainly resulted from different product mix with higher contribution from Schedule waste collection services.

Administrative Expenses

The administrative expenses remained fairly consistent as compared to FYE2018. The increase in administrative expenses are mainly due to the depreciation of right-of-use assets due to effect of adopting MFRS 16 and a slight increase in employment expenses.

Finance Cost

The finance cost has reduced by 5.12% as compared to FYE2018 mainly due to lower overdraft expenses in FYE 2019.

Taxes

The Group's income tax expenses was RM1.29 million in FYE2019, an increase of RM0.62 million over the tax expenses of RM0.66 million in FYE2018. The Group's effective tax rate in FYE2019 was higher than the statutory tax rate mainly due to origination and reversal reversal of temporary differences and under provision of deferred tax in prior year.

Profitability

For the FYE2019, the Group has recorded an increase in profit before tax of RM0.92 million as compared to profit before tax of RM2.23 million in the FYE2018. The increase of profit before tax was mainly due increase in gross profit in FYE 2019 which flows through to the profit before tax.

Capital Commitment

On 30 December 2019, Hiap Huat Chemicals Sdn. Bhd. ("HHC"), a 100% owned subsidiary of the Group has entered into Sale and Purchase Agreement with Central Spectrum (M) Sdn. Bhd. ("CSSB") to acquired 4.10 acres of industrial land located in Pulau Indah, Selangor for a total cash consideration RM11,965,932. HHC has paid out RM2,393,186 as deposit under the agreement funded by internally generated fund.

The Balance of purchase consideration of RM9,572,746 shall be paid by HHC to CSSB by way of progressive payments. Each payment shall be paid by HHC to CSSB within fourteen (14) days from the date of the notice from CSSB requesting the same. We have obtained external funding for the balance of payment.

CSSB has agreed to issue such notices requesting the payment only after the individual title to the said lot issued by relevant State Authority and ready for transfer to HHCSB which expected to be completed in August 2020.

HHC has signed and accepted an offer letter dated 7 February 2020 from a bank to externally finance the remaining of the purchase consideration as well as the construction of the building and storage tank on the piece of land.

This capital commitment is not expected to have material impact on Group's operating cash flows position.

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A") (Cont'd)

Financial Position and Liquidity

Total assets of the Group stood at RM91.19 million at FYE2019, an increase of RM10.31 million from FYE2018 mainly due to revaluation of property, plant and equipment and the increase in cash and cash equivalents derived from operation.

Total liabilities of the Group have increased by RM2.04 million to RM25.54 million in FYE2019 mainly due to higher provision of deferred taxation. Equity attributable to equity holders of the Group was RM65.64 million at FYE2019 with net assets per share at 19.9 cents.

The Group's cash and cash equivalents amounted to RM8.66 million, an increase of RM5.23 million from FYE2018 mainly due to higher cash generated from operating activities and working capital management.

Dividend

There were no divided proposed, declared or paid by the Hiap Huat Holdings Berhad since the end of FYE2018. The Board of Directors do not recommend any dividend in respect of the FYE2019.

Financial Summary

5-Year Group Financial Highlights (2015-2019)

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
Revenue	50,935	53,323	41,551	28,756	24,535
Profit/(Loss) before tax	3,148	2,231	1,885	1,038	(1,698)
Income tax expense/(credit)	1,290	667	1,116	124	(86)
Profit/(Loss) after tax	1,858	1,564	768	914	(1,612)
Basic earnings/(loss) per share (sen)	0.56	0.58	0.23	0.28	(0.48)

Risk and Uncertainties

1. **Slowdown in economy**

   Our business mostly depends on local market with significant export to overseas market such as Singapore, Italy and Vietnam.

   The combination of COVID-19 pandemic and oil prices collapsed have created major challenges not only to our business, but to all business locally and globally. We have established good relationship with our customers as well as suppliers and a number of us are allowed to operate during Malaysia's Movement Control Order ("MCO").

   As COVID-19 getting more under control as far as Malaysia is concerned, we believe more sectors of the economy will be opened up despite some time will be needed before we reach previous normalcy. As this pandemic is of global concern, many fronts are racing toward the first vaccine and it will be just a matter of time to materialize.

   On the glut of global crude oil supply, we view it from the cyclical as well as supply and demand perspective. The lower crude prices will resulted in those high costs producers out of the market in due time. This will in turn resulted in shortage of supply and adjustment to the market price. As more economies opened up, the demand will surge but less producers will be in market and as it goes, we will see further price adjustments.

   We believe the Group's relatively strong financial position, coupled with the ability and agility to adapt and innovate put us in good position to overcome the challenges ahead.

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A") (Cont'd)

2. Competition from existing players who provide services of wasted oil recovery

Rivalry among industry players can affect industry profits through downward pressure on prices and declining in profit margin. To improve the Group's market position, Hiap Huat constantly seeking to upheld and further improve our products and services to our customers. We are confidence our technologies, knowhow and ingenuity will enable us to provide world class services and products to meet customers' requirements.

3. Increasing cost of sales

The fluctuation of world crude oil prices in a way correlates with our raw material costs and our cost of sales. Any increase in costs that does not flowed through to our products prices due to various reasons, not the least the time lag will have impact on our gross profit margin. We do not tie to any long-term contracts and are closely monitoring our cost of materials by working closely with our suppliers to secure a more stable supplies with reasonable prices are crucial to our profitability. Further, we strive to increase the productivity of the employees via training and workshops. Our investment in machinery further enable us to optimize our processes and utility costs.

4. Credit risk

Slow payment and bad debt due to the deterioration in the economic conditions of our country will have impact on our cash flow and losses with regard to credit provided to customer. The management has a system in place on the approval of customer credit application and actively monitoring the receivables outstanding in order to minimise the potential of debt turning bad.

Prospects

The outlook for the financial year ending 31 December 2020 remains challenging due to uncertainty of the oil prices, COVID-19 pandemic and global economy. This in turn may affects the demand for the Group's products and services and further assert a downward pressure on the Group's revenue and margins. Nonetheless, the Group is constantly undertaking continuous enhancements in production efficiencies, overhead and production cost management. The Group expands its product offerings to the overseas market which is expected to generate better sales.

Dato' Chan Say Hwa
Group Managing Director

CORPORATE SUSTAINABILITY STATEMENT

Introduction

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

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

Sustainable Vision

To envisions being the preferred hazardous waste recycler in Malaysia.

Sustainability Mission

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

Sustainability Maturity

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

Risk Management

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

Governance

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

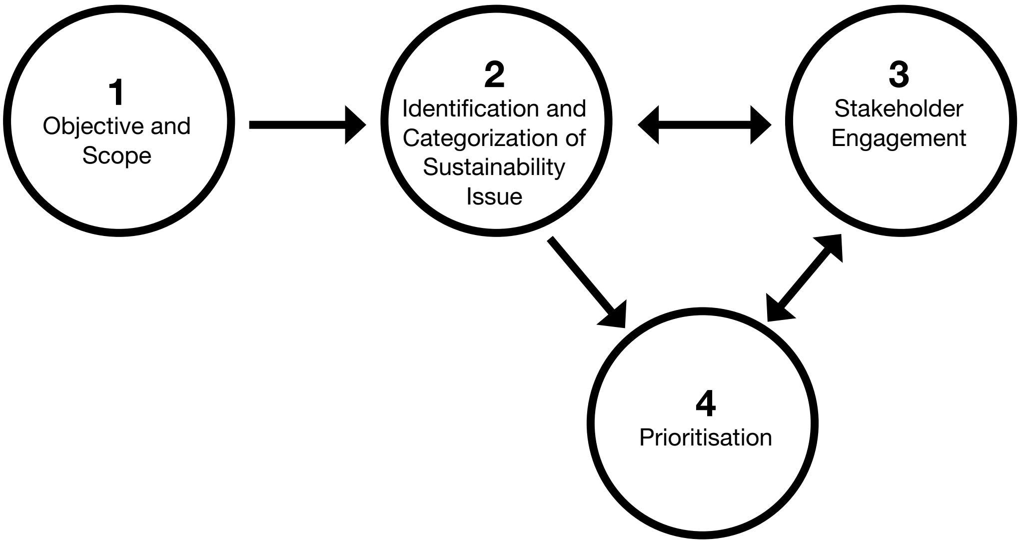
Currently, the Board consists of 6 members, comprising of One (1) Independent Non-Executive Chairman, Group Managing Director and two (2) other Executive Directors and two (2) Independent Non-Executive Directors.

The Board has taken steps to integrate sustainability issues as core of its strategic formulation. The Board is supported by general managers, which enables the Board to assess and ensure that sustainability governance is structured and functioning through the various levels of management. For more information on our corporate governance practices, please refer to our Annual Report 2019 (Corporate Governance Statement).

CORPORATE SUSTAINABILITY STATEMENT (Cont'd)

Materiality Process

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



Stakeholder Engagement

Stakeholders Group	Type of Engagement	Frequency	Key Topic
Customers	• Site Visit • One-to-one meeting • Annual Review	• Periodic • Periodic	• Improvement in customer service • Feedback on products and services
Employees	• Operations and Environment Management • Occupational Safety & Health Committee • Internal Training • Appraisal and feedback • Annual Review • Exit Meeting	• Periodic • Periodic • Periodic • Periodic • Annual • Resignation	• Staff Performance • Career Advancement • Company Performance • Company Strategies
Government Agencies	• One–to-one meeting	• Periodic/As when required	• Compliance to local laws and regulations
Suppliers	• One-to-one meeting • Annual Review	• Periodic • Annual	• Assessment of goods and services provided by vendors

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

CORPORATE SUSTAINABILITY STATEMENT (Cont'd)

Materiality Assessment

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

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

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

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

Environmental	Economic	Social
• Environmental Compliance • Monitoring and Compliance • Managing Environmental Emergencies	• Indirect Economic Impacts • Financial Result and Export Market	• Employment and Labour practices • Training & education • Occupational Health and Safety

Environment

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

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

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

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

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

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

CORPORATE SUSTAINABILITY STATEMENT (Cont'd)

- Environmental Compliance

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

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

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

- Monitoring and Compliance

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

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

- Managing Environmental Emergencies

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

Economic

- **Indirect Economic**

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

- **Financial Results and Export Market**

  We do export our products, currently consists of 12.33% (RM6,280,352) of our total Turnover. Despite small in amount, it has positively contributed to foreign exchange inflows to our country.

  For detailed financial results, please refer to the following sections in the Annual Report 2019:

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

CORPORATE SUSTAINABILITY STATEMENT (Cont'd)

Social

- **Employment and Labour Practices**

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

- **Training and Education**

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

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

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

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

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

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

Sustainability in Practice

Our three-pronged approach in sustainability initiative therefore are:

- **Regulatory compliance and environmental management**

  We are part of the supply value chain which turn hazardous waste into re-reusable petroleum and petrochemical products. Waste of no value will be channel to appropriate authority for eventual disposal. Therefore, as far as practicable, nothing was left to waste but to be recycled and re-used. This will play a part to reduce the impact of environmental issues to the society as a whole, especially to the local communities. Hiap Huat complies and has licences from DOE to recycling wastes.

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

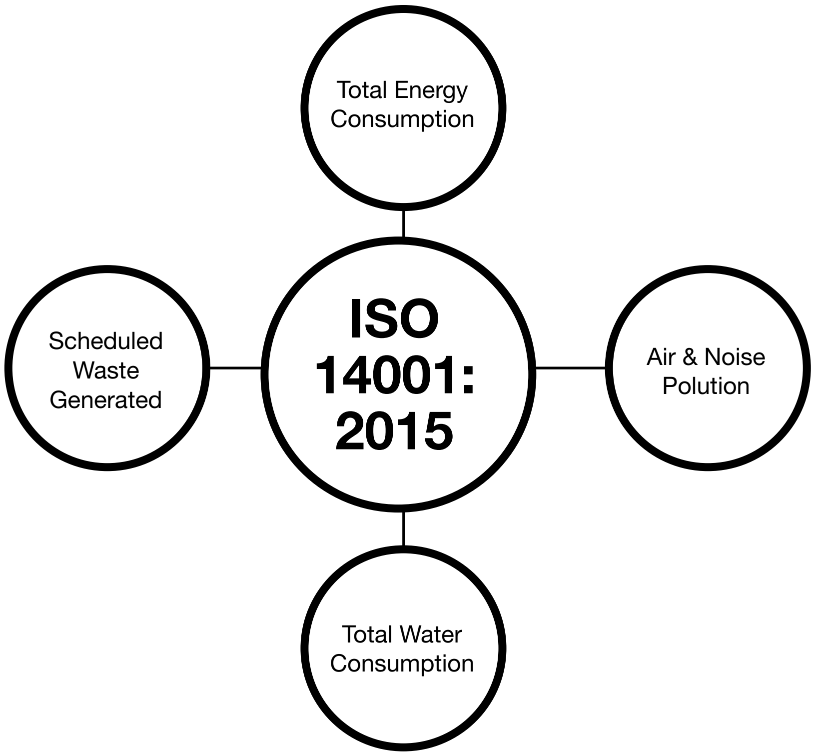
CORPORATE SUSTAINABILITY STATEMENT (Cont'd)

- **Human resources development**

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

- **Certification and Best Practice**

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



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

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

The Board recognises the importance of maintaining good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance 2017 ("CG") ("MCCG") to enhance business prosperity and maximise shareholders' value. The Board will continuously make efforts and avail resources to strengthen the corporate governance framework and practices within the Group, and where appropriate will adopt and implement the best practices as enshrined in MCCG to the best interest of the shareholders of the Company.

This Statement sets out the commitment of the Board towards the MCCG and describes how the Group has applied the principles and complied with the best practice provisions as laid out in the MCCG throughout the financial year ended 31 December 2019 ("FYE 2019") pursuant Rule 15.25 of the Ace Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements"). The CG Report is available on the Company's website www.hiaphuat.com as well as via an announcement on the website of Bursa Securities. This Statement should also be read in conjunction with the Statement on Risk Management and Internal Control ("SORMIC") and the respective Board Committee reports in the ensuing pages. Details of how the Company has applied the CG Code principles and complied with its practices, are set out in the CG Report. The explanation for departure is further disclosed in the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

PART I – BOARD RESPONSIBILITIES

1. Board Leadership on Objectives and Goals

Strategic Aims, Values and Standards

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART I – BOARD RESPONSIBILITIES (Cont'd)

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

Strategic Aims, Values and Standards (Cont'd)

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

- Review and adopt strategic plans of the Group

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

- Oversight of the Group's Business

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

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

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

- To formulate and have in place an appropriate succession plan

  The Board is 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.

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

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

  The Board recognises that 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.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART I – BOARD RESPONSIBILITIES (Cont'd)

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

Strategic Aims, Values and Standards (Cont'd)

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

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

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

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

Independent Chairman

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

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

Separation in the Roles of Chairman and Group Managing Director

During the financial year under review, the Company has complied with the recommendation of the MCCG where the positions of the Chairman and the Group Managing Director are held by different individuals, and that the Chairman is a non-executive member of the Board.

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART I – BOARD RESPONSIBILITIES (Cont'd)

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

Qualified and Competent Company Secretaries

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

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

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

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

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

Board Committees

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

(a) Audit Committee;
(b) Nomination Committee;
(c) Remuneration Committee; and
(d) Risk Management Committee.

All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as lay out in the terms of reference. These Committees are formed in order to enhance business and operational efficiency as well as efficacy. The Chairman of the respective Committees will report to the Board the outcome of the Committees meetings for the Board's considerations and approvals. The Board retains full responsibility for the direction and control of the Company and the Group.

Access to Information and Support for Directors

Unless otherwise agreed, notice of each meeting confirming the venue, 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 advice or further explanation from management and/or Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries and properly documented and maintained at the Registered Office of the Company.

The Board has access to all information within the Company to enable them to discharge their duties and responsibilities and is supplied 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.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART I – BOARD RESPONSIBILITIES (Cont'd)

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

Access to Information and Support for Directors (Cont'd)

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

When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the Directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

2. Demarcation of Responsibilities

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

3. Good Business Conduct and Corporate Culture

Code of Conduct and Ethics

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

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART I – BOARD RESPONSIBILITIES (Cont'd)

3. Good Business Conduct and Corporate Culture (Cont'd)

Whistle-blowing Policy and Procedures

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

The main objectives of the policy are:

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

The Board will review the Whistle Blowing Policy when necessary to ensure it remains relevant and appropriate. The details of the Whistle-blowing Policy is available for reference at the Company's website at www.hiaphuat.com.

PART II – BOARD COMPOSITION

4. Board's objectivity

Board Composition and Balance

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

The Board consists of six (6) members, comprising an Independent Non-Executive Chairman/Senior Independent Non-Executive Director, a Group Managing Director, two (2) Executive Directors and two (2) Independent Non-Executive Directors. The roles of the Chairman of the Board and Group Managing Director are segregated to ensure that there is balance of power and authority. Hiap Huat thus complies with Rule 15.02 of the Listing Requirements on board composition, where at least two or one-third, whichever is higher, of the Board members shall be Independent Directors.

The current composition of the Board provides an effective Board with a mix of industry specific knowledge, broad based business and commercial experience together with independent judgement on matters of strategy, operations, resources and business conduct. The combination of professionals with diverse and varied backgrounds, wealth of experience and expertise in finance and corporate affairs also enables the Board to discharge its responsibilities effectively and efficiently. The Board through the Nomination Committee regularly reviews the composition of the Board and Board Committees. The profiles of the Directors and Key Senior Management are set out in this Annual Report.

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

The Non-Executive Directors are not employees of the Group and do not participate in the day to day management of the Group. All the Non-Executive Directors, are independent directors and are able to express their views without any constraint. This strengthens the Board which benefits from the independent views expressed before any decisions are taken.

Currently, the Board does not have a policy on the tenure for Independent Director as the Board is of the view that a term of more than nine (9) years may not necessary impair independence and judgement of an Independent Director and therefore the Board does not deem it appropriate to impose a fixed term limit for Independent Director at this juncture.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART II – BOARD COMPOSITION (Cont'd)

4. Board's objectivity (Cont'd)

Tenure of Independent Directors and Policy of Independent Director's Tenure (Cont'd)

However, 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 re-designation of the said person as a Non-Independent Director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek annual shareholders' approval at a general meeting, normally the Annual General Meeting ("AGM") of the Company. If the Board continues to retain the Independent Director after the twelfth (12) years, the Board will seek annual shareholders' approval through a two-tier voting process.

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

Directors	≤ 9 Years	≥ 9 Years
Woo Yew Tim	√	
Wong Kah Ming		√
Zulkifly Bin Zakaria		√

Following an assessment and recommendation by the Nomination Committee, the Board recommended that Wong Kah Ming and Zulkifly Bin Zakaria who have served as Independent Non-Executive Directors for a cumulative term of more than nine (9) years to continue to be designated as Independent Non-Executive Directors of the Company subject to the shareholders' approval at the AGM, based on the following key justifications:

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

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

The Nomination Committee has reviewed the performance of the independent directors and is satisfied they have been able to discharge their responsibilities in an independent manner. Additionally, each of the Independent Non-Executive Directors has provided an annual confirmation of their independence to the Nomination Committee and the Board.

New Candidates for Board Appointment

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART II – BOARD COMPOSITION (Cont'd)

4. Board's objectivity (Cont'd)

New Candidates for Board Appointment (Cont'd)

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

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

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

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

Boardroom Diversity

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

The Board currently has two (2) female directors out of six (6) directors which in line with the country's aspirational target of 30% representation of women on boards. The Company will increase female representation on the Board if appropriate candidates are available when Board vacancies arise.

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

Age Group	31-40	41-50	51-60	61 & above
Number of Directors	1	3	0	2

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

	Race/Ethnicity				Nationality	
	Malay	Chinese	Indian	Others	Malaysian	Foreign
Number of Directors	1	5	0	0	6	0

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART II – BOARD COMPOSITION (Cont'd)

4. Board's objectivity (Cont'd)

Time Commitment and Directorship in Other Public Listed Companies

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

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

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out in the section below.

Board Meetings and Attendance

There were five (5) Board of Directors' meetings held during the FYE 2019. Details of the attendance of the Directors at the Board of Directors' meetings are as follow:

Name of Director	Total Meetings Attended	Percentage of Attendance
Zulkifly Bin Zakaria	5/5	100%
Dato' Chan Say Hwa	5/5	100%
Datin Chow Pui Ling	5/5	100%
Soo Kit Lin	5/5	100%
Wong Kah Ming	5/5	100%
Woo Yew Tim	5/5	100%

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

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

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART II – BOARD COMPOSITION (Cont'd)

4. Board's objectivity (Cont'd)

Continuing Education Programs

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

Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, the Directors are encouraged to attend continuous education programmes/seminars/conferences and shall as such receive further training from time to time to keep themselves abreast of the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.

Details of seminars/conferences/training programmes attended by the Board members during the FYE 2019 as listed below:

Name of Director	Seminars/Conferences/Training Programmes Attended
Zulkifly Bin Zakaria	1. Talk by HRH Sultan of Perak on "Perak - 24th January 2019 Royal Custom" 2. Talk by Baitulmal Sarawak CEO on Baitulmal Welfare Systems – 29th January 2019 3. Malaysia China Belt & Road Economic Cooperation Forum 2019 – 8th August 2019 4. Transformation 14th Annual International Conference by Mega Fortis at Port Dickson -17th to 19th September 2019 5. Ministry of Education/DKLS Berhad English Literature Day Ceremony - 20th September 2019
Dato' Chan Say Hwa	1. 3rd Smart Factory Expo 2019 - Tokyo @ 16th - 18th January 2019 2. Word Smart Energy Week 2019 - Tokyo @ 27th February - 1st March 2019 3. FMM Industrial Waste Management Conference 2019 - 18th April 2019 4. International Sustainability & Carbon Sustainability Training - 26th July 2019
Datin Chow Pui Ling	1. Seminar Pengurusan Buangan Terjadual & Pematuhan Peraturan-Peraturan Kualiti Alam Sekeliling - 23th & 24th July 2019 2. ISO Awareness & Internal Auditor Training - 3rd & 4th September 2019 3. Training FMM Water Conference 2019 - 14th November 2019
Wong Kah Ming	1. ISCC Technical Committee: Waste, Residues and Advanced Low Carbon Fuels, Shanghai - 2nd July 2019 2. ISCC Regional Stakeholder Committee Southeast Asia, Jakarta - 24th October 2019
Woo Yew Tim	1. Create@Alibaba Cloud Startup Contest Malaysia 2019 Forum - 13rd October 2019 2. Labuan Private Foundation Seminar - 22nd August 2019

Saved as disclosed above, other Director was not able to select any suitable training programme to attend during the financial year due to traveling for business overseas and occupied working schedule.

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART II – BOARD COMPOSITION (Cont'd)

4. Board's objectivity (Cont'd)

Nomination Committee

The Board has established a Nomination Committee which comprised exclusively of Independent Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis.

The present members of the Nomination Committee are:

Designation	Name of Director	Directorship
Chairman	Woo Yew Tim	Independent Non-Executive Director
Member	Zulkifly Bin Zakaria	Independent Non-Executive Chairman/ Senior Independent Non-Executive Director
Member	Wong Kah Ming	Independent Non-Executive Director

The terms of reference of the Nomination Committee can be viewed at the Company's website at www.hiaphuat.com.

The summary of activities undertaken by the Nomination Committee during the FYE 2019 included the following:

(i) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board;

(ii) Reviewed and recommended the retirement and re-election of Directors at the forthcoming AGM in accordance with the Company's Constitution; and

(iii) Reviewed and recommended the re-appointments of Independent Non-Executive Directors who have served a cumulative term of more than nine (9) years.

5. Overall Board Effectiveness

Evaluation for Board, Board Committees and Individual Directors

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

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

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

Based on the assessment conducted for the FYE 2019, the Board and the Nomination Committee is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board and Board Committees members and the level of independence demonstrated by all the Independent Non-Executive Directors and each of them continues to fulfil the definition of independence as set out in the Listing Requirements.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART II – BOARD COMPOSITION (Cont'd)

5. Overall Board Effectiveness (Cont'd)

Re-election of Directors

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

Upon the recommendation of the Nomination Committee and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming AGM of the Company to be held in 2020 are as stated in the Notice of AGM.

PART III – REMUNERATION

6. Level and Composition of Remuneration

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 present members of the Remuneration Committee are as follow:

Designation	Name of Director	Directorship
Chairman	Wong Kah Ming	Independent Non-Executive Director
Member	Zulkifly Bin Zakaria	Independent Non-Executive Chairman/ Senior Independent Non-Executive Director
Member	Woo Yew Tim	Independent Non-Executive Director

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

The Terms of Reference of the Remuneration Committee can be viewed at the Company's website at www.hiaphuat.com.

The summary of activities undertaken by the Remuneration Committee during the FYE 2019 included reviewed and recommended the payment of Directors' fees and other benefits payables to the Directors and Senior Management of the Company to the Board for approval.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART III – REMUNERATION (Cont'd)

6. Level and Composition of Remuneration (Cont'd)

Remuneration Policy

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

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

7. Remuneration of Directors and Senior Management

Directors' Remuneration

The remunerations of the Executive Directors were determined fairly based on the performance and the profitability of the Group as a whole. The Directors' remuneration is at the discretion of the Board, 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 calibre needed to run the Group successfully. The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned.

Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) for the FYE 2019 are as follows:

	Company		Group	
Director	**Fees (RM)**	**Salaries and *other emoluments (RM)**	**Fees (RM)**	**Salaries and *other emoluments (RM)**
Zulkifly Bin Zakaria	67,000	-	67,000	-
Dato' Chan Say Hwa	-	672,923	-	672,923
Datin Chow Pui Ling	-	323,484	-	323,484
Soo Kit Lin	-	187,793	-	187,793
Wong Kah Ming	43,000	-	43,000	-
Woo Yew Tim	43,000	-	43,000	-
Total	153,000	1,184,200	153,000	1,184,200

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

PART III – REMUNERATION (Cont'd)

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

Remuneration of Senior Management

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

There are only six (6) Senior Management staff in the group, three (3) are the Executive Directors of the Company, their remuneration components have disclosed under Directors' Remuneration as per above table. The other three (3) Senior Management, their total remuneration is about 8% of the overall salary of the Group and the range of the salary is in line with industrial practice.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I – AUDIT COMMITTEE

8. Audit Committee

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

Chairman of Audit Committee

The current composition of Audit Committee comprises of three (3) members, all of whom are Independent Non-Executive Directors. The Audit Committee is chaired by an Independent Director who is also the Chairman of the Board. However, the Board if of the view that the said practice will not materially interfere and affect his independence judgement. All members of the Audit Committee are relatively financially literate, therefore, meets the requirement of Rule 15.09 of the Listing Requirements.

The Terms of Reference of the Audit Committee can be viewed at the Company's website at www.hiaphuat.com.

Former Key Audit Partner

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

Assessment of Suitability and Independence of External Auditors

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

PART I – AUDIT COMMITTEE (Cont'd)

8. Audit Committee (Cont'd)

Assessment of Suitability and Independence of External Auditors (Cont'd)

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

(i) the adequacy of the experience, competence and resources of the External Auditors;

(ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;

(iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and

(iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

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

During the FYE 2019, the Audit Committee has meet with the External Auditors without the presence of Group Managing Director, Executive Directors and members of management at least once during the year regarding relevant audit and accounting issues and to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concern expressed by the Audit Committee are duly recorded by the Company Secretaries.

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

The External Auditors have also provided the required independence declaration to the Audit Committee and the Board for the FYE 2019. The Audit Committee is satisfied with the competence and independence of the External Auditors for the FYE 2019. Having regard to this, the Board approved the Audit Committee's recommendation for the shareholders' approval to be sought at the AGM on the reappointment of Messrs UHY as the External Auditors of the Company for the financial year ending 31 December 2020.

Composition of the Audit Committee

The current composition of Audit Committee comprises of three (3) members, all of whom are Independent Non-Executive Directors, which meets the requirements of Rule 15.09(1)(a) and (b) of the Listing Requirements and Practice 8.4 of the MCCG.

The Audit Committee currently comprises the following members: -

Designation	Name of Director	Directorship
Chairman	Zulkifly Bin Zakaria	Independent Non-Executive Chairman/ Senior Independent Non-Executive Director
Member	Wong Kah Ming	Independent Non-Executive Director
Member	Woo Yew Tim	Independent Non-Executive Director

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9. Effective Risk Management and Internal Control Framework

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

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

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

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

10. Internal Audit Function

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

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

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

PART 1 – COMMUNICATION WITH STAKEHOLDERS

11. Continuous Communication between Company and Stakeholders

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

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

a) The Company's website;
b) Announcements via Bursa Link;
c) Annual Reports and Circular;
d) General Meetings; and
e) Investor relations and press release.

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Cont'd)

PART 1 – COMMUNICATION WITH STAKEHOLDERS (Cont'd)

11. Continuous Communication between Company and Stakeholders (Cont'd)

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

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

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

PART II – CONDUCT OF GENERAL MEETINGS

12. Encourage Shareholders’ Participation at General Meeting

The AGM is an important forum where communications with shareholders are effectively conducted. As recommended by the MCCG, the notice of AGM will be despatched to shareholders at least twenty-eight (28) days before the AGM, to allow shareholders to have additional time to go through the Annual Report and make the necessary attendance and voting arrangements. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution.

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

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

Attendance of Directors at General Meetings

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

At the Ninth (9th) AGM of the Company held on 24 May 2019, all the Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company.

Poll Voting

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

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is of the view that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices set out in MCCG and all other applicable laws, where applicable and appropriate. This Corporate Governance Overview Statement was approved by the Board on 12 May 2020.

AUDIT COMMITTEE REPORT

The Board of Directors ("the Board") of Hiap Huat Holdings Berhad ("Hiap Huat" or "the Company") is pleased to present the Audit Committee ("AC") Report for the financial year ended 31 December 2019 ("FYE2019").

Composition of AC and Attendance

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

Designation	Name of Director	Directorship
Chairman	Zulkifly Bin Zakaria	Independent Non-Executive Chairman/ Senior Independent Non-Executive Director
Member	Wong Kah Ming	Independent Non-Executive Director
Member	Woo Yew Tim	Independent Non-Executive Director

The composition of AC meets the requirements of Rules 15.09 and 15.10 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and Practice 8.4 of the Malaysian Code on Corporate Governance ("MCCG").

In FYE 2019, the AC held five meetings. The Group Managing Director, Executive Directors, Group Accountant, external auditors, internal auditors, other Board members and the Company Secretary will attend the AC meetings upon invitation, as and when necessary. Minutes of each meeting were recorded and tabled for confirmation at the next AC meeting and subsequently presented to the Board for notation.

The attendance record of AC members was as follows:

Name of Director	Attendance	Percentage of Attendance
Zulkifly Bin Zakaria	5/5	100%
Wong Kah Ming	5/5	100%
Woo Yew Tim	5/5	100%

During the FYE 2019, the AC had engaged with the external auditors to keep abreast with the key audit issues and audit concerns affecting the Company. The Chairman of the AC will highlight the key issues discussed in the AC meeting at each Board meeting.

Terms of Reference

The Terms of Reference of the AC which laid down its duties and responsibilities are accessible via the Company's website at www.hiaphuat.com.

Independence of the Audit Committee

Hiap Huat recognised the need to uphold utmost independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the AC of the Company were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the AC was a key audit partner of the external auditors of the Group.

AUDIT COMMITTEE REPORT (Cont'd)

Training and Financial Literacy of the Audit Committee Members

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

During the FYE 2019, all members of the AC had undertaken the relevant training programmes to keep themselves abreast of the latest development in business environment, statutory laws, regulations and best practices to enable them to effectively discharge their duties. The list of trainings attended are disclosed in the Corporate Governance Statement in this Annual Report.

Summary Activities of the AC during the FYE 2019

1. **Ensuring Financial Statements comply with applicable Financial Reporting Standards:**

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

   (b) Reported its findings on the financial and Management performance, and other material matters (if any) to the Board.

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

   (a) Reviewed and approved the Internal Audit Plan for FYE 2019 proposed by the Internal Auditors to ensure the adequacy of the scope, coverage of works and that it has the necessary authority to carry out its works.

   (b) Reviewed and discussed the Internal Audit Reports which outlined the recommendations towards correcting areas of weaknesses and ensured that management action plans were established for the implementation of the internal auditors' recommendations. Summary of internal auditors' reports presented to the AC provides status updates for management action plans to address the findings reported in the previous audit cycles from the internal auditors.

   (c) Reviewed the adequacy of the scope, functions and competency of the internal auditors' function, and the results of the internal auditors' process to ensure the appropriate actions are taken of the recommendations of the internal auditors' function.

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

   (a) Discussed with the external auditors before the audit commences, the audit plan, significant audits findings, nature and scope of the audit and areas of audit emphasis, as well as the external auditors' evaluation of the system of internal controls and audit reports.

   (b) Reviewed and discussed with the external auditors of their audit findings inclusive of issues raised, audit recommendations and management's response to these recommendations.

   (c) Discussed and deliberated on the external auditors' reports and recommendations regarding opportunities for improvement to the significant risk areas, internal controls and financial matters areas based on observations made in the course of interim and final audits.

   (d) Held private meetings with the external auditors without the presence of the Group Managing Director, Executive Directors and Management to discuss on the areas of audit concern.

   (e) Evaluated the performance of the external auditors and considered the re-appointment of external auditors and their audit fees, after taking into consideration of the independence and objectivity of the external auditors and the cost effectiveness of their audit, before recommending to the Board for approval.

AUDIT COMMITTEE REPORT (Cont'd)

4. **Overseeing the Governance Practices in the Group:**

   (a) Reviewed and recommended on quarterly basis the Related Party Transactions (“RPT”) presented by Management to the Board for approval, to ensure that these transactions are undertaken in the best interest of the Company, fair, reasonable and on normal commercial terms as well as not detrimental to the interest of the minority shareholders.

   (b) Reviewed the AC Report, Statement on Risk Management and Internal Control and Corporate Governance Statement to ensure adherence to legal and regulatory reporting requirements and appropriate resolution of all accounting matters requiring significant judgement and recommended the same to the Board for approval.

   (c) Reviewed the adequacy and effectiveness of the Group’s internal control system and reported to the Board.

Internal Audit Functions and Activities

The Group has outsourced its Internal Audit Function to an external professional Internal Audit firm, GovernanceAdvisory.com Sdn. Bhd (“GASB”). GASB is led by Mr. Jason Tee, the Executive Director of GASB. He holds a Bachelor of Commerce (Hons) in Accounting and also an Associate Member of Institute of Internal Auditors Malaysia (“IIAM”). Mr. Jason has more than 13 years professional experience in providing corporate restructuring, enterprise risk management system, internal controls reviews, investigative audit, valuation, due diligence review, receivership and liquidation. He was assisted by two other internal auditors in this assignment during the financial year under review. The internal audit activities were reported directly to the AC based on the approved annual Internal Audit Plan. The approved annual Internal Audit Plan is designed to cover entities across all level of operations within the Group.

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

The AC approves the internal audit plan during the first AC meeting each year. Any subsequent changes to the internal audit plan are approved by the AC. The scope of internal audit covers the audits of all units and operations, including subsidiaries as stated in the letter of engagement. The cost incurred for the internal audit function during the financial year is approximately RM32,000.00.

During the FYE 2019, the following activities were carried out by the internal auditors in discharge of its responsibilities:

(a) Present the Internal Audit Plan for the year for review and evaluation by the AC;
(b) Reviewed the System Disaster Recovery & Information Technology functions of Hiap Huat;
(c) Reviewed the Sales and Collection Review function of Topmark Petroleum Products. Sdn Bhd;
(c) Recommend improvements to the existing systems of internal controls;
(d) Follow up on implementation and disposition of audit findings and recommendation;
(f) Identify opportunities to improve the operations of and processes in the Company and the Group; and
(g) Identification of risks and implementation of recommendations to mitigate the risks.

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

This AC Report was approved by the Board of Directors on 12 May 2020.

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

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

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

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

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

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

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

The Directors are satisfied that in preparing the financial statements of the Company and the Group for the financial year ended 31 December 2019, the Company and the Group have used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), 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.

BOARD 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 is designed to manage the risk that 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 ("AC") has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the AC on a periodic basis.

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

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

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

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

1. Risk Management System

Risk management is firmly embedded in the Group's management system as the Board firmly believes that risk management is critical for the Group's sustainability and the enhancement of shareholder value. Key management staff and Heads of Department are delegated with the responsibility to manage identified risks within defined parameters and standards.

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

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

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

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

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

The RMC meets 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.

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

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

2. Internal Control System

(i) The Group has in place an organisational structure with defined lines of responsibilities and delegation of authority. A process of hierarchical reporting has been established, which provide for a documented and auditable trail of accountability and also facilitate the check and balance for proper decision making at the appropriate authority levels of Management including matters that require the Board's approval.

(ii) A documented delegation of limits of authority across the Group's operations that sets out decisions that need to be taken and the appropriate levels of Management involved including matters that require the Board's approval.

(iii) The Board of Directors and AC meet at least four (4) times during the financial year to review and deliberate on financial reports, annual financial statements, internal audit reports and etc. Discussions with Management were held to deliberate on the actions that are required to be taken to address internal control issues identified.

(iv) Internal policies and procedures had been established for key business units within the Group. Certain subsidiaries within the Group are also 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 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.

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

3. Internal Audit Function

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

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

The internal audit plan which reflects the identified risk was reviewed and approved by the AC. During the financial year under review, two key audit areas reviewed are System Disaster Recovery and Information Technology Review for the Group and Sales Collection Review for a subsidiary. All reports from the internal audit reviews, and corrective actions undertaken by Management were presented to the AC. None of the weaknesses noted may resulted in any material losses, contingencies or uncertainties that have any material impact to the financial statements of the Group.

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

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide AAPG 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that causes them to believe the statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

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

CONCLUSION

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

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

This statement was approved by the Board of Directors on 12 May 2020.

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. AUDIT AND NON-AUDIT FEES PAID TO EXTERNAL AUDITORS

During the financial year, the amount of audit and non-audit fees paid or payable to the external auditors by the Company and the Group respectively for the financial year ended 31 December 2019 were as follows:

	Company (RM)	**Group (RM)**
Audit Services Rendered	30,000	94,000
Non-Audit Services Rendered		
(a) Review of Statement on Risk Management and Internal Control	5,000	5,000

3. 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.

4. CONTRACTS RELATING TO LOAN

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

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

Save for such disclosure made in Note 30 to the audited consolidated financial statements in this Annual Report, there were no material recurrent related party transactions of revenue nature during the financial year ended 31 December 2019.

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal Activities

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

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

Financial Results

	Group RM	Company RM
Net profit for the financial year, attributable to owners of the parent	1,857,608	1,539,901

Reserves and Provisions

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

Dividends

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

Issue of Shares and Debentures

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

Treasury Shares

During the financial year, the Company repurchased a total of 3,129,000 of its issued ordinary shares from the open market at an average price of RM0.096 per share. The total consideration paid for the repurchase was RM301,680. The repurchased transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127(4) of the Companies Act 2016.

As at 31 December 2019, the Company held 3,129,000 treasury shares out of the total 333,301,330 issued ordinary shares. Further relevant details are disclosed in Note 14 to the financial statements.

Options Granted Over Unissued Shares

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

DIRECTORS' REPORT (Cont'd)

Directors

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

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

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

Zhao, Ji Cheng (Resigned on 9 October 2019)

* *Director of the Company and its subsidiary companies*

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

Directors' Interests in Shares

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:

	Number of ordinary shares			
	At 1.1.2019	Acquired	Disposed	At 31.12.2019
Interests in the Company				
Direct Interests				
Dato' Chan Say Hwa	69,026,460	-	-	69,026,460
Soo Kit Lin	66,608,460	-	-	66,608,460
Datin Chow Pui Ling	2,458,920	4,704,300	-	7,163,220
Indirect Interests				
Dato' Chan Say Hwa (#)	2,458,920	4,704,300	-	7,163,220
Datin Chow Pui Ling (#)	69,026,460	-	-	69,026,460

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

By virtue of their interests in the shares of the Company, Dato' Chan Say Hwa, Datin 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 8 of the Companies Act 2016.

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' REPORT (Cont'd)

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 remuneration received or due and receivable by Directors as shown in Note 25, 27 and 30 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business and allowance paid for advisory services provided to a close family which a Director is a member as disclosed in Note 30 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.

Indemnity and Insurance Costs

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM3,000,000 and RM5,900 respectively. No indemnity was given to or insurance affected for auditors of the Company.

Other Statutory Information

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

  (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and

  (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

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

  (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

  (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

  (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

  (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

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

DIRECTORS' REPORT (Cont'd)

Other Statutory Information (Cont'd)

(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.

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 7 to the financial statements.

Significant Event

The details of significant event are disclosed in Note 37 to the financial statements.

Auditors

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

The details of auditors' remuneration are set out in Note 25 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 15 May 2020.

DATO' CHAN SAY HWA

DATIN CHOW PUI LING

KUALA LUMPUR

STATEMENT BY DIRECTORS

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 52 to 116 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 15 May 2020.

DATO' CHAN SAY HWA

DATIN CHOW PUI LING

KUALA LUMPUR

STATUTORY DECLARATION

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

I, Lau Tuck Wai (MIA Membership No: 15794), being the officer 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 52 to 116 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 Puchong in)
Selangor Darul Ehsan on 15 May 2020)

LAU TUCK WAI

Before me,

KHOR HAN GHEE (NO: B 476)

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIAP HUAT HOLDINGS BERHAD

[REGISTRATION NO.: 200901038858 (881993-M)]
(INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hiap Huat Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 116.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matters	How we addressed the key audit matters
Inventory Net Realisable Value	
The Group estimates the net realisable value of the inventories based on an assessment of expected sales prices. The estimated net realisable value is involving significant judgement by management due to the nature of the inventories, which depending on the market condition of bunker oil price and consumers' bargaining and demands.	We discussed with the management on the basis used to determine the net realisable value. We assessed the reasonableness of the net realisable value of inventory balance by test checking to alignment of market price of bunker oil and expected margin pattern within the reasonable period. We test checked against the transacted price by inspecting related sales documents after the financial year end. Based on work performed, no major exception noted.
Impairment assessment on property, plant and equipment	
As at 31 December 2019, the Group has property, plant and equipment amounted to RM17,539,076. Included in the property, plant and equipment are plant and machinery with aggregate carrying values of RM10,800,404. We focus on this area because the determination of whether property, plant and equipment are impaired may involve complex and subjective judgement made by the Group.	Our procedures include, amongst others: - Identify the relevant factors and assess whether there is any indication of impairment for the Group's property, plant and equipment; and - Perform physical sightings on significant items of property, plant and equipment.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIAP HUAT HOLDINGS BERHAD (Cont'd)
[REGISTRATION NO.: 200901038858 (881993-M)]
(INCORPORATED IN MALAYSIA)

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIAP HUAT HOLDINGS BERHAD (Cont'd)
[REGISTRATION NO.: 200901038858 (881993-M)]
(INCORPORATED IN MALAYSIA)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinion.

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

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

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

Other Matters

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

UHY
Firm Number: AF 1411
Chartered Accountants

YEOH AIK CHUAN
Approved Number: 02239/07/2020 J
Chartered Accountant

KUALA LUMPUR
15 May 2020

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	17,539,076	46,795,062	704,923	6,595,114
Right-of-use assets	5	39,317,939	-	7,199,914	-
Investment properties	6	3,664,280	3,744,962	3,664,280	3,744,962
Investment in subsidiary companies	7	-	-	34,001,775	34,226,030
		60,521,295	50,540,024	45,570,892	44,566,106
Current Assets					
Inventories	8	8,107,264	14,307,169	-	-
Trade receivables	9	6,165,578	5,516,654	-	-
Other receivables	10	3,297,517	2,078,812	146,055	66,540
Amount due from subsidiary companies	11	-	-	108,932	80,638
Tax recoverable		169,567	89,291	21,517	32,698
Fixed deposits with licensed banks	12	6,235,685	150,000	1,529,640	-
Short term investment	13	4,149,972	4,010,277	4,149,972	4,010,277
Cash and bank balances		2,538,672	4,189,227	443,358	406,244
		30,664,255	30,341,430	6,399,474	4,596,397
Total Assets		91,185,550	80,881,454	51,970,366	49,162,503

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019 (Cont'd)

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
EQUITY					
Share capital	14	41,092,641	41,092,641	41,092,641	41,092,641
Treasury shares	14	(301,680)	-	(301,680)	-
Merger deficit	15	(9,535,114)	(9,535,114)	-	-
Revaluation reserves	16	9,488,431	2,728,934	1,294,299	-
Retained earnings/(Accumulated losses)		24,897,609	23,447,377	1,493,963	(45,938)
Equity attributable to owners of the parent		65,641,887	57,733,838	43,579,223 -	41,046,703
Non-controlling interests		-	(358,376)	-	-
Total Equity		65,641,887	57,375,462	43,579,223	41,046,703
LIABILITIES					
Non-Current Liabilities					
Finance lease payables	17	-	903,346	-	373,671
Lease liabilities	18	1,197,789	-	260,886	-
Bank borrowings	19	13,003,877	14,138,526	4,223,337	5,015,862
Deferred tax liabilities	20	6,078,459	2,876,468	503,755	58,800
		20,280,125	17,918,340	4,987,978	5,448,333
Current Liabilities					
Trade payables	21	2,227,895	1,266,948	-	-
Other payables	22	1,012,895	2,033,845	101,926	124,376
Amount due to subsidiary companies	11	-	-	2,388,147	1,551,932
Finance lease payables	17	-	162,014	-	107,501
Lease liabilities	18	767,729	-	112,785	-
Bank borrowings	19	1,255,019	2,124,845	800,307	883,658
		5,263,538	5,587,652	3,403,165	2,667,467
Total Liabilities		25,543,663	23,505,992	8,391,143	8,115,800
Total Equity and Liabilities		91,185,550	80,881,454	51,970,366	49,162,503

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 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Revenue	23	50,934,540	53,323,447	5,090,000	7,600,000
Cost of sales		(40,080,773)	(44,212,667)	-	-
Gross profit		10,853,767	9,110,780	5,090,000	7,600,000
Other income		393,620	385,194	297,008	174,285
Administrative expenses		(7,394,842)	(7,236,505)	(3,517,332)	(3,603,388)
Net gain/(loss) on impairment of financial instruments		110,837	831,067	(19,667)	121,774
Profit from operation		3,963,382	3,090,536	1,850,009	4,292,671
Finance costs	24	(815,715)	(859,679)	(269,614)	(317,947)
Profit before tax	25	3,147,667	2,230,857	1,580,395	3,974,724
Taxation	26	(1,290,059)	(666,564)	(40,494)	(65,742)
Profit for the financial year		1,857,608	1,564,293	1,539,901	3,908,982
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation of land and buildings	5	8,894,075	-	1,703,025	-
Deferred tax liabilities relating to component of other comprehensive income	20	(2,134,578)	-	(408,726)	-
Other comprehensive income for the financial year		6,759,497	-	1,294,299	-
Total comprehensive income for the financial year		8,617,105	1,564,293	2,834,200	3,908,982
Profit for the financial year attributable to:					
Owners of the parent		1,857,608	1,941,607	1,539,901	3,908,982
Non-controlling interests		-	(377,314)	-	-
		1,857,608	1,564,293	1,539,901	3,908,982
Total comprehensive income attributable to:					
Owners of the parent		8,617,105	1,941,607	2,834,200	3,908,982
Non-controlling interests		-	(377,314)	-	-
		8,617,105	1,564,293	2,834,200	3,908,982
Earnings per share					
Basic earnings per share (sen)	28	0.56	0.58		
Diluted earnings per share (sen)	28	0.56	0.58		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to Owners of the Parent							
		Non-distributable				Distributable			
		Share Capital RM	Treasury Shares RM	Merger Deficit RM	Revaluation Reserves RM	Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
Group									
At 1 January 2019		41,092,641	-	(9,535,114)	2,728,934	23,447,377	57,733,838	(358,376)	57,375,462
Net profit for the financial year		-	-	-	-	1,857,608	1,857,608	-	1,857,608
Other comprehensive income for the financial year		-	-	-	6,759,497	-	6,759,497	-	6,759,497
Total comprehensive income for the financial year		-	-	-	6,759,497	1,857,608	8,617,105	-	8,617,105
Transactions with owners:									
Shares repurchased	14	-	(301,680)	-	-	-	(301,680)	-	(301,680)
Acquisition of non-controlling interests	7(a)	-	-	-	-	(407,376)	(407,376)	358,376	(49,000)
Total transactions with owners		-	(301,680)	-	-	(407,376)	(709,056)	358,376	(350,680)
At 31 December 2019		41,092,641	(301,680)	(9,535,114)	9,488,431	24,897,609	65,641,887	-	65,641,887

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

	Attributable to Owners of the Parent						
	Non-distributable			Distributable			
	Share Capital RM	Merger Deficit RM	Revaluation Reserves RM	Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
Group							
At 1 January 2018, as reported	41,092,641	(9,535,114)	2,728,934	21,687,008	55,973,469	18,938	55,992,407
Effect of adopting MFRS 9	-	-	-	(181,238)	(181,238)	-	(181,238)
At 1 January 2018, as restated	41,092,641	(9,535,114)	2,728,934	21,505,770	55,792,231	18,938	55,811,169
Net profit for the financial year, representing total comprehensive income for the financial year	-	-	-	1,941,607	1,941,607	(377,314)	1,564,293
At 31 December 2018	41,092,641	(9,535,114)	2,728,934	23,447,377	57,733,838	(358,376)	57,375,462

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

		Non-distributable			Distributable	
	Note	**Share Capital RM**	**Treasury Shares RM**	**Revaluation Reserves RM**	**(Accumulated Losses)/ Retained Earnings RM**	**Total Equity RM**
Company						
At 1 January 2019		41,092,641	-	-	(45,938)	41,046,703
Net profit for the financial year		-	-	-	1,539,901	1,539,901
Other comprehensive income for the financial year		-	-	1,294,299	-	1,294,299
Total comprehensive income for the financial year		-	-	1,294,299	1,539,901	2,834,200
Transactions with owners:						
Shares repurchased	14	-	(301,680)	-	-	(301,680)
At 31 December 2019		41,092,641	(301,680)	1,294,299	1,493,963	43,579,223
At 1 January 2018		41,092,641	-	-	(3,954,920)	37,137,721
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	-	3,908,982	3,908,982
At 31 December 2018		41,092,641	-	-	(45,938)	41,046,703

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Cash Flows from Operating Activities				
Profit before tax	3,147,667	2,230,857	1,580,395	3,974,724
Adjustments for:				
Depreciation of property, plant and equipment	3,691,441	4,467,132	146,390	362,131
Depreciation of right-of-use assets	1,303,110	-	240,997	-
Depreciation of investment properties	80,682	80,682	80,682	80,682
Dividend income	-	-	(2,030,000)	(4,000,000)
Fair value gain on short term investment	(124,432)	(3,954)	(124,432)	(3,954)
(Gain)/Loss on disposal of property, plant and equipment	(14,763)	(182,469)	4,236	-
Property, plant and equipment written off	32,435	54,731	16,676	3,681
Impairment loss on property, plant and equipment	-	755,214	-	-
Impairment loss on investment in subsidiary company	-	-	273,255	136,103
Impairment loss on amount due from subsidiary companies	-	-	19,679	20,587
Impairment loss on trade receivables	14,870	1,348	-	-
Reversal of impairment loss on amount due from a subsidiary company	-	-	(12)	(142,361)
Reversal of impairment loss on trade receivables	(125,707)	(832,415)	-	-
Interest expenses	815,715	859,679	269,614	317,947
Interest income	(111,612)	(35,268)	(45,176)	(6,832)
Inventories written off	21,994	-	-	-
Operating profit before working capital changes	8,731,400	7,395,537	432,304	742,708
Changes in working capital:				
Inventories	6,177,911	2,079,762	-	-
Trade receivables	(538,087)	(247,117)	-	-
Other receivables	(1,218,705)	(783,260)	(79,515)	5,838
Trade payables	960,947	(75,250)	-	-
Other payables	(1,020,950)	428,078	(22,450)	(38,850)
	4,361,116	1,402,213	(101,965)	(33,012)
Cash generated from operations	13,092,516	8,797,750	330,339	709,696
Interest received	96,349	28,945	29,913	509
Interest paid	(815,715)	(859,679)	(269,614)	(317,947)
Tax paid	(414,984)	(196,065)	(43,388)	(33,472)
Tax refund	112,062	70,865	50,304	13,368
	(1,022,288)	(955,934)	(232,785)	(337,542)
Net cash from operating activities	12,070,228	7,841,816	97,554	372,154

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash Flows From Investing Activities				
Repayment from subsidiary companies	-	-	788,254	959,221
Dividend received	-	-	2,030,000	4,000,000
Purchase of property, plant and equipment	(4,548,093)	(1,064,854)	(18,398)	(85,105)
Addition of right-of-use assets	(172,747)	-	-	-
Acquisition of additional interest from non-controlling interest	(49,000)	-	-	-
Acquisition of investment in subsidiary company	-	-	(49,000)	(136,103)
Acquisition of short term investment	-	(4,000,000)	-	(4,000,000)
Proceeds from disposal of property, plant and equipment	22,401	182,472	3,401	-
Net cash (used in)/from investing activities	(4,747,439)	(4,882,382)	2,754,257	738,013
Cash Flows from Financing Activities				
Drawdown of borrowings	-	8,500,000	-	-
Repayment of bank borrowings	(1,208,916)	(6,925,708)	(875,876)	(835,728)
Repayment of finance lease payables	-	(195,117)	-	(71,725)
Repayment of lease liabilities	(581,504)	-	(107,501)	-
Purchase of treasury shares	(301,680)	-	(301,680)	-
Decrease in fixed deposit pledged	-	1,476,874	-	-
Net cash (used in)/from financing activities	(2,092,100)	2,856,049	(1,285,057)	(907,453)
Net increase in cash and cash equivalents	5,230,689	5,815,483	1,566,754	202,714
Cash and cash equivalents at the beginning of the financial year	3,425,485	(2,389,998)	406,244	203,530
Cash and cash equivalents at the end of the financial year	8,656,174	3,425,485	1,972,998	406,244
Cash and cash equivalents at the end of the financial year comprises:				
Cash and bank balances	2,538,672	4,189,227	443,358	406,244
Fixed deposits with licensed banks	6,235,685	150,000	1,529,640	-
Bank overdrafts	(118,183)	(913,742)	-	-
	8,656,174	3,425,485	1,972,998	406,244

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

1. Corporate Information

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

The 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. With effect from 11 February 2020, the Company's principal place of business has been changed to Lot 102521, Jalan Sungai Pinang 5/3, Kawasan Perindustrian Pulau Indah, Fasa 2, 42920 Pulau Indah, Selangor Darul Ehsan.

The registered office of the Company is located at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 7. 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 2016 in Malaysia.

Adoption of new and amended standards

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

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term interests in Associates and Joint Ventures
Amendments to MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 140	Transfers of Investment Properties
Annual Improvements to MFRSs 2015- 2017 Cycle	Amendments to MFRS 3
	Amendments to MFRS 11
	Amendments to MFRS 112
	Amendments to MFRS 123

The adoption of the new and amendments to MFRS's did not have any significant impact on the financial statements of the Company, except for:

<u>MFRS 16 *Leases*</u>

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determine whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases* – I*ncentives and* IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 Leases are no longer required. MFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use ("ROU") asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the ROU asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 16 *Leases (Cont'd)*

The ROU asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As permitted by the transitional provision of MFRS 16, the Group has elected to adopt a simplified transition approach where cumulative effects of initial application are recognised on 1 January 2019 as an adjustment to the opening balance of retained earnings.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the ROU asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the lease asset and lease liability under MFRS 117 immediately before that date.

The Group has also applied the following practical expedients when applying MFRS 16 to lease previously classified as operating lease under MFRS 117:

- Applied a single discount rate to portfolio of leases with reasonably similar characteristics.
- The Group does not apply the standard to leases which lease terms end within 12 months from 1 January 2019.
- No adjustments are made on transition for leases for which the underlying assets are of low value.
- Excluded initial direct costs from measuring the ROU assets at the date of initial application.
- The Group uses hindsight in determining lease terms for contracts that contain options for extension or termination.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 16 *Leases (Cont'd)*

Impact arising from the adoption of MFRS 16 on the Group's and the Company's financial statements:

	As at 31.12.2018 RM	MFRS 16 Adjustments RM	As at 1.1.2019 RM
Group			
Property, plant and equipment	30,072,565	(30,072,565)	-
Right-of-use assets	-	30,072,565	30,072,565
Finance lease payables	1,065,360	(1,065,360)	-
Lease liabilities	-	1,065,360	1,065,360
Company			
Property, plant and equipment	5,737,886	(5,737,886)	-
Right-of-use assets	-	5,737,886	5,737,886
Finance lease payables	481,172	(481,172)	-
Lease liabilities	-	481,172	481,172

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
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

2. Basis of Preparation (Cont'd)

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis other than as disclosed Note 3.

(c) Functional and presentation currency

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

(d) Significant accounting judgements, estimates and assumptions

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

Judgements

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

<u>Classification between investment properties and property, plant and equipment</u>

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

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

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

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

<u>Determining the lease term of contracts with renewal and termination options – Group as lessee</u>

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

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2019

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty

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

<u>Useful lives/amortisation of property, plant and equipment and right-of-use (“ROU”) assets</u>

The Group regularly reviews the estimated useful lives of property, plant and equipment and right-of-use assets 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 and right-of-use assets would increase the recorded depreciation and decrease the value of property, plant and equipment and right-of-use assets. The carrying amount of the property, plant and equipment and right-of-use assets are disclosed in Notes 4 and 5.

<u>Impairment of investment in subsidiary companies</u>

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 7.

<u>Deferred tax assets</u>

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 20.

<u>Inventories valuation</u>

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 8.

<u>Provision for expected credit loss of financial assets at amortised cost</u>

The Group and the Company review the recoverability of its receivables, include trade and other receivables and amount due from subsidiary company at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history at the end of each reporting period

The carrying amounts at the reporting date for receivables are disclosed in Notes 9, 10 and 11 respectively.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Determination of transaction prices

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

In determining the impact of variable consideration, the Group uses the expected value method, whereby the transaction price is determined by reference to the sum of probability weighted amounts in a range of possible consideration amounts.

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

Discount rate used in leases

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

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group 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 2019, the Group and the Company have tax recoverable of RM169,567 (2018: RM89,291) and RM21,517 (2018: RM32,698) respectively.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

Subsidiary companies are consolidated using the merger method of accounting except for the business combination of the subsidiary companies involved an entity under common control. 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.

Under the acquisition method of accounting, subsidiary companies are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceased. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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(j)(i) 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.

(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.

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(j)(i) to the financial statements.

(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 assets 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

3. Significant Accounting Policies (Cont'd)

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

(i) Recognition and measurement (Cont'd)

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

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

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

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of land and buildings are recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation 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. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

Capital work-in-progress consists of 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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2019

3. Significant Accounting Policies (Cont'd)

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

(iii) Depreciation

Depreciation is recognised in the profit or loss on a straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. 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:

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 property, plant and equipment.

<u>Buildings, leasehold land and factory lots</u>

The above accounting policies for property, plant and equipment applies to leasehold land and factory lots until 31 December 2018. The buildings, leasehold land and factory lots were depreciated over the remaining lease period.

Following the adoption of MFRS 16 Leases on 1 January 2019, the Group have reclassified the carrying amount of the buildings, leasehold land and factory lots to ROU assets. The policy of recognition and measurement of the right-of-use assets is in accordance with Note 3(d) to the financial statements.

(d) Leases

Policy applicable from 1 January 2019

<u>As lessee</u>

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

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

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

Leasehold land and factory lots	Over the remaining lease period
Buildings	50 years
Motor vehicles	5 years

The ROU assets are subject to impairment.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

3. Significant Accounting Policies (Cont'd)

(d) Leases (Cont'd)

Policy applicable from 1 January 2019 (Cont'd)

As lessee (Cont'd)

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

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

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

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

Policy applicable before 1 January 2019

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 of use the asset, even if that right is not explicitly specific in an arrangement.

As lessee

(i) Finance lease

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

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2019

3. Significant Accounting Policies (Cont'd)

(d) Leases (Cont'd)

Policy applicable before 1 January 2019 (Cont'd)

As lessee (Cont'd)

(ii) Operating lease

Leases, where the Group and the Company do 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 held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs, less any accumulated depreciation and impairment losses.

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

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

Leasehold buildings	Over the remaining period of the lease

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Upon disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

3. Significant Accounting Policies (Cont'd)

(f) Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value.

Cost of raw material comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on weighted average basis. Cost of finished goods consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity) are stated on weighted average.

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.

(g) Financial assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at FVTPL, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include trade and other receivables, amount due from subsidiary companies, deposits, cash and bank balances.

(a) Financial assets at amortised cost

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

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

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

(b) Fair value through other comprehensive income

The Group and the Company have not designated any financial assets as FVOCI.

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

All financial assets not classified as measured at amortised cost or FVOCI, as described above, are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

3. Significant Accounting Policies (Cont'd)

(g) Financial assets (Cont'd)

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

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

(h) Financial liabilities

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

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

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

(i) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, 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 initially recognised less cumulative amortisation.

Liabilities arising from financial guarantees are presented together with other provisions.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

3. Significant Accounting Policies (Cont'd)

(j) Impairment of assets

(i) Non-financial assets

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the other assets in the cash-generating units (group of cash-generating units) on a pro-rata basis.

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

(ii) Financial assets

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

3. Significant Accounting Policies (Cont'd)

(k) 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.

(l) 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.

(m) Share capital

(i) Ordinary shares

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 proceeds received, net of directly attributable incremental transaction costs. 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.

(ii) Treasury shares

When issued share of the Company are repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity as treasury shares until the shares are cancelled, reissued or disposed of. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of the treasury shares. When treasury shares are distributed as share dividends, the cost of the treasury shares is deducted against the retained earnings of the Company. When treasury shares are sold or reissued subsequently, the difference between the sales consideration, net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(n) Provisions

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

Provisions are reviewed at 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 expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

3. Significant Accounting Policies (Cont'd)

(o) Revenue recognition

(i) Revenue from contracts with customers

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

The Group recognises revenue from the following major sources:

(a) Sale of goods

The Group are engaging in the business of manufacturing, recycling and refining all kinds of petroleum-based products, industrial paints, oils, solvent chemicals products and other related products. Revenue from sale of goods is recognised when the products are ready to delivery to the customer.

Following delivery of the goods to the customer's location, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

Revenue is recognised based on the price specified by the Company, net of the rebates, discounts and taxes. Under the Group's standard contract terms, customers have a right of return but is subject to approve by management. At the point of sale, a refund liability and a corresponding adjustment to revenue are recognised for those product expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return, so consequently recognises a right to returned goods asset and a corresponding adjustment to the cost of inventories recognised in profit or loss. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method.

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

(b) Rendering of services

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

(ii) Rental income

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

(iii) Dividend income

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

(iv) Interest income

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

3. Significant Accounting Policies (Cont'd)

(p) 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.

(q) Borrowing costs

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

(r) Income taxes

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

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

3. Significant Accounting Policies (Cont'd)

(r) Income taxes (Cont'd)

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

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

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

(s) 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.

(t) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2019

4. Property, Plant and Equipment

	<------- At valuation	------->	<------------	------------	At cost	------------	------------	------------>	
Group	**Leasehold land and factory lots RM**	**Buildings 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**
2019									
Cost/Valuation									
At 1 January 2019	26,975,509	5,611,350	1,905,543	2,339,602	2,406,781	33,919,472	1,183,945	876,002	75,218,204
Effect of adopting MFRS 16	(26,975,509)	(5,611,350)	-	(1,396,628)	-	-	-	-	(33,983,487)
At 1 January 2019, as restated	-	-	1,905,543	942,974	2,406,781	33,919,472	1,183,945	876,002	41,234,717
Additions	-	-	50,545	-	-	81,573	-	4,415,975	4,548,093
Disposals	-	-	(7,899)	(39,256)	-	-	-	-	(47,155)
Written off	-	-	(38,488)	-	-	(457,597)	(9,039)	-	(505,124)
Reclassification	-	-	-	-	-	126,288	-	(126,288)	-
At 31 December 2019	-	-	1,909,701	903,718	2,406,781	33,669,736	1,174,906	5,165,689	45,230,531
Accumulated depreciation									
At 1 January 2019	3,364,308	402,149	703,752	1,063,795	1,429,106	20,087,760	617,058	-	27,667,928
Effect of adopting MFRS 16	(3,364,308)	(402,149)	-	(144,465)	-	-	-	-	(3,910,922)
At 1 January 2019, as restated	-	-	703,752	919,330	1,429,106	20,087,760	617,058	-	23,757,006
Charge for the financial year	-	-	129,184	2,655	197,278	3,234,813	127,511	-	3,691,441
Disposals	-	-	(3,489)	(36,028)	-	-	-	-	(39,517)
Written off	-	-	(16,812)	-	-	(453,241)	(2,636)	-	(472,689)
At 31 December 2019	-	-	812,635	885,957	1,626,384	22,869,332	741,933	-	26,936,241
Accumulated impairment losses									
At 1 January 2019	-	-	-	-	-	-	-	755,214	755,214
Impairment loss recognised	-	-	-	-	-	-	-	-	-
At 31 December 2019	-	-	-	-	-	-	-	755,214	755,214
Carrying amount									
At 31 December 2019	-	-	1,097,066	17,761	780,397	10,800,404	432,973	4,410,475	17,539,076

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

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

	<------- At valuation	------->	<------------	------------	At cost	------------	------------	------------>	
Group	**Leasehold land and factory lots RM**	**Buildings 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**
2018									
Cost/Valuation									
At 1 January 2018	26,975,509	5,611,350	1,898,014	2,179,243	2,385,591	33,235,192	1,183,945	815,214	74,284,058
Additions	-	-	32,721	1,217,419	21,190	678,736	-	120,788	2,070,854
Disposals	-	-	-	(1,057,060)	-	-	-	-	(1,057,060)
Written off	-	-	(25,192)	-	-	(54,456)	-	-	(79,648)
Reclassification	-	-	-	-	-	60,000	-	(60,000)	-
At 31 December 2018	26,975,509	5,611,350	1,905,543	2,339,602	2,406,781	33,919,472	1,183,945	876,002	75,218,204
Accumulated depreciation									
At 1 January 2018	2,855,127	289,921	579,514	1,983,595	1,229,478	16,856,402	488,733	-	24,282,770
Charge for the financial year	509,181	112,228	139,004	137,257	199,628	3,241,509	128,325	-	4,467,132
Disposals	-	-	-	(1,057,057)	-	-	-	-	(1,057,057)
Written off	-	-	(14,766)	-	-	(10,151)	-	-	(24,917)
At 31 December 2018	3,364,308	402,149	703,752	1,063,795	1,429,106	20,087,760	617,058	-	27,667,928
Accumulated impairment losses									
At 1 January 2018	-	-	-	-	-	-	-	-	-
Impairment loss recognised	-	-	-	-	-	-	-	755,214	755,214
At 31 December 2018	-	-	-	-	-	-	-	755,214	755,214
Carrying amount									
At 31 December 2018	23,611,201	5,209,201	1,201,791	1,275,807	977,675	13,831,712	566,887	120,788	46,795,062

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

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

	<- At valuation ->	<------------------------- At cost			-------------------------->	
	Buildings RM	**Office equipment RM**	**Renovation RM**	**Furniture and fittings RM**	**Motor vehicles RM**	**Total RM**
Company						
2019						
Cost/Valuation						
At 1 January 2019	5,611,350	566,572	584,973	267,897	658,327	7,689,119
Effect of adopting MFRS 16	(5,611,350)	-	-	-	(643,857)	(6,255,207)
At 1 January 2019, as restated	-	566,572	584,973	267,897	14,470	1,433,912
Additions	-	18,398	-	-	-	18,398
Disposals	-	(7,899)	-	-	(7,170)	(15,069)
Written off	-	(28,015)	-	-	-	(28,015)
At 31 December 2019	-	549,056	584,973	267,897	7,300	1,409,226
Accumulated depreciation						
At 1 January 2019	402,149	328,140	198,882	46,184	118,650	1,094,005
Effect of adopting MFRS 16	(402,149)	-	-	-	(115,172)	(517,321)
At 1 January 2019, as restated	-	328,140	198,882	46,184	3,478	576,684
Charge for the financial year	-	74,531	58,497	10,707	2,655	146,390
Disposals	-	(3,489)	-	-	(3,943)	(7,432)
Written off	-	(11,339)	-	-	-	(11,339)
At 31 December 2019	-	387,843	257,379	56,891	2,190	704,303
Carrying amount						
At 31 December 2019	-	161,213	327,594	211,006	5,110	704,923
Company						
2018						
Cost/Valuation						
At 1 January 2018	5,611,350	555,931	584,973	267,897	193,679	7,213,830
Additions	-	19,457	-	-	464,648	484,105
Written off	-	(4,759)	-	-	-	(4,759)
Transfer to subsidiary company	-	(4,057)	-	-	-	(4,057)
At 31 December 2018	5,611,350	566,572	584,973	267,897	658,327	7,689,119
Accumulated depreciation						
At 1 January 2018	289,921	248,320	140,385	35,477	19,965	734,068
Charge for the financial year	112,228	82,014	58,497	10,707	98,685	362,131
Written off	-	(1,078)	-	-	-	(1,078)
Transfer to subsidiary company	-	(1,116)	-	-	-	(1,116)
At 31 December 2018	402,149	328,140	198,882	46,184	118,650	1,094,005
Carrying amount						
At 31 December 2018	5,209,201	238,432	386,091	221,713	539,677	6,595,114

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2019

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

(a) Assets held under finance leases

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Motor vehicles	-	1,252,164	-	528,685

Following the adoption of MFRS 16 on 1 January 2019, the Group had reclassified the carrying amount of leased motor vehicles to ROU assets (Note 5).

(b) Assets pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group and the Company pledged as securities for bank borrowings as disclosed in Note 19 are:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Leasehold land and factory lots	-	23,611,201	-	-
Buildings	-	5,209,201	-	5,209,201
	-	28,820,402	-	5,209,201

Following the adoption of MFRS 16 on 1 January 2019, the Group had reclassified the carrying amount of buildings, leasehold land and factory lots to ROU assets (Note 5). As at 31 December 2018, the remaining lease term of the buildings, leasehold land and factory lots of the Group ranges from 35 to 79 years.

(c) Impairment loss on property, plant and equipment

In previous financial year, an impairment loss of RM755,214 on the capital work-in-progress was recognised in the profit or loss due to the asset was not generating any future economic benefit.

(d) Purchase of property, plant and equipment

The aggregate cost of the property, plant and equipment of the Group and the Company during the financial year under finance lease and cash payment are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Aggregate costs	4,548,093	2,070,854	18,398	484,105
Less: Finance lease financing	-	(1,006,000)	-	(399,000)
Cash payments	4,548,093	1,064,854	18,398	85,105

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2019

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

(e) Revaluation of leasehold land and factory lots and buildings

As at 31 December 2018, leasehold land and factory lots and buildings of the Group were previously revalued on 27 November 2014 and 31 December 2014 respectively, by an independent professional qualified valuer. The fair value was determined based on market comparable approach that reflects recent transaction price for similar properties. The fair value 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.

Details of the Group's and Company's leasehold land and factory lots and buildings and information about the fair value hierarchy as at 31 December 2018 are as follows:

	Level 1 RM	Level 2 RM	Level 3 RM
Group			
Buildings	-	5,209,201	-
Leasehold land and factory lots	-	23,611,201	-
Company			
Buildings	-	5,209,201	-

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been RM25,521,622.

5. Right-of-Use Assets

	Leasehold land and factory lots RM	Buildings RM	Motor Vehicle RM	Total RM
Group				
2019				
Cost				
At 1 January 2019	-	-	-	-
Effect of adopting MFRS 16	26,975,509	5,611,350	1,396,628	33,983,487
At 1 January 2019, as restated	26,975,509	5,611,350	1,396,628	33,983,487
Additions	-	758,262	896,147	1,654,409
Revaluation surplus	7,191,050	1,703,025	-	8,894,075
Elimination of accumulated depreciation on revaluation	(3,748,804)	(514,375)	-	(4,263,179)
At 31 December 2019	30,417,755	7,558,262	2,292,775	40,268,792
Accumulated depreciation				
At 1 January 2019	-	-	-	-
Effect of adopting MFRS 16	3,364,308	402,149	144,465	3,910,922
At 1 January 2019, as restated	3,364,308	402,149	144,465	3,910,922
Charge of the financial year	509,181	396,574	397,355	1,303,110
Elimination of accumulated depreciation on revaluation	(3,748,804)	(514,375)	-	(4,263,179)
At 31 December 2019	124,685	284,348	541,820	950,853
Carrying amount				
At 31 December 2019	30,293,070	7,273,914	1,750,955	39,317,939

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

5. Right-of-Use Assets (Cont'd)

	Buildings RM	Motor Vehicle RM	Total RM
Company			
2019			
Cost			
At 1 January 2019	-	-	-
Effect of adopting MFRS 16	5,611,350	643,857	6,255,207
At 1 January 2019, as restated	5,611,350	643,857	6,255,207
Revaluation surplus	1,703,025	-	1,703,025
Elimination of accumulated depreciation on revaluation	(514,375)	-	(514,375)
At 31 December 2019	6,800,000	643,857	7,443,857
Accumulated depreciation			
At 1 January 2019	-	-	-
Effect of adopting MFRS 16	402,149	115,172	517,321
At 1 January 2019, as restated	402,149	115,172	517,321
Charge of the financial year	112,226	128,771	240,997
Elimination of accumulated depreciation on revaluation	(514,375)	-	(514,375)
At 31 December 2019	-	243,943	243,943
Carrying amount			
At 31 December 2019	6,800,000	399,914	7,199,914

(a) ROU assets pledged as securities to financial institutions

The leasehold land and factory lots and buildings of the Group have been pledged as securities for bank borrowings as disclosed in Note 19.

As at 31 December 2019, the remaining lease term of leasehold lands and factory lots and buildings of the Group ranges from 34 to 78 years.

(b) Revaluation of leasehold land and factory lots and buildings

Leasehold land and factory lots and buildings of the Group were revalued on 31 December 2019 by an independent professional qualified valuer. The fair value was determined based on market comparable approach that reflects recent transaction price for similar properties. The fair value 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

5. Right-of-Use Assets (Cont'd)

(b) Revaluation of leasehold land and factory lots and buildings (Cont'd)

Details of the Group's and Company's leasehold land and factory lots and buildings and information about the fair value hierarchy as at 31 December 2019 are as follows:

	Level 1 RM	Level 2 RM	Level 3 RM
Group			
Buildings	-	6,800,000	-
Leasehold land and factory lots	-	30,293,070	-
Company			
Buildings	-	6,800,000	-

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been RM25,039,458

(c) Motor vehicles pledged as securities to related lease liabilities

Motor vehicles of the Group and the Company with carrying amount of RM1,713,043 and RM399,914 respectively, are pledged as securities for the related lease liabilities (Note 18).

6. Investment Properties

	Group and Company 2019 RM	2018 RM
Cost		
A 1 January/31 December	4,034,070	4,034,070
Accumulated depreciation		
At 1 January	289,108	208,426
Charge for the financial year	80,682	80,682
At 31 December	369,790	289,108
Carrying amount		
At 31 December	3,664,280	3,744,962

(a) Investment properties under leases

Investment properties comprise buildings that are leased to third parties. Each of the leases contains a cancellable period ranging from 1 to 2 years. Subsequent renewals are negotiated with the lessee on an average renewal period of 1 year. No contingent rents are charged.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

6. Investment Properties (Cont'd)

(b) Fair value basis of investment properties

As at 31 December 2019, the investment properties are valued at fair value based on market value determined by independent qualified valuer amounting to RM4,920,000. The independent qualified valuer hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. The fair value of the investment properties was determined using the comparison method of valuation approach. The fair value was determined by comparing recent transactions and sales evidence involving similar properties in the vicinity. Due consideration was given for factors such as location, plot size, surrounding developments, facilities and amenities available.

In the previous financial year, the fair value was based on Directors' estimation at amount of approximately RM4,400,000 using the latest available market information and recent experience and knowledge in the location and category property being valued. The estimation uncertainty and key assumptions that 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.

The following table provides the fair value measurement hierarchy of the Group's and the Company's investment properties:

	Level 2 RM	Level 3 RM	Total RM
Group and Company			
2019			
Investment properties	4,920,000	-	4,920,000
2018			
Investment properties	-	4,400,000	4,400,000

(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 2019 RM	2018 RM
Rental income	127,400	163,500
Direct operating expenses	6,944	7,472

(d) Investment properties pledged as securities to financial institutions

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2019

7. Investment in Subsidiary Companies

	Company 2019 RM	Company 2018 RM
At cost		
Unquoted shares	35,731,133	35,682,133
Less: Accumulated impairment losses	(1,729,358)	(1,456,103)
	34,001,775	34,226,030

Movements in the allowance for impairment loss are as follows:

	Company 2019 RM	Company 2018 RM
At 1 January	1,456,103	1,320,000
Impairment losses recognised	273,255	136,103
At 31 December	1,729,358	1,456,103

During the financial year, the Company carried out a review of the recoverable amounts due to declining business operations of certain subsidiary companies. The recoverable amounts are estimated based on fair value less costs of disposal of approximately Nil (2018: Nil). An impairment loss amounting to RM273,255 (2018: RM136,103) was recognised in administrative expenses in statements of profit or loss and other comprehensive income.

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.

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

Name of company	Place of business/ Country of Incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %	Principal activities
Direct holding:				
Hiap Huat Chemicals Sdn. Bhd.	Malaysia	100	100	Manufacturing, recycling and refining all kinds of industrial paints, oils and solvent chemical products
Xia Fa Hardware Sdn. Bhd.	Malaysia	100	100	Distributor of paint, and related products
Topmark Petroleum Products Sdn. Bhd.	Malaysia	100	100	Manufacturing, recycling and refining all kinds of petroleum based products, industrial paints, oils and solvent chemical products and other related products
Hiap Huat Portal Solutions Sdn. Bhd. (#)	Malaysia	100	100	Dormant

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

7. Investment in Subsidiary Companies (Cont'd)

Name of company	Place of business/ Country of Incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %	Principal activities
Transada Chemicals Sdn. Bhd.	Malaysia	100	100	Dormant
Hiap Huat Services Sdn. Bhd.	Malaysia	100	51	Manufacturing and marketing of high grade or premium of high grade or premium grease and related products
Lab Master Sdn. Bhd.	Malaysia	100	100	Provide laboratory services including provide the products and services which involve in numerous research projects, provision of scientific or clinical advice, diagnostic testing services, dealing in all substance, apparatus and related services

(#) On 7 February 2020, Hiap Huat Portal Solutions Sdn. Bhd. has been struck off by Companies Commission of Malaysia under Section 550 of Companies Act 2016.

(a) Acquisition of non-controlling interests

On 10 October 2019, the Company acquired additional 49% equity interest in Hiap Huat Services Sdn. Bhd. ('HHSSB') for RM49,000 in cash, increasing its ownership from 51% to 100%.

The effect of changes in the equity interest in HHSSB that is attributable to the owners of the Company:

	RM
Carrying amount of non-controlling interest acquired	(358,376)
Consideration paid to non-controlling interest	(49,000)
Decrease in parent's equity	(407,376)

There was no acquisition in the previous financial year.

(b) The Group's subsidiary companies which have non-controlling interests are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.

8. Inventories

	Group 2019 RM	Group 2018 RM
Raw materials	6,490,449	9,529,749
Packing materials	65,769	11,782
Finished goods	1,551,046	4,765,638
	8,107,264	14,307,169
Recognised in profit or loss:		
Inventories recognised as cost of sales	40,021,609	44,212,667
Inventories written off	21,994	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

9. Trade Receivables

	Group 2019 RM	Group 2018 RM
Trade receivables	6,230,197	5,692,110
Less: Accumulated impairment losses	(64,619)	(175,456)
	6,165,578	5,516,654

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2018: 30 to 120 days) term. They are recognised at their original invoice amounts which represent their fair value on initial recognition.

Movement in the allowance for impairment losses are as follows:

	Group 2019 RM	Group 2018 RM
At 1 January	175,456	846,808
Effect of adopting MFRS 9	-	181,238
Impairment losses recognised	14,870	1,348
Reversal of impairment losses	(125,707)	(832,415)
Amount written off	-	(21,523)
At 31 December	64,619	175,456

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The aged analysis of trade receivables as at the end of the reporting period:

Group 2019	**Gross amount RM**	**Loss allowance RM**	**Net amount RM**
Neither past due nor impaired	3,566,073	-	3,566,073
Past due but not impaired:			
Less than 30 days	1,835,012	(12,260)	1,822,752
31 to 60 days	512,329	(4,291)	508,038
61 to 90 days	214,285	(11,250)	203,035
More than 90 days	87,629	(21,949)	65,680
	2,649,255	(49,750)	2,599,505
	6,215,328	(49,750)	6,165,578
Credit impaired:			
Individual impaired	14,869	(14,869)	-
	6,230,197	(64,619)	6,165,578

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

9. Trade Receivables (Cont'd)

The aged analysis of trade receivables as at the end of the reporting period: (Cont'd)

Group 2018	**Gross amount RM**	**Loss allowance RM**	**Net amount RM**
Neither past due nor impaired	4,481,349	-	4,481,349
Past due but not impaired:			
Less than 30 days	608,914	(108,342)	500,572
31 to 60 days	498,876	(28,610)	470,266
61 to 90 days	2,831	(1,031)	1,800
	1,110,621	(137,983)	972,638
	5,591,970	(137,983)	5,453,987
Credit impaired:			
Individual impaired	100,140	(37,473)	62,667
	5,692,110	(175,456)	5,516,654

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

As at 31 December 2019, trade receivables of RM2,599,505 (2019: RM1,035,305) 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 RM14,869 (2018: RM37,473), related to customers that are in financial difficulties, have defaulted on payments and/or have disputed on the billings. These balances are expected to be recovered through the debt recovery process.

10. Other Receivables

	Group		**Company**	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Other receivables	413,293	109,084	35,636	4,950
Deposits	2,637,253	814,187	28,412	29,412
Prepayments	227,767	477,204	80,130	30,301
GST receivables	19,204	678,337	1,877	1,877
	3,297,517	2,078,812	146,055	66,540

Included in deposits is an amount of RM2,393,186 (2018: Nil) relating to earnest deposit paid for acquisition of property, plant and equipment (Note 34).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

11. Amount Due from/(to) Subsidiary Companies

	Company	
	2019 RM	2018 RM
Amount due from subsidiary companies		
Non-interest bearing	774,333	726,372
Less: Accumulated impairment losses	(665,401)	(645,734)
	108,932	80,638
Amount due to subsidiary companies		
Non-interest bearing	(2,388,147)	(1,551,932)

Movements in the allowance for impairment loss are as follows:

	Company	
	2019 RM	2018 RM
At 1 January	645,734	767,508
Impairment losses recognised	19,679	20,587
Reversal of impairment losses	(12)	(142,361)
At 31 December	665,401	645,734

During the financial year, the Company has recognised an impairment loss of RM19,679 (2018: RM20,587) on amount due from certain subsidiary companies as the amount may not recoverable based on the fair value less cost of disposal approach, and this is derived using adjusted net assets of the respective subsidiary companies as at the end of the reporting period. The fair values are within level 3 of the hierarchy.

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

12. Fixed Deposits with Licensed Banks

The interest rate of fixed deposits are ranging from 3.10%-3.40% (2018: 3.95%) per annum and the maturities of deposits are 90 (2018: 90) days.

13. Short Term Investment

	Group and Company			
	2019		2018	
	Carrying amount RM	Market value of investment RM	Carrying amount RM	Market value of investment RM
At fair value				
- Unit trust fund	4,149,972	4,149,972	4,010,277	4,010,277

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2019

14. Share Capital

	Group and Company			
	Number of Shares		Amount	
	2019 Units	2018 Units	2019 RM	2018 RM
Ordinary shares with no par value				
Issued and fully paid				
At 1 January/31 December	333,301,330	333,301,330	41,092,641	41,092,641

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.

Treasury Shares

	Group and Company			
	Number of Shares		Amount	
	2019 Units	2018 Units	2019 RM	2018 RM
At 1 January	-	-	-	-
Purchase of own shares	3,129,000	-	301,680	-
At 31 December	3,129,000	-	301,680	-

Treasury shares related to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares.

During the financial year, the Company repurchased a total of 3,129,000 (2018: Nil) of its issued ordinary shares from the open market at an average price RM0.096 (2018: Nil) per share. The total consideration paid for the repurchase was RM301,680 (2018:aNil). The repurchased transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127(4) of the Companies Act, 2016.

As at 31 December 2019, the total shares held as treasury shares amounted to 3,129,000 ordinary shares at a total cost of RM301,680.

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

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 Reserves

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At 1 January	2,728,934	2,728,934	-	-
Revaluation of land and buildings (net of tax)	6,759,497	-	1,294,299	-
At 31 December	9,488,431	2,728,934	1,294,299	-

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2019

17. Finance Lease Payables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At 1 January	1,065,360	254,477	481,172	153,897
Effect of adopting MFRS 16	(1,065,360)	-	(481,172)	-
At 1 January, as restated	-	254,477	-	153,897
Additions	-	1,006,000	-	399,000
Payments	-	(195,117)	-	(71,725)
At 31 December	-	1,065,360	-	481,172
Presented as:				
Non-current	-	903,346	-	373,671
Current	-	162,014	-	107,501
	-	1,065,360	-	481,172
Minimum lease payments				
Within one year	-	257,478	-	127,044
Later than one year and not later than two years	-	265,200	-	127,044
Later than two years and not later than five years	-	665,747	-	274,228
	-	1,188,425	-	528,316
Less: Future finance charges	-	(123,065)	-	(47,144)
Present value of minimum lease payments	-	1,065,360	-	481,172
Present value of minimum lease payments				
Within one year	-	162,014	-	107,501
Later than one year and not later than two years	-	250,941	-	112,785
Later than two years and not later than five years	-	652,405	-	260,886
	-	1,065,360	-	481,172
Analysed as:				
Repayable within twelve months	-	162,014	-	107,501
Repayables after twelve months	-	903,346	-	373,671
	-	1,065,360	-	481,172

In the previous financial year, the Group leased motor vehicles and plant and machinery under finance lease (Note 4(a)).

The finance lease payables were charged interest at rates ranging from 2.2% to 3.94% per annum.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

18. Leased Liabilities

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
At 1 January	-	-	-	-
Effect of adopting MFRS 16	1,065,360	-	481,172	-
At 1 January 2019, as restated	1,065,360	-	481,172	-
Additions	1,481,662	-	-	-
Payments	(581,504)	-	(107,501)	-
At 31 December	1,965,518	-	373,671	-
Presented as:				
Non-current	1,197,789	-	260,886	-
Current	767,729	-	112,785	-
	1,965,518	-	373,671	-

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

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Within one year	910,438	-	127,044	-
Later than one year but not later than two years	488,347	-	127,044	-
Later than two years but not later than five years	736,151	-	147,184	-
	2,134,936	-	401,272	-
Less: Future finance charges	(169,418)	-	(27,601)	-
Present value of lease liabilities	1,965,518	-	373,671	-

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

19. Bank Borrowings

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Secured				
Floating rate				
Term loan I	683,158	810,832	683,158	810,832
Term loan II	736,258	863,170	736,258	863,170
Term loan III	736,258	863,170	736,258	863,170
Term loan IV	702,974	824,151	702,974	824,151
Term loan V	702,974	824,151	702,974	824,151
Term loan VI	731,011	857,023	731,011	857,023
Term loan VII	731,011	857,023	731,011	857,023
Term loan VIII	235,959	265,176	-	-
Term loan IX	645,676	689,283	-	-
Term loan X	8,235,434	8,495,650	-	-
Bank overdrafts	118,183	913,742	-	-
	14,258,896	16,263,371	5,023,644	5,899,520

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

19. Bank Borrowings (Cont'd)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Non-current				
Term loan I	573,269	687,448	573,269	687,448
Term loan II	619,143	734,214	619,143	734,214
Term loan III	619,143	734,214	619,143	734,214
Term loan IV	591,158	701,015	591,158	701,015
Term loan V	591,158	701,015	591,158	701,015
Term loan VI	614,733	728,978	614,733	728,978
Term loan VII	614,733	728,978	614,733	728,978
Term loan VIII	203,767	235,034	-	-
Term loan IX	600,555	646,233	-	-
Term loan X	7,976,218	8,241,397	-	-
	13,003,877	14,138,526	4,223,337	5,015,862
Current				
Term loan I	109,889	123,384	109,889	123,384
Term loan II	117,115	128,956	117,115	128,956
Term loan III	117,115	128,956	117,115	128,956
Term loan IV	111,816	123,136	111,816	123,136
Term loan V	111,816	123,136	111,816	123,136
Term loan VI	116,278	128,045	116,278	128,045
Term loan VII	116,278	128,045	116,278	128,045
Term loan VIII	32,192	30,142	-	-
Term loan IX	45,121	43,050	-	-
Term loan X	259,216	254,253	-	-
Bank overdrafts	118,183	913,742	-	-
	1,255,019	2,124,845	800,307	883,658
	14,258,896	16,263,371	5,023,644	5,899,520

<u>Term Loan I, II, III, IV, V, VI and VII</u>
The term loan bears interest at floating rate of 4.25% (2018: 4.57%) per annum.

The term loan I is repayable by 118 monthly installments and term loan II, III, IV, V, VI and VII are repayable by 119 monthly installments commencing from January 2015.

The term loan is secured by the following:

(a) legal charge over buildings of the Company as disclosed in Note 5(a); and
(b) corporate guarantee by a related company.

<u>Term Loan VIII and IX</u>
The term loan VIII and IX are secured by following:

(a) facility agreement;
(b) asset purchase agreement as subsidiary instruments;
(c) legal charge over leasehold land and factory lots of the Group as disclosed in Note 4(b);
(d) pledge of fixed deposit of the Group as disclosed in Note 12;
(e) corporate guarantee by the Company; and
(f) jointly and severally guaranteed by certain Directors of the Company.

The term loan are repayable by monthly installment over 9 to 14 years.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2019

19. Bank Borrowings (Cont'd)

Term Loan X
The term loan bears interest at fixed rate of 5% per annum. The term loan is repayable by 240 monthly instalments commencing from November 2018.

The term loan is secured by way of:

(a) facility agreement;
(b) corporate guarantee by the Company; and
(c) jointly and severally guaranteed by certain Directors of the Company.

Bank overdrafts
Bank overdraft is secured by the following:

(a) facility agreement;
(b) corporate guarantee by the Company; and
(c) jointly and severally guarantee by one of the Directors of the Company.

Maturity of bank borrowings is as follows:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Within one year	1,255,019	2,124,845	800,307	883,658
Between one to two years	1,210,165	1,269,973	855,972	925,360
Between two to five years	4,544,359	4,192,156	3,367,365	3,047,104
After five years	7,249,353	8,676,397	-	1,043,398
	14,258,896	16,263,371	5,023,644	5,899,520

Ranges of interest rates of bank borrowings are as follows:

	Group		Company	
	2019 %	**2018 %**	**2019 %**	**2018 %**
Term loans	4.25-6.85	4.00-6.82	4.25	4.57
Bank overdrafts	4.95-7.60	4.95-8.41	-	-

20. Deferred Tax Liabilities

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
At 1 January	2,876,468	2,465,326	58,800	-
Recognised in other comprehensive income	2,134,578	-	408,726	-
Recognised in profit or loss (Note 26)	874,786	691,703	19,583	58,800
Under/(Over) provision in prior year (Note 26)	192,627	(280,561)	16,646	-
At 31 December	6,078,459	2,876,468	503,755	58,800

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

20. Deferred Tax Liabilities (Cont'd)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax liabilities	6,706,404	4,678,413	503,755	125,484
Deferred tax assets	(627,945)	(1,801,945)	-	(66,684)
	6,078,459	2,876,468	503,755	58,800

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 2019	3,894,233	784,180	4,678,413
Recognised in other comprehensive income	-	2,134,578	2,134,578
Recognised in profit or loss	(268,700)	(17,235)	(285,935)
Under provision in prior years	175,009	4,339	179,348
At 31 December 2019	3,800,542	2,905,862	6,706,404
At 1 January 2018	4,100,584	804,582	4,905,166
Recognised in profit or loss	74,210	(20,402)	53,808
Over provision in prior years	(280,561)	-	(280,561)
At 31 December 2018	3,894,233	784,180	4,678,413
Company			
At 1 January 2019	125,484	-	125,484
Recognised in other comprehensive income	-	408,726	408,726
Recognised in profit or loss	(22,868)	-	(22,868)
Over provision in prior years	(7,587)	-	(7,587)
At 31 December 2019	95,029	408,726	503,755
At 1 January 2018	107,400	-	107,400
Recognised in profit or loss	(13,802)	-	(13,802)
Under provision in prior years	31,886	-	31,886
At 31 December 2018	125,484	-	125,484

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

20. 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	Right-of-use assets RM	Total RM
Group				
At 1 January 2019	(1,593,409)	(208,536)	-	(1,801,945)
Recognised in profit or loss	1,122,540	42,451	(4,270)	1,160,721
Under/(Over) provision in prior years	20,932	(7,653)	-	13,279
At 31 December 2019	(449,937)	(173,738)	(4,270)	(627,945)

	Unabsorbed capital allowances RM	Unutilised tax losses RM	Total RM
Group			
At 1 January 2018	(2,157,840)	(282,000)	(2,439,840)
Recognised in profit or loss	564,431	73,464	637,895
At 31 December 2018	(1,593,409)	(208,536)	(1,801,945)

Deferred tax assets	Unutilised tax losses RM	Total RM
Company		
At 1 January 2019	(66,684)	(66,684)
Recognised in profit or loss	42,451	42,451
Under provision in prior years	24,233	24,233
At 31 December 2019	-	-
At 1 January 2018	(107,400)	(107,400)
Recognised in profit or loss	72,602	72,602
Over provision in prior years	(31,886)	(31,886)
At 31 December 2018	(66,684)	(66,684)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unutilised tax losses	1,479,178	1,484,173	-	-
Unabsorbed capital allowances	33,847	33,847	-	-
	1,513,025	1,518,020	-	-

With effect from year of assessment 2019, unutilised tax losses are allowed to be carried forward up to a maximum of seven consecutive years of assessment under the current tax legislation. The unutilised capital allowance do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

21. Trade Payables

The Group's normal trade credit terms range from 30 to 120 days (2018: 30 to 120 days). Other credit terms are assessed and approved on a case to case basis.

22. Other Payables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other payables	687,009	487,140	7,146	20,462
Deposits received	36,654	41,850	36,654	41,850
Accruals	289,232	1,504,855	58,126	62,064
	1,012,895	2,033,845	101,926	124,376

23. Revenue

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers:				
- Sale of goods	50,354,153	52,760,907	-	-
- Management fees received from subsidiary companies	-	-	3,060,000	3,600,000
- Services rendered	580,387	562,540	-	-
	50,934,540	53,323,447	3,060,000	3,600,000
Revenue from other sources:				
- Dividend income received from a subsidiary company	-	-	2,030,000	4,000,000
	50,934,540	53,323,447	5,090,000	7,600,000
Timing of revenue recognition:				
- At a point in time	50,934,540	53,323,447	2,030,000	4,000,000
- Overtime	-	-	3,060,000	3,600,000
	50,934,540	53,323,447	5,090,000	7,600,000

Breakdown of the Group's revenue from contract with customers:

	Trading and service	
	2019 RM	2018 RM
Major goods and services:		
Sale of goods	50,354,153	52,760,907
Services rendered	580,387	562,540
Total revenue from contracts with customers	50,934,540	53,323,447
Geographical market:		
Malaysia	44,654,188	50,016,550
Singapore	1,095,552	1,297,735
China	-	41,676
Italy	33,015	-
Vietnam	5,151,785	1,967,486
Total revenue from contracts with customers	50,934,540	53,323,447

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

24. Finance Costs

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest expenses on:				
Finance lease payables	-	24,058	-	16,171
Term loans	709,949	781,406	250,072	301,776
Bank overdrafts	9,857	54,215	-	-
Lease liabilities	95,909	-	19,542	-
	815,715	859,679	269,614	317,947

25. Profit Before Tax

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Auditors' remuneration				
- statutory audit	94,000	99,000	30,000	30,000
- overprovision in prior year	(4,000)	-	-	-
- other service	5,000	5,000	5,000	5,000
Depreciation of:				
- property, plant and equipment	3,691,441	4,467,132	146,390	362,131
- right-of-use assets	1,303,110	-	240,997	-
- investment properties	80,682	80,682	80,682	80,682
Fair value gain on short term investment	(124,432)	(3,954)	(124,432)	(3,954)
Impairment loss on:				
- investment in subsidiary companies	-	-	273,255	136,103
- amount due from subsidiary companies	-	-	19,679	20,587
- trade receivables	14,870	1,348	-	-
Impairment loss on property, plant and equipment	-	755,214	-	-
Non-executive Directors' remuneration				
- Fees	153,000	132,000	153,000	132,000
Inventories written off	21,994	-	-	-
Property, plant and equipment written off	32,435	54,731	16,676	3,681
Realised loss on foreign exchange	101,208	8,767	-	-
(Gain)/Loss on disposal of property, plant and equipment	(14,763)	(182,469)	4,236	-
Interest income	(111,612)	(35,268)	(45,176)	(6,832)
Rental income	(127,400)	(163,500)	(127,400)	(163,500)
Reversal of impairment loss on amount due from a subsidiary company	-	-	(12)	(142,361)
Reversal of impairment loss on trade receivables	(125,707)	(832,415)	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2019

26. Taxation

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Tax expenses recognised in profit or loss:				
Current tax provision	207,336	204,500	12,143	8,000
Under/(Over) provision in prior year	15,310	50,922	(7,878)	(1,058)
	222,646	255,422	4,265	6,942
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 20)	874,786	691,703	19,583	58,800
Under/(Over) provision in prior year (Note 20)	192,627	(280,561)	16,646	-
	1,067,413	411,142	36,229	58,800
Tax expenses for the financial year	1,290,059	666,564	40,494	65,742

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profits for the financial year.

A reconciliation of income tax expenses applicable to profit 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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Profit before tax	3,147,667	2,230,857	1,580,395	3,974,724
At Malaysian statutory tax rate of 24% (2018: 24%)	755,440	535,406	379,295	953,934
Expenses not deductible for tax purposes	453,995	625,988	169,495	172,082
Income not subject to tax	(126,114)	(155,751)	(517,064)	(960,000)
Reinvestment allowance	-	(9,745)	-	-
Utilisation of previously unrecognised deferred tax assets	(1,199)	(102,541)	-	(99,216)
Deferred tax assets not recognised	-	2,846	-	-
Under/(Over) provision of income tax expense in prior year	15,310	50,922	(7,878)	(1,058)
Under/(Over) provision of deferred tax in prior year	192,627	(280,561)	16,646	-
Tax expenses for the financial year	1,290,059	666,564	40,494	65,742

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

26. Taxation (Cont'd)

With effect from year of assessment 2019, unutilised tax losses are allowed to be carried forward up to a maximum of seven consecutive years of assessment under the current tax legislation. The unutilised capital allowance do not expire under current tax legislation. 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	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Unutilised tax losses	2,203,087	2,384,960	-	176,878
Unabsorbed capital allowances	1,908,584	6,585,834	-	-
	4,111,671	8,970,794	-	176,878

27. Staff Costs

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Salaries, wages and other emoluments	4,794,622	4,459,128	1,731,722	1,660,380
Social security contributions	44,976	38,260	10,176	10,331
Defined contribution plans	403,200	409,206	179,322	194,337
Other benefits	722,481	530,305	246,331	238,745
	5,965,279	5,436,899	2,167,551	2,103,793

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Executive Directors				
Existing Directors of the Company				
Salaries, wages and other emoluments	1,068,000	1,068,000	1,068,000	1,068,000
Social security contributions	2,440	2,440	2,440	2,440
Defined contribution plans	113,760	117,360	113,760	117,360
	1,184,200	1,187,800	1,184,200	1,187,800

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

28. Earnings Per Share

(a) Basic earnings per share

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

	Group	
	2019 RM	2018 RM
Net profit for the financial year attributable to shareholders	1,857,608	1,941,607
Weighted average number of shares in issue	333,301,330	333,301,330
Effect of treasury shares held	(1,981,197)	-
Weighted average number of shares at 31 December (diluted)	331,320,133	333,301,330
Basic earning per share (in sen)	0.56	0.58

(b) Diluted earnings per share

The Group have no dilution in their earning per ordinary share as there are no potential dilutive ordinary shares. There have be no other transaction involving ordinary shares since the end of the financial year end and before the authorisation of these financial statements.

29. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the liabilities of the Group and the Company arising from financing activities, including both cash and non-cash changes:

	At 1 January RM	Effect of adopting MFRS 16 RM	New lease /Drawdown of term loan RM	Financing cash flows RM	At 31 December RM
2019					
Group					
Finance lease payables	1,065,360	(1,065,360)	-	-	-
Lease liabilties	-	1,065,360	1,481,662	(581,504)	1,965,518
Term loans	15,349,629	-	-	(1,208,916)	14,140,713
	16,414,989	-	1,481,662	(1,790,420)	16,106,231
Company					
Finance lease payables	481,172	(481,172)	-	-	-
Lease liabilties	-	481,172	-	(107,501)	373,671
Term loans	5,899,520	-	-	(875,876)	5,023,644
	6,380,692	-	-	(983,377)	5,397,315

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

29. Reconciliation of Liabilities Arising from Financing Activities (Cont'd)

The table below details changes in the liabilities of the Group and the Company arising from financing activities, including both cash and non-cash changes: (Cont'd)

	At 1 January RM	New finance lease/ Drawdown of term loan RM	Financing cash flows RM	At 31 December RM
2018				
Group				
Finance lease payables	254,477	1,006,000	(195,117)	1,065,360
Term loans	13,775,337	8,500,000	(6,925,708)	15,349,629
	14,029,814	9,506,000	(7,120,825)	16,414,989
Company				
Finance lease payables	153,897	399,000	(71,725)	481,172
Term loans	6,735,248	-	(835,728)	5,899,520
	6,889,145	399,000	(907,453)	6,380,692

30. 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.

(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 11, the significant related party transactions of the Group and of the Company are as follows:

	Group	
	2019 RM	2018 RM
Transactions with close family members of the Directors/substantial shareholder		
Allowance paid for advisory services provided	67,200	67,200

	Company	
	2019 RM	2018 RM
Transactions with subsidiary companies		
- Management fee received	3,060,000	3,600,000
- Proceeds from disposal of property, plant and equipment	-	2,941
- Dividend income received	2,030,000	4,000,000

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

30. Related Party Disclosures (Cont'd)

(c) Compensation of key management personnel

Remuneration of Directors and other members of key management are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Salaries, wages, fee and other emoluments	1,221,000	1,200,000	1,221,000	1,200,000
Social security contribution	2,440	2,440	2,440	2,440
Defined contribution plans	113,760	117,360	113,760	117,360
	1,337,200	1,319,800	1,337,200	1,319,800

31. Segmental Reporting

The Group has one operating segment comprises mainly the manufacturing, recycling and refining all kinds of petroleum based products. Segment information has not been separately presented because internal reporting uses the Group's financial statements.

Geographic information

Revenue information based on the geographical location of customers is as follows:

	Revenue	
	2019	**2018**
	RM	**RM**
Group		
Malaysia	44,654,188	50,016,550
Singapore	1,095,552	1,297,735
China	-	41,676
Italy	33,015	-
Vietnam	5,151,785	1,967,486
	50,934,540	53,323,447

Major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue	
	2019	**2018**
	RM	**RM**
All common control companies of:		
- Customer A	8,274,829	8,770,446
- Customer B	7,039,037	18,038,461
	15,313,866	26,808,907

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

32. Financial Instruments

(a) Classification of financial instruments

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

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

	At Amortised Cost RM	At FVTPL RM	Total RM
Group			
2019			
Financial Assets			
Trade receivables	6,165,578	-	6,165,578
Other receivables	3,050,546	-	3,050,546
Fixed deposits with licensed banks	6,235,685	-	6,235,685
Short term investment	-	4,149,972	4,149,972
Cash and bank balances	2,538,672	-	2,538,672
	17,990,481	4,149,972	22,140,453
Financial Liabilities			
Trade payables	2,227,895	-	2,227,895
Other payables	1,012,895	-	1,012,895
Lease liabilities	1,965,518	-	1,965,518
Bank borrowings	14,258,896	-	14,258,896
	19,465,204	-	19,465,204
Company			
Financial Assets			
Other receivables	64,048	-	64,048
Amount due from subsidiary companies	108,932	-	108,932
Fixed deposits with licensed banks	1,529,640	-	1,529,640
Short term investment	-	4,149,972	4,149,972
Cash and bank balances	443,358	-	443,358
	2,145,978	4,149,972	6,295,950
Financial Liabilities			
Other payables	101,926	-	101,926
Amount due to subsidiary companies	2,388,147	-	2,388,147
Lease liabilities	373,671	-	373,671
Bank borrowings	5,023,644	-	5,023,644
	7,887,388	-	7,887,388

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

32. Financial Instruments (Cont'd)

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

	At Amortised Cost RM	At FVTPL RM	Total RM
Group			
2018			
Financial Assets			
Trade receivables	5,516,654	-	5,516,654
Other receivables	923,271	-	923,271
Fixed deposits with licensed banks	150,000	-	150,000
Short term investment	-	4,010,277	4,010,277
Cash and bank balances	4,189,227	-	4,189,227
	10,779,152	4,010,277	14,789,429
Financial Liabilities			
Trade payables	1,266,948	-	1,266,948
Other payables	2,033,845	-	2,033,845
Finance lease payables	1,065,360	-	1,065,360
Bank borrowings	16,263,371	-	16,263,371
	20,629,524	-	20,629,524
Company			
Financial Assets			
Other receivables	34,362	-	34,362
Amount due from subsidiary companies	80,638	-	80,638
Short term investment	-	4,010,277	4,010,277
Cash and bank balances	406,244	-	406,244
	521,244	4,010,277	4,531,521
Financial Liabilities			
Other payables	124,376	-	124,376
Amount due to subsidiary companies	1,551,932	-	1,551,932
Finance lease payables	481,172	-	481,172
Bank borrowings	5,899,520	-	5,899,520
	8,057,000	-	8,057,000

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

32. Financial Instruments (Cont'd)

(b) Net (gain)/loss on financial instruments

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Net (gain)/loss on impairment of financial instruments:				
- Financial assets at amortised cost	(110,837)	(831,067)	19,667	(121,774)

(c) 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.

(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. There are no significant changes as compared to prior periods.

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.

At each reporting date, the Group and the Company assess whether any if the receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year 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 Group's and the Company's maximum exposure in this respect is RM14,258,896 (2018: RM16,263,371) and RM9,235,252 (2018: RM10,363,851) respectively, representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary companies would default on repayment as at the end of the reporting period.

As at 31 December 2019, the Group had 8 customers (2018: 8 customers) that owed the Company at total amount of approximately RM3,987,000 (2018: RM 2,923,000), which accounted for approximately 65% (2018: 73%) of all the receivables outstanding.

There are no significant changes as compared to previous financial year.

32. Financial Instruments (Cont'd)

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

(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.

	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						
2019						
Non-derivative financial liabilities						
Trade payables	2,227,895	-	-	-	2,227,895	2,227,895
Other payables	1,012,895	-	-	-	1,012,895	1,012,895
Lease liabilities	910,438	488,347	736,151	-	2,134,936	1,965,518
Bank borrowings	2,019,031	1,900,848	6,122,754	10,007,679	20,050,312	14,258,896
	6,170,259	2,389,195	6,858,905	10,007,679	25,426,038	19,465,204
2018						
Non-derivative financial liabilities						
Trade payables	1,266,948	-	-	-	1,266,948	1,266,948
Other payables	2,033,845	-	-	-	2,033,845	2,033,845
Finance lease payables	139,335	265,200	665,747	-	1,070,282	1,065,360
Bank borrowings	257,478	1,932,120	5,796,360	11,741,133	19,727,091	16,263,371
	3,697,606	2,197,320	6,462,107	11,741,133	24,098,166	20,629,524

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2019

32. Financial Instruments (Cont'd)

(c) 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
Company						
2019						
Non-derivative financial liabilities						
Other payables	101,926	-	-	-	101,926	101,926
Amount due to subsidiary companies	2,388,147	-	-	-	2,388,147	2,388,147
Lease liabilities	127,044	127,044	147,184	-	401,272	373,671
Bank borrowings	1,114,392	1,114,392	3,763,386	-	5,992,170	5,023,644
	3,731,509	1,241,436	3,910,570	-	8,883,515	7,887,388
2018						
Non-derivative financial liabilities						
Other payables	124,376	-	-	-	124,376	124,376
Amount due to subsidiary companies	1,551,932	-	-	-	1,551,932	1,551,932
Finance lease payables	127,044	127,044	274,228	-	528,316	481,172
Bank borrowings	1,137,504	1,137,504	3,412,512	1,067,852	6,755,372	5,899,520
	2,940,856	1,264,548	3,686,740	1,067,852	8,959,996	8,057,000

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

32. Financial Instruments (Cont'd)

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

(iii) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currency giving rise to this risk is United States Dollar (USD).

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

(ii) 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:

	2019 RM	**2018 RM**
Group		
Floating rate instruments		
Financial liabilities	14,258,896	16,263,371
Fixed rate instruments		
Financial assets	(6,235,685)	(150,000)
Financial liabilities	1,965,518	1,065,360
	(4,270,167)	915,360

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2019

32. Financial Instruments (Cont'd)

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

(iii) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

	2019 RM	2018 RM
Company		
Floating rate instruments		
Financial liabilities	5,023,644	5,899,520
Fixed rate instruments		
Financial liabilities	373,671	481,172

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 0.25% interest rate at the end of the reporting period would have increased/(decreased) the Group and the Company's profit before tax by RM35,647 and RM12,559 (2018: RM40,658 and RM14,749) 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.

(d) 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

32. Financial Instruments (Cont'd)

(d) Fair values of financial instruments (Cont'd)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
Group										
2019										
Financial Asset										
Short term investment	4,149,972	-	-	4,149,972	-	-	-	-	4,149,972	4,149,972
2018										
Financial Asset										
Short term investment	4,010,277	-	-	4,010,277	-	-	-	-	4,010,277	4,010,277
Financial Liability										
Finance lease payables	-	-	-	-	-	821,407	-	821,407	821,407	903,346

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2019

32. Financial Instruments (Cont'd)

(d) Fair values of financial instruments (Cont'd)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position. (Cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
Company										
2019										
Financial Asset										
Short term investment	4,149,972	-	-	4,149,972	-	-	-	-	4,149,972	4,149,972
2018										
Financial Asset										
Short term investment	4,010,277	-	-	4,010,277	-	-	-	-	4,010,277	4,010,277
Financial Liability										
Finance lease payables	-	-	-	-	-	350,713	-	350,713	350,713	373,671

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

32. Financial Instruments (Cont'd)

(d) Fair values of financial instruments (Cont'd)

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

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

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

33. Effect of Outbreak of Coronavirus Pandemic

The Directors of the Company have closely monitored the development of the outbreak of coronavirus pandemic ("COVID-19") infection in Malaysia that may affect the business performance, financial performance and financial position of the Group. Global countries lockdown caused plummet of crude oil demand and price plunged. Recycling of Petroleum and Petrochemical business raw material cost & selling price mainly ties to latest crude oil market price. This practice has proven to mitigate business risk during volatile market since year 2016.

The treatment plants are allowed to operate together with some major suppliers and customers during the Movement Restriction Order ("MCO"). As at the date of this report, the financial impact of the COVID-19 outbreak to the Group and to the Company cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to COVID-19, the extent of the impact depends on the on-going precautionary measures introduced by each country to address this pandemic and the durations of the pandemic. As such, the Directors of the Company will continue to closely monitor the situations and respond proactively to mitigate the impact on the Group's and the Company's financial performance and financial position.

34. Capital Commitment

	Group	
	2019 RM	**2018 RM**
Contracted and approved for:		
- Purchase of property, plant and equipment	9,572,746	1,599,360

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2019

35. 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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Total loans and borrowings	16,224,414	17,328,731	5,397,315	6,380,692
Less: Deposits, bank and cash balances	(8,774,357)	(4,339,227)	(1,972,998)	(406,244)
Total net debts	7,450,057	12,989,504	3,424,317	5,974,448
Total equity	65,641,887	57,733,838	43,579,223	41,046,703
Gearing ratio (%)	11%	22%	8%	15%

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.

36. Contingencies

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Corporate guarantee given to financial instituitions for banking facilities granted to subsidiary companies				
- Limit of guarantees	21,855,100	21,855,100	12,938,500	12,938,500
- Amount utilised	14,258,896	16,263,371	9,235,252	10,363,851

37. Significant Event

On 30 December 2019, Hiap Huat Chemicals Sdn. Bhd., a wholly-owned subsidiary company of the Company has entered into a Sale and Purchase Agreement ('SPA') to acquire an industrial land located at Lot 61, Phase 3C, Pulau Indah Industrial Park measuring approximately 4.10 acres within an on-going development project known as "Pulau Indah Industrial Park" held under master title no. P.N 112462, Lot No. 159227, in the District and Mukim of Klang, State of Selangor Darul Ehsan for a total cash consideration of RM11,965,932. As at 31 December 2019, the conditions precedent as set out in the SPA have yet to be fulfilled.

38. 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 15 May 2020.

LIST OF PROPERTIES

No.	Address	Description of property / Existing use	Land area / Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2019 RM'000	Date of acquisition
1.	Lot No. A-1, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *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 and warehouse.	Land area: 2,088 Gross built-up area: 926.7	26 years	Leasehold for 66 years, expiring on 22.03.2053	1,100	10/12/2008
2.	Lot No. A-2, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *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	26 years	Leasehold for 66 years, expiring on 22.03.2053	1,000	08/08/2007
3.	Lot No. A-3, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *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 factory and warehouse.	Land area: 1,716 Gross built-up area: 926.7	26 years	Leasehold for 66 years, expiring on 22.03.2053	1,000	08/08/2007
4.	Lot No. A-4, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *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 and warehouse.	Land area: 1,553 Gross built-up area: 926.7	26 years	Leasehold for 66 years, expiring on 22.03.2053	950	08/08/2007

LIST OF PROPERTIES (Cont'd)

No.	Address	Description of property / Existing use	Land area / Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2019 RM'000	Date of acquisition
5.	Lot No. A-5, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *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	26 years	Leasehold for 66 years, expiring on 22.03.2053	950	10/12/2003
6.	Lot No. A-6, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *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 factory and warehouse.	Land area: 2,073 Gross built-up area: 926.7	26 years	Leasehold for 66 years, expiring on 22.03.2053	1,100	11/02/1998
7.	Lot No. B-1, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *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	26 years	Leasehold for 66 years, expiring on 22.03.2053	1,000	25/05/2010
8.	Lot No. B2, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *Title identification:* PN 11600 Lot 18209 Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 1,261 Gross built-up area: 587	26 years	Leasehold for 66 years, expiring on 22.03.2053	700	19/09/2011

LIST OF PROPERTIES (Cont'd)

No.	Address	Description of property / Existing use	Land area / Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2019 RM'000	Date of acquisition
9.	Lot No. B3, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *Title identification:* PN 11602 Lot 18208 Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as administration office.	Land area: 1,222 Gross built-up area: 587	26 years	Leasehold for 66 years, expiring on 22.03.2053	700	19/09/2011
10.	Lot No. B4, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *Title identification:* PN 11603 Lot 18207 Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 1,390 Gross built-up area: 587	26 years	Leasehold for 66 years, expiring on 22.03.2053	750	19/09/2011
11.	Lot No. 21, Jalan Sungai Pinang 5/3, Phase 2A Taman Perindustrian Pulau Indah, Klang, Selangor Darul Ehsan. *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 stories office building used as administration office, factory and warehouse.	Land area: 12,386 Gross built-up area: 5,748.57	6 years	Leasehold for 99 years, expiring on 24.02.2097	20,000	07/07/2009
12.	D-22-01, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/ M1-C/23/182, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 182, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan. * The fair value of the property as at 31 December 2019 is RM1,640,000	Soho Duplex Unit used as investment property.	Gross built-up area: 152.00	5 years	Leasehold for 99 years, expiring on 23.11.2100	1,221 *	10-05-2013

LIST OF PROPERTIES (Cont'd)

No.	Address	Description of property / Existing use	Land area / Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2019 RM'000	Date of acquisition
13.	D-22-03, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/ M1-C/23/184, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 184, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan.	Soho Duplex Unit used as office.	Gross built-up area: 157.00	5 years	Leasehold for 99 years, expiring on 23.11.2100	1,700	10-05-2013
14.	D-22-03A, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/ M1-C/23/185, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 185, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor.	Soho Duplex Unit used as office.	Gross built-up area: 157.00	5 years	Leasehold for 99 years, expiring on 23.11.2100	1,700	10-05-2013
15.	D-22-05, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/ M1-C/23/186, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 186, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor. * The fair value of the property as at 31 December 2019 is RM1,640,000	Soho Duplex Unit used as investment property.	Gross built-up area: 152.00	5 years	Leasehold for 99 years, expiring on 23.11.2100	1,221*	10-05-2013

LIST OF PROPERTIES (Cont'd)

No.	Address	Description of property / Existing use	Land area / Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2019 RM'000	Date of acquisition
16.	D-22-06, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/ M1-C/23/187, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 187, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor. * The fair value of the property as at 31 December 2019 is RM1,640,000	Soho Duplex Unit used as investment property.	Gross built-up area: 152.00	5 years	Leasehold for 99 years, expiring on 23.11.2100	1,221*	10-05-2013
17.	D-22-07, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/ M1-C/23/188, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 188, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor.	Soho Duplex Unit used as office.	Gross built-up area: 157.00	5 years	Leasehold for 99 years, expiring on 23.11.2100	1,700	10-05-2013
18.	D-22-08, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/ M1-C/23/189, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 189, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan.	Soho Duplex Unit used as office.	Gross built-up area: 157.00	5 years	Leasehold for 99 years, expiring on 23.11.2100	1,700	10-05-2013

STATISTICS OF SHAREHOLDINGS

AS AT 30 APRIL 2020

SHARE CAPITAL

Total Number of Issued Shares	:	333,301,330 (including treasury shares of 3,129,000)
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 30 April 2020

Size of Holding	No. of shareholders	% of shareholders	No. of holdings	% of shares
1 – 99	41	2.52	1,192	0.00
100 - 1,000	132	8.11	66,400	0.02
1,001 - 10,000	336	20.64	2,308,398	0.70
10,001 - 100,000	838	51.47	40,696,100	12.33
100,001 to less than 5% of issued shares	279	17.14	151,465,320	45.87
5% and above of issued shares	2	0.12	135,634,920	41.08
Total	**1,628**	**100.00**	**330,172,330** [(a)]	**100.00**

Note

[(a)] *Excluding a total of 3,129,000 shares bought back by the Company and retained as treasury shares as at 30 April 2020.*

SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2020

No.	Name of Substantial Shareholder	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Dato' Chan Say Hwa	69,026,460	20.91	7,163,220 [(a)]	2.17
2	Soo Kit Lin	66,608,460	20.17	-	-
3	Datin Chow Pui Ling	7,163,220	2.17	69,026,460 [(b)]	20.91
4	Bu Yaw Seng	21,869,100	6.62	-	-

[(a)] *Deemed interested through direct holding of spouse, Datin Chow Pui Ling.*

[(b)] *Deemed interested through direct holding of spouse, Dato' Chan Say Hwa.*

DIRECTORS' INTERESTS IN SHARES AS AT 30 APRIL 2020

No.	Name of Director	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Zulkifly Bin Zakaria	-	-	-	-
2	Dato' Chan Say Hwa	69,026,460	20.91	7,163,220 [(a)]	2.17
3	Datin Chow Pui Ling	7,163,220	2.17	69,026,460 [(b)]	20.91
4	Soo Kit Lin	66,608,460	20.17	-	-
5	Wong Kah Ming	-	-	-	-
6	Woo Yew Tim	-	-	-	-

[(a)] *Deemed interested through direct holding of spouse, Datin Chow Pui Ling.*

[(b)] *Deemed interested through direct holding of spouse, Dato' Chan Say Hwa.*

STATISTICS OF SHAREHOLDINGS (Cont'd)
AS AT 30 APRIL 2020

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 APRIL 2020)

No.	Name of Shareholders	No. of Shares	%
1	DATO' CHAN SAY HWA	69,026,460	20.91
2	SOO KIT LIN	66,608,460	20.17
3	BU YAW SENG	11,369,100	3.44
4	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BU YAW SENG (MY3086)	10,500,000	3.18
5	CHOW HOW FAI	8,714,100	2.64
6	CHOW CHIAT WEE	7,794,200	2.36
7	DATIN CHOW PUI LING	7,163,220	2.17
8	TEO KWEE HOCK	5,555,500	1.68
9	LEE CHAY YEW	2,705,200	0.82
10	TAN MENG HOOI	2,279,900	0.69
11	ONG SOI TAT	2,247,000	0.68
12	LAU KIM SAN	2,230,000	0.68
13	CHONG THO CHIN @ CHONG JHO CHIN	2,000,000	0.61
14	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG SIEW MOOI	1,800,000	0.55
15	OOI SIEW LOOI	1,500,000	0.45
16	SIM SOO KIANG	1,500,000	0.45
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD TEE HWA SAN @ TEE HWA HING	1,320,000	0.40
18	LEONG CHEE WAI	1,300,000	0.39
19	LAU TEIK LENG	1,220,000	0.37
20	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	1,200,000	0.36
21	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN ENG HOO	1,200,000	0.36
22	LIEW SWEE MIN	1,200,000	0.36
23	TYE YONG POU	1,197,100	0.36
24	ONG BOK LIM	1,015,200	0.31
25	HING WAI KEONG	1,000,000	0.30
26	LO KWAI LEE	1,000,000	0.30
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW SIENG TEONG (E-SGM)	1,000,000	0.30
28	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIENG TIONG CHIN (8071004)	1,000,000	0.30
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD SURYATI BINTI SUPAR	1,000,000	0.30
30	LEE CHAY YEW	970,000	0.29
	Total	**218,615,440**	**66.18**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth ("10th") Annual General Meeting ("AGM") of Hiap Huat Holdings Berhad ("Hiap Huat" or "the Company") will be held at Ballroom III, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 26 June 2020 at 9.00 a.m. and at any adjournment thereof for the purpose of transacting the following businesses:

A G E N D A

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon. ***Please refer to Explanatory Note 1***

2. To approve the payment of Directors' fees of up to RM170,000 for the financial year ending 31 December 2020 to be divided amongst the Directors of the Company and other benefits payable of up to RM50,000 for the period from 26 June 2020 up to the next AGM of the Company. ***Ordinary Resolution 1***

3. To re-elect the following Directors, who retire by rotation in accordance with Clause 105 of the Company's Constitution and who being eligible, have offered themselves for re-election:

   (a) Dato' Chan Say Hwa ***Ordinary Resolution 2***
   (b) Mr. Wong Kah Ming ***Ordinary Resolution 3***

4. To re-appoint Messrs UHY ("UHY") as Auditors of the Company and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 4***

AS SPECIAL BUSINESS:

To consider and if thought fit, with or without modifications to pass the following resolutions:

5. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS**

   "To approve the following Directors, each of whom has served as an Independent Non-Executive Director ("INED") of the Company for a cumulative term of more than nine years, to continue to be designated as an INED of the Company:

   (a) Mr. Wong Kah Ming ***Ordinary Resolution 5***
   (b) En. Zulkifly Bin Zakaria ***Ordinary Resolution 6***

6. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** ***Ordinary Resolution 7***

   THAT subject to the Companies Act, 2016 ("the Act"), the Constitution of the Company, the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), Additional Temporary Relief Measures to Listed Corporations for COVID-19, issued by Bursa Securities on 16 April 2020 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) at any point in time ("20% General Mandate"); AND THAT the Directors be and are hereby also empowered to obtain approval from the Bursa Securities for the listing and quotation of the additional shares so issued pursuant to the 20% General Mandate on Bursa Securities;

   AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until 31 December 2021, as empowered by Bursa Securities pursuant to their letter dated 16 April 2020 to grant additional temporary relief measures to listed corporations, notwithstanding Section 76(3) of the Act, duly varied and adopted by the Directors of the Company pursuant to Section 76(4) of the Act."

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

7. **PROPOSED RENEWAL OF SHARES BUY-BACK AUTHORITY FOR THE PURCHASE OF ITS OWN ORDINARY SHARES (PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY)** ***Ordinary Resolution 8***

"THAT, subject always to the Act, the provisions of the Constitution of the Company, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant authorities (if any), the Board of Directors of the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase and/or hold such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

(i) the maximum aggregate number of shares which may be purchased and/or held as treasury shares by the Company pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase including the shares previously purchased and retained as treasury shares (if any);

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the aggregate retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of purchase; and

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares, or cancel the shares, or retain part of the shares so purchased as treasury shares and cancel the remainder, or resell the shares, or transfer the shares or distribute the shares as dividends or in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force.

THAT the authority conferred by this resolution will commence immediately upon the passing of this resolution and will continue to be in force until:

(a) the conclusion of the next AGM of the Company following the general meeting at which such resolution is passed, at which time the authority will lapse, unless by an ordinary resolution passed at the general meeting, the authority is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(c) the authority is revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first, but shall not prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Act, the rules and regulations made pursuant thereto and the guidelines issued by Bursa Securities and/or any other relevant authority.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company".

8. To transact any other ordinary business for which due notice shall have been given in accordance with the Companies Act, 2016.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

BY ORDER OF THE BOARD

Tan Tong Lang (MAICSA 7045482 / SSM PC No. 201908002253)
Thien Lee Mee (LS 0009760 / SSM PC No. 201908002254)
Company Secretaries

Kuala Lumpur
Dated this 28 May 2020

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy may but need not, be a member of the Company. Where a member/shareholder appoints more than one proxy to attend and vote at the meeting, such appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

2. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) or more proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

3. Where a member of the Company is an exempt authorised nominee defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each omnibus account it holds.

4. Where the authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its Common Seal or under the hands of an officer or attorney duly authorised.

6. The Form of Proxy must be deposited at the Share Registrar Office of the Company at Suite 10.02, 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 adjourned thereof.

7. For the purposes of determining a member who shall be entitled to attend the meeting, the Company shall be requesting the Record of Depositors as at 16 June 2020. Only a depositor whose name appears on the Record of Depositors shall be entitled to attend, speak and vote at the meeting as well as for appointment of proxy(ies) to attend, speak and vote on his/her stead.

8. Pursuant to Rule 8.31A of the Listing Requirements of Bursa Securities, all resolutions set out above will be put to vote by way of poll.

COVID-19 Outbreak Measure Notes

The health and safety of our members and staff who will attend the 10th AGM are the top priority of the Company. Hence, the following precautionary measures will be taken for the conduct of the 10th AGM:

a. Members or proxies are encouraged to abide by the most current regulations in place and enforced by the Ministry of Health and Government of Malaysia at the time deciding on whether or not to attend the 10th AGM in person.
b. Members are encouraged to appoint the Chairman of the meeting (or any other person) to act as proxy to attend and vote at the 10th AGM on their behalf by submitting the proxy form with predetermined voting instruction.
c. Members or proxies who are feeling unwell or have been placed on quarantine orders or stay-at-home notices, you are advised to refrain from attending the 10th AGM in person.
d. Members or proxies who had been in physical contact with a person infected with COVID-19 are advised to refrain from attending the 10th AGM in person.
e. In the interest of the public health including the well-being of our members, members must cooperate with the precautionary measures put in place by the Company should members (or your proxies) wish to attend the 10th AGM in person.
f. Members/proxies must sanitise their hands and are strongly advised to wear a face mask if they are attending the meeting in person.
g. Members or proxies are advised to observe/maintain social distancing throughout the meeting.
h. NO door gift will be provided to the Members or proxies.

In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 10th AGM at short notice. Kindly check Bursa Securities's and Company's website at www.hiaphuat.com for the latest updates on the status of the said meeting.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

EXPLANATORY NOTES TO ORDINARY AND SPECIAL BUSINESS:

1. Audited Financial Statements for the Financial Year Ended 31 December 2019

This Agenda No.1 is meant for discussion only as Section 340(1)(a) of the Act provide that the audited financial statements are to be laid in the general meeting and does not require a formal approval of the shareholders. Hence, this Agenda item is not put forward to the shareholders for voting.

2. Ordinary Resolution 1: To Approve the Payment of Directors' Fees and Other Benefits Payable

Pursuant to Section 230(1) of the Act, fees and benefits payable to the Directors of public company or a listed company and its subsidiaries shall be approved by shareholders at a general meeting. The Directors' benefits payable comprises of meeting attendance allowances and other claimable benefits.

In determining the estimated total amount of Directors' benefits, the Board has considered various factors, among others, the estimated claimable benefits and estimated number of meetings for the Board and Board Committees held for the period commencing from 26 June 2020 until the next AGM of the Company.

In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall.

3. Ordinary Resolution 2 & 3: Re-election of Directors who retire in accordance with Clause 105 of the Company's Constitution

Clause 105 of the Company's Constitution states that an election of Directors shall take place each year at the annual general meeting of the Company, where one-third of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election, PROVIDED ALWAYS that Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

Dato' Chan Say Hwa and Mr. Wong Kah Ming are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election.

For the purpose of determining the eligibility of the Directors to stand for re-election at the 10th AGM, the Nomination Committee has considered the requirements under Rule 2.20A of the Listing Requirements of Bursa Securities and recommended Dato' Chan Say Hwa and Mr. Wong Kah Ming for re-election as Directors pursuant to Clause 105 of the Company's Constitution.

4. Ordinary Resolution 5 & 6: Continuing in office as INED

Pursuant to the Malaysian Code on Corporate Governance, it is recommended that approval of shareholders be sought in the event that the Company intends to retain the independent director who has served in that capacity for more than nine (9) years. Following an assessment and recommendation by the Nominating Committee, the Board recommended that Mr. Wong Kah Ming and En. Zulkifly Bin Zakaria who has served as INED for a cumulative term of more than nine (9) years, to continue to be designated as INED of the Company based on the following key justifications:

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

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

5. **Ordinary Resolution 7: Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016**

   The Ordinary Resolution 7 proposed is a renewal of the general mandate and empowered the Directors of the Company pursuant to Sections 75 and 76 of the Act to issue and allot new shares in the Company ("General Mandate").

   The Company had obtained the mandate from the shareholders at the last AGM held on 24 May 2019 ("Previous Mandate"). As at the date of this Notice, no new shares in the Company were issued pursuant to the Previous Mandate and accordingly, no proceeds were raised.

   Bursa Securities has via their letter dated 16 April 2020 granted several additional temporary relief measures to listed corporations, amongst others, an increase in general mandate limit for new issues of securities to not more than 20% of the total number of issued shares of the Company for the time being ("20% General Mandate"). Pursuant to the 20% General Mandate, Bursa Securities has also mandated that the 20% General Mandate may be utilised by a listed corporation to issue new securities until 31 December 2021 ("Extended Utilisation Period") and thereafter, the 10% general mandate will be reinstated.

   Having considered the current economic climate arising from the global Covid-19 pandemic and future financial needs of the Group, the Board would like to procure approval for the 20% General Mandate, inclusive of the Extended Utilisation Period, pursuant to Section 76(4) of the Act, from its shareholders at the forthcoming 10th AGM of the Company.

   The purpose to seek the 20% General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting merely for such purpose. The 20% General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding its business plans, future investment project(s), working capital and/or acquisitions.

   The 20% General Mandate, unless revoked or varied by the Company in general meeting, will expire at the end of the Extended Utilisation Period, i.e. by 31 December 2021.

   The Board of Directors of the Company, after due consideration, is of the opinion that in the face of unprecedented challenges to the Company brought by Covid-19 pandemic, this 20% General Mandate will enable the Company further flexibility to raise funds expeditiously other than incurring additional interest costs as compared to bank borrowings, thereby allowing the Company to preserve its cash flow and achieve a more optimal capital structure. Any funds raised from this 20% General Mandate is expected be used as working capital to finance day-to-day operational expenses, on-going projects or future projects/investments to ensure the long-term sustainability of the Company.

   The Board, having considered the current and prospective financial position, needs and capacity of the Company, is of the opinion that the 20% General Mandate is in the best interest of the Company and its subsidiaries.

6. **Ordinary Resolution 8: Proposed Renewal of Share Buy-Back Authority for the Purchase of Its Own Ordinary Shares ("Proposed Renewal of Share Buy-Back Authority")**

   The Ordinary Resolution 8, if passed, will renew the authority given to the Directors of the Company to purchase its own ordinary shares of up to 10% of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the total amount of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of purchase of the Company's shares. This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM after that date is required by the law to be held, whichever occurs first.

   Further information on the Proposed Renewal of Share Buy-Back Authority is set out in the Share Buy-Back Statement to Shareholders dated 28 May 2020 which is dispatched together with the Company's Annual Report 2019.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

No notice of nomination has been received to date from any member nominating any individual for election as a Director at the AGM of the Company. There is therefore no individual standing for election as Director, save for the above Directors who are standing for re-election.

Further details of Directors standing for re-election as Directors at the 10th AGM are set out in their respective profiles which appear in the Directors' Profiles of this Annual Report and the details of their interests in the securities of the Company are disclosed in the Statistics of Shareholdings of this Annual Report.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Rule 6.04 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 7 as stated in the Notice of 10th AGM of the Company for the details.

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Hiap Huat
Holdings Berhad
[Registration No. 200901038858 (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** [200901038858 (881993-M)], hereby appoint ______________________________ NRIC No. / Passport ______________________________

of ______________________________

and/or ______________________________ NRIC No. / Passport ______________________________

of ______________________________

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 Tenth (10th) Annual General Meeting of the Company to be held at Ballroom III, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 26 June 2020 at 9.00 a.m. and at any adjournment thereof in the manner as indicate below:

NO.	RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of Directors' fees and other benefits payable for the financial year ending 31 December 2020.	**Ordinary Resolution 1**		
2.	To re-elect Dato' Chan Say Hwa as Director.	**Ordinary Resolution 2**		
3.	To re-elect Mr. Wong Kah Ming as Director.	**Ordinary Resolution 3**		
4.	To re-appoint Messrs UHY as Auditors of the Company and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 4**		
5.	To approve the continuation in office as INED for Mr. Wong Kah Ming.	**Ordinary Resolution 5**		
6.	To approve the continuation in office as INED for En. Zulkifly Bin Zakaria.	**Ordinary Resolution 6**		
7.	To approve the authority to allot shares pursuant to Section 75 and 76 of the Companies Act, 2016	**Ordinary Resolution 7**		
8.	To approve the Proposed Renewal of Share Buy-Back Authority.	**Ordinary Resolution 8**		

(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 ____________________, 2020.

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

The proportions of my/our holdings to be represented by my/our proxies are as follows:

First Proxy
No. of Shares: ....

Percentage: ....%

Second Proxy
No. of Shares: ....

Percentages: ....%

NOTES:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy may but need not, be a member of the Company. Where a member/shareholder appoints more than one proxy to attend and vote at the meeting, such appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
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8. Pursuant to Rule 8.31A of the Listing Requirements of Bursa Securities, all resolutions set out above will be put to vote by way of poll.

Fold this flap for sealing

Affix Stamp

THE SHARE REGISTRAR
HIAP HUAT HOLDINGS BERHAD [200901038858 (881993-M)]
Boardroom.com Sdn Bhd
Suite 10.02, Level 10,
The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur.

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1st fold here

Hiap Huat
Holdings Berhad
(881993-M)

Main office:
Lot 102521, Jalan Sungai Pinang 5/3,
Kawasan Perindustrian Pulau Indah, Fasa 2, 42920 Pulau Indah,
Selangor Darul Ehsan.
Tel no : +603 -3884 9368 Fax no : +603 -3102 3110
Email : enquiry@hiaphuat.com

www.hiaphuat.com