



Hiap Huat

Holdings Berhad

[Registration No. 200901038858 (881993-M)]

ANNUAL REPORT 2020



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Zulkifly Bin Zakaria

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

Dato' Chan Say Hwa

Group Managing Director

Datin Chow Pui Ling

Executive Director

Soo Kit Lin

Executive Director

Woo Yew Tim

Independent Non-Executive Director

Lee Yew Weng

Independent Non-Executive Director

AUDIT COMMITTEE

Chairman**Zulkifly Bin Zakaria**

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

Member**Woo Yew Tim**

Independent Non-Executive Director

Lee Yew Weng

Independent Non-Executive Director

REMUNERATION COMMITTEE

Chairman**Lee Yew Weng**

Independent Non-Executive Director

Member**Zulkifly Bin Zakaria**

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

Woo Yew Tim

Independent Non-Executive Director

NOMINATION COMMITTEE

Chairman**Woo Yew Tim**

Independent Non-Executive Director

Member**Zulkifly Bin Zakaria**

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

Lee Yew Weng

Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Chairman**Zulkifly Bin Zakaria**

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

Member**Dato' Chan Say Hwa**

Group Managing Director

Datin Chow Pui Ling

Executive Director

Soo Kit Lin

Executive Director

Woo Yew Tim

Independent Non-Executive Director

Lee Yew Weng

Independent Non-Executive Director

COMPANY SECRETARIES

Tan Tong Lang (MAICSA 7045482/
SSM PC No. 201908002253)

Thien Lee Mee (LS0009760/
SSM PC No. 201908002254)

REGISTERED OFFICE

Level 5, Block B,
Dataran PHB, Saujana Resort,
Section U2,
40150 Shah Alam, Selangor
Tel no. : +603 -7890 0638
Fax no. : +603- 7890 1032

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
Level 5, Block B,
Dataran PHB, Saujana Resort,
Section U2,
40150 Shah Alam, Selangor
Tel no. : +603 -7890 0638
Fax no. : +603- 7890 1032

STOCK EXCHANGE LISTING

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

WEBSITE

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INVESTOR RELATIONS

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DIRECTORS' PROFILES

Zulkifly Bin Zakaria**Age 66, Male, Malaysian****Independent Non-Executive Chairman/Senior Independent Non-Executive Director****Chairman of Audit Committee and Risk Management Committee****Member of Nomination Committee and Remuneration Committee**

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

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

He is the Vice President of the Malaysia-China Friendship Society. He also sits on the board of the Perak Islamic Council’s economic arm company namely Perbadanan Kemajuan Ekonomi Islam Negeri Perak (PKEINPK) and its 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 2020.

He has attended all five (5) Board of Directors’ Meetings held during the financial year ended 31 December 2020.

Dato’ Chan Say Hwa**Age 42, 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 20 years of experience in the recycling business mainly involved in manufacturing, marketing and general management.

He does not hold directorships in any other public companies and listed issuer. He is the spouse of Datin Chow Pui Ling and son of Soo Kit Lin, both the Executive Directors and a major shareholder of the Company. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2020.

He has attended all five (5) Board of Directors’ Meetings held during the financial year ended 31 December 2020.



DIRECTORS' PROFILES (Cont'd)

Datin Chow Pui Ling**Age 40, 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 2020.

She has attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2020.

Soo Kit Lin**Age 66, Female, Malaysian****Executive Director****Member of Risk Management Committee**

Soo Kit Lin was appointed as a Non-Independent Non-Executive Director of the Company on 9 December 2009. Subsequently on 1 May 2013, she was re-designated as an Executive Director of Hiap Huat. She is one of the co-founders of Hiap Huat Manufacturing and Trading Co. and thereafter Hiap Huat and its subsidiaries. She has more than 32 years of experience in the business of waste recycling, paint manufacturing and distribution of environmental friendly products. Her expertise and contribution extend to resource planning and management where her prudent management has contributed to the continuing business success and growth of 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 2020.

She has attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2020.



DIRECTORS' PROFILES (Cont'd)

Woo Yew Tim**Age 43, Male, Malaysian****Independent Non-Executive Director****Chairman of Nomination Committee****Member of Audit Committee, Remuneration Committee and Risk Management Committee**

Woo Yew Tim was appointed as an Independent Non-Executive Director of the Company on 8 August 2012. He holds a Bachelor of Business majoring in Accounting and Finance from the University of Technology Sydney, Australia. He is a chartered accountant under the membership of CPA Australia as well as the Malaysian Institute of Accountants. He has over 20 years of combined experience in the areas of financial reporting, auditing, taxation and corporate finance advisory.

He began his career in 2002 with a local firm of chartered accountants. He continued his practice with SJ Grant Thornton from 2003 to 2007 where he gained wide exposure in financial due diligence and auditing of public listed companies in various industries. In 2008, he joined Public Investment Bank Berhad 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 was later redesignated as the special assistant to the Group CEO, a position he assumes to present.

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 2020.

He has attended four (4) Board of Directors' Meetings held during the financial year ended 31 December 2020.

Lee Yew Weng**Age 44, Male, Malaysian****Independent Non-Executive Director****Chairman of Remuneration Committee****Member of Audit Committee, Nomination Committee and Risk Management Committee**

Lee Yew Weng was appointed as an Independent Non-Executive Director of the Company on 24 February 2021. Upon graduation from the University of Adelaide in 1999, he started his career in auditing with Horwath and KPMG in Kuala Lumpur, Malaysia. He joined Jotech Holdings Berhad, a company listed on Bursa Malaysia Securities Berhad, as its Group Accountant in 2002 handling accounting, finance, treasury, corporate finance and tax matters.

In 2003, he joined the Corporate Finance Department of AmlInvestment Bank Berhad. He rose to the rank of Associate Director in 2008 and was subsequently transferred to the Investment Banking Department of AmlInvestment Bank Berhad in 2008. During his tenure in AmlInvestment Bank Berhad, he was involved in a wide range of corporate finance advisory services, including corporate restructuring, reverse take-overs, mergers and acquisitions, fund raising in equity and debt, initial public offerings and business valuation.

He left AmlInvestment Bank Berhad in 2010 and is currently involved in business advisory business.

He is the Independent Non-Executive Director of K-Star Sports Limited and the Non-Independent Non-Executive Director of Sunzen Biotech Berhad. 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 2020.

He does not attend any Board of Directors' Meetings held during the financial year ended 31 December 2020 as he was appointed after the financial year ended 31 December 2020.



PROFILES OF KEY SENIOR MANAGEMENT

Chow How Fai

Age 38, 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 has been assigned to Hiap Huat Chemicals Sdn Bhd as a Production Manager and in year 2013, he became the Production Manager for Topmark Petroleum Products Sdn Bhd and was subsequently promoted to his current position in early 2017.

He is the brother and brother-in-law of Datin Chow Pui Ling and Dato' Chan Say Hwa. He does not hold directorship in any other public companies or listed issuer. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanction or penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2020.

Chow Chiat Wee

Age 34, 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 2020.



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 2020 ("FYE 2020").

Year 2020 was indeed a challenging year not only for Hiap Huat but globally with the outbreak of pandemic Covid-19 since end of year 2019. The nation had undertaken the various measures to curb the pandemic including different stages of Movement Control Order ("MCO") to restrict the physical mobility of people and movement of goods and services, which in turn impacted the businesses and economies as a whole. The turn of events has muted the anticipated moderation in the US-China trade tension following their trade deal in January 2020 as nations began to take drastic measures to contain the COVID-19 by closing their borders.

Nevertheless, Hiap Huat stays vigilant on the market outlook while taking stringent measures in its internal control and production management to sustain the business of the Group in this adverse environment. The Group remains focused on its core competencies with prudent management of investment to remain competitive in its business and continue to generate profitability and create shareholders' value.

Financial Performance

In FYE 2020, the Group recorded revenue of RM37.30 million, lower by 26.78% against a revenue of RM50.93 million in FYE2019. The decrease was attributed to the low sales order under the pandemic environment with several lockdowns of economy.

Gross profit margin has deteriorated in the financial year under review from 21.31% in FYE 2019 to 15.95% in FYE 2020. Lower sales order during the financial year has increased the production cost, added with the higher machinery and factory overhead in the current financial year which has pulled down the gross profit margin.

Operating expenses of the Group has decreased by 4.11% in the current financial year as compared to FYE 2019. The decrease was mainly due to the decrease in staff cost and reclassification of certain expense to cost of sales off-setting against the impairment loss incurred on the property held for sale and higher professional fees in the current financial year. Furthermore, there was a decrease in the finance cost which was in line with the moratorium loan period of 6 months given by the Government from April 2020 to September 2020 as part of stimulus package to curb the pandemic Covid-19.

With the above the financial performance of the Group's closed at a loss before tax of RM1.45 million with EBITDA of RM3.95 million as compared to profit before tax of RM3.15 million with EBITDA of RM8.93 million in the previous financial year of 2019.

Moving Forward

Following the Covid-19 Immunisation Programme introduced into Malaysia in phases, the global economy is projected to recover with positive growth in year 2021, led by improved trade activities. With the anticipated improvement in global growth and international trade, Malaysia Ministry of Finance expect GDP to rebound to between 6.5% and 7.5% in 2021. Growth will continue to be supported by strong economic fundamentals through a well-diversified economy.

Despite of the positive outlook by the Malaysian government, there are risks of uncertainty of international trade, containment of pandemic Covid-19 and oil prices. However, the Group is resilient and able to meet the challenges ahead by continuing to explore and engage in new innovative products and production methods. It will continue to manage its resources efficiently, to optimise cost efficiencies, stringent stock control measures to enhance its financial performance and productivity. Further, the Group will continue to look out for new opportunities to enhance the revenue stream and profitability.

We believe that with the Group's strong experience and management team will 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 2020 ("FYE 2020").

Business and Operation Overview

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

The Company was listed on ACE Market, Bursa Malaysia in 2012 with its corporate head office in Pulau Indah, Port Klang, Selangor Darul Ehsan. The group has 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 believes sustainability is an integral part of the Company's development that will enhance our competitive edge and together with our core competencies will further strengthen the barrier to entry. We believe our technologies deployments, efficient resources utilisation, market knowledge and management ingenuity will enable the Company to be resilience in view of any challenging business environment.

Mission Statement

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

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

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

Business Objectives and Strategies

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

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



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 has undertaken various training programs to strengthen the Group's human resources competencies as we will not be where we are today if without our dedicated and competent management and workforce. We have a comprehensive system and processes in regulatory compliance and environmental management that are certified. This is of utmost importance to us as our business is under a regulated environment.

Financial Review Revenue

In FYE 2020, Hiap Huat Group has recorded revenue of RM37.30 million as compared to RM50.93 million in the financial year ended 31 December 2019 ("FYE 2019"). The decrease of 26.78% was a result from the outbreak of pandemic Covid-19 globally where there was lockdown and movement restriction within the year that affected the sales order during the financial year under review. In term of product segment, recycled petroleum products was the main contributor of the revenue at approximately 53.82% of the total revenue. However, its revenue amount has fallen by 44.10% which off- setting the increase in the recycled petrochemical products during the financial year. Revenue from scheduled waste collection services has decreased by 14.83% in FYE 2020 which was impacted by the pandemic.

Gross Profit Margin

The gross profit margin stood at 15.95% in FYE 2020, down by 5.36% as compared to FYE 2019. The decline was mainly due to the lower sales order across the product segments coupled with higher factory and machinery maintenance costs incurred during the financial year.

Administration Expenses

Administration expenses remained consistent on a year-on-year comparison. In FYE 2020, there was decrease in staff, selling & distribution costs. In addition, there was an impairment loss incurred on the property held for sale and higher professional fees as compared to the previous financial year.

Finance Cost

Finance cost has reduced by 38.43% to RM0.50 million in FYE 2020. This was in line with the moratorium loan period of 6 months given by the Government from April 2020 to September 2020 as part of subsidy in curbing the Covid-19 pandemic.

Taxes

The effective tax rate of the Group in FYE 2020 was lower than the statutory tax rate. This was mainly due to origination and reversal of temporary differences and over provision of deferred tax in prior year.

Profitability

The Group closed at loss before tax of RM1.45 million in FYE 2020 against profit before tax of RM3.15 million in the corresponding financial year. Earnings before interest, tax, depreciation and amortisation ("EBITDA") in FYE 2020 has contracted by approximately 55.73% to RM3.95 million with the challenging business environment following the outbreak of the pandemic.

Capital Commitment

In the previous financial year, Hiap Huat Chemicals Sdn. Bhd. ("HHC"), a wholly owned subsidiary of the Company has entered into Sale and Purchase Agreement with Central Spectrum (M) Sdn. Bhd. ("CSSB") to acquire 4.10 acres of industrial land located in Pulau Indah, Selangor for a total cash consideration RM11,965,932. HHC has paid RM2,393,186, being 20% of the total consideration as deposit under the agreement which was funded by the internally generated fund.

The balance of purchase consideration of RM9,572,746 shall be paid by way of progressive payments within fourteen (14) days from the date of the notice from CSSB requesting the same. This balance of the purchase consideration and the construction of the factory and the storage tank farm will be funded by external fund from a financial institution via Letter of Offer dated 7 February 2020.

The title of the said land is expected to be transferred by second quarter of year 2021.

This capital commitment is not expected to have any material impact on Group's financial position.



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

Financial Position and Liquidity

The total assets of the Group stood at RM86.97 million, with a decrease of RM4.21 million from FYE 2019. The decrease in total assets was mainly due to the lower inventory and trade receivables balances with a decrease of RM3.20 million and RM2.47 million respectively as at year end date. This has improved the turnover days of both inventory and trade receivables at 57 days (FYE 2019: 74 days) and 36 days (FYE 2019: 44 days). There was a withdrawal of fixed deposit during the financial year for working capital purposes which marked down the total assets value. Furthermore, there was a reclassification of property held for sale of RM1.38 million where the disposal is expected to be realised by the first quarter of year 2021.

Total liabilities of the Group were at RM23.34 million against RM25.54 million in FYE 2019. During the financial year, the Group has fully settled certain term loan and leases which in turn reduced the balance in bank borrowings and lease liabilities. Besides, there was also decrease in other payables and deferred tax liabilities of the Group in FYE 2020.

The above has contributed to the shareholders' fund of RM63.64 million with net assets per share of RM0.19 in the current financial year.

Dividend

Dividend payout will be dependent on the Group's level of cash and sufficiency of retained earnings, its prospects of financial performance as well as projected obligations. As at the date of this report, there was no dividend proposed, declared or paid by the Company. The Board of Directors does not recommend any dividend in respect of FYE 2020.

Financial Summary

5-Year Group Financial Highlights (2016-2020)

	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Revenue	37,295	50,935	53,323	41,551	28,756
(Loss)/Profit before tax	(1,453)	3,148	2,231	1,885	1,038
Income tax (credit)/expense	(155)	1,290	667	1,116	124
(Loss)/Profit after tax	(1,298)	1,858	1,564	768	914
Basic (loss)/earnings per share (sen)	(0.39)	0.56	0.58	0.23	0.28

Risk and Uncertainties

1. Economic Environment

Year 2020 posed a challenging year to the Group following the outbreak of Covid-19 pandemic. The countries were imposing various movement restrictions and other measures were imposed to contain the spread of the virus. The measures have impacted the economy, social as well as the well-being of the community throughout the year. However, with the Immunisation Programme commencing currently in Malaysia, economy is expected to recover gradually and increase of trade activities.

The Group's business is also affected by the fluctuation of the oil price. However, the Group has put in place the hedging strategy to mitigate such fluctuation.



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

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

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

3. Increasing cost of production/manufacturing

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

4. Credit risk

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

Prospects

The outlook for the financial year ending 31 December 2021 remains challenging due to uncertainty of the oil prices, COVID-19 pandemic and global economy. This in turn may affect 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 and profitability.

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.

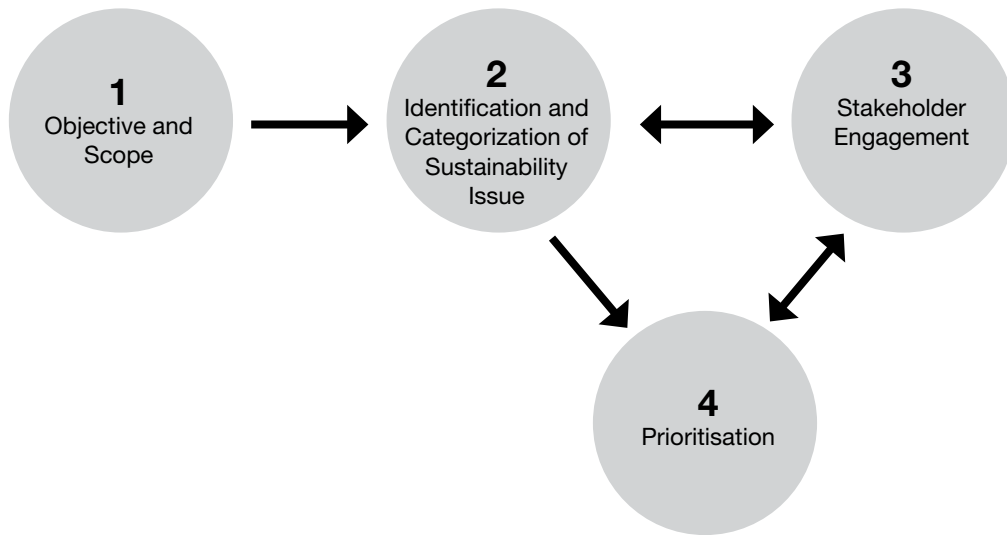
The Board has taken steps to integrate sustainability issues as core of its strategic formulation. The Board is supported by general managers, which enables the Board to assess and ensure that sustainability governance is structured and functioning through the various levels of management. For more information on our corporate governance practices, please refer to our Annual Report 2020 (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 	<ul style="list-style-type: none"> Site Visit One-to-one meeting Annual Review 	<ul style="list-style-type: none"> Periodic Periodic 	<ul style="list-style-type: none"> Improvement in customer service Feedback on products and services
Employees 	<ul style="list-style-type: none"> Operations and Environment Management Occupational Safety & Health Committee Internal Training Appraisal and feedback Annual Review Exit Meeting 	<ul style="list-style-type: none"> Periodic Periodic Periodic Periodic Annual Resignation 	<ul style="list-style-type: none"> Staff Performance Career Advancement Company Performance Company Strategies
Government Agencies 	<ul style="list-style-type: none"> One-to-one meeting 	<ul style="list-style-type: none"> Periodic/As when required 	<ul style="list-style-type: none"> Compliance to local laws and regulations
Suppliers 	<ul style="list-style-type: none"> One-to-one meeting Annual Review 	<ul style="list-style-type: none"> Periodic Annual 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> • Environmental Compliance • Monitoring and Compliance • Managing Environmental Emergencies 	<ul style="list-style-type: none"> • Indirect Economic Impacts • Financial Result and Export Market 	<ul style="list-style-type: none"> • 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 9.21% (RM3,435,762) 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 2020:

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

• Occupational, Health and Safety (OHS)

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

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

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

Sustainability in Practice

Our three-pronged approach in sustainability initiative therefore are:

• Regulatory compliance and environmental management

We are part of the supply value chain which 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 recycle the wastes.

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



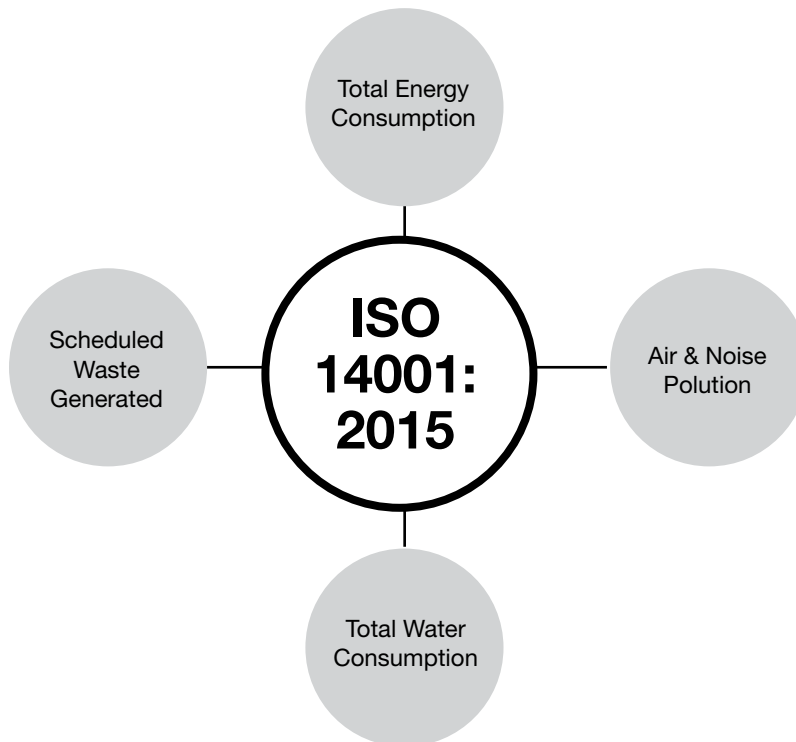
CORPORATE SUSTAINABILITY STATEMENT (Cont'd)

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

The Board recognises the importance of maintaining good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance 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 2020 (“FYE 2020”) 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.

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.

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.



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)

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

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.



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)

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.

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

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
Zulkifly Bin Zakaria		√
Woo Yew Tim		√
Lee Yew Weng (appointed on 24 February 2021)	√	
Wong Kah Ming (resigned on 30 November 2020)		√

Following an assessment and recommendation by the Nomination Committee, the Board recommended that Woo Yew Tim 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.



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

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

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

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

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

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

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

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.



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)

Boardroom Diversity (Cont'd)

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:

Number of Directors	Malay	Chinese	Indian	Others	Malaysian	Foreign
	1	5	0	0	6	0

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 2020. 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%
Woo Yew Tim	4/5	80%
Wong Kah Ming (resigned on 30 November 2020)	5/5	100%



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)

Board Meetings and Attendance (Cont'd)

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.

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 2020 as listed below:

Name of Director	Seminars/Conferences/Training Programmes Attended
Zulkify Bin Zakaria	Anti-Corruption Policy Briefing
Dato' Chan Say Hwa	Oil & Gas Safety Pass - NIOSH
Woo Yew Tim	Awareness of MACC 17A & Corruption, Bribery and Legal Requirement
Wong Kah Ming (resigned on 30 November 2020)	ISCC Regional Stakeholder Meeting Southeast Asia

Saved as disclosed above, other Directors were not able to select any suitable training programme to attend during the financial year due to occupied working and outbreak of COVID-19 pandemic.

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	Lee Yew Weng (appointed on 24 February 2021)	Independent Non-Executive Director
Member	Wong Kah Ming (resigned on 30 November 2020)	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 2020 included the following:

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

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 2020, 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 2021 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	Lee Yew Weng (appointed on 24 February 2021)	Independent Non-Executive Director
Chairman	Wong Kah Ming (resigned on 30 November 2020)	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 2020 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 2020 are as follows:

Director	Company		Group	
	Fees (RM)	*other emoluments (RM)	Fees (RM)	*other emoluments (RM)
Zulkifly Bin Zakaria	72,000	6,000	72,000	6,000
Dato' Chan Say Hwa	-	672,924	-	672,924
Datin Chow Pui Ling	-	323,483	-	323,483
Soo Kit Lin	-	187,793	-	187,793
Woo Yew Tim	48,000	6,000	48,000	6,000
Wong Kah Ming (resigned on 30 November 2020)	44,000	7,200	44,000	7,200
Total	164,000	1,203,400	164,000	1,203,400

* 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 two (2) Senior Management, their total remuneration is about 7% 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 is of the view that the said practice will not materially interfere and affect his independence judgement. All members of the Audit Committee are relatively financially literate, therefore, meets the requirement of Rule 15.09 of the Listing Requirements.

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:

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

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the AGM on the recommendation of the Board. The External Auditors are being invited to attend the AGM of the Company to respond 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 2020, the Audit Committee has meet with the External Auditors without the presence of Group Managing Director, Executive Directors and members of management at least once during the year regarding relevant audit and accounting issues and to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concern expressed by the Audit Committee are duly recorded by the Company Secretaries.

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

Composition of the Audit Committee

The current composition of Audit Committee comprises of 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 MCGG.

The Audit Committee currently comprises the following members: -

Designation	Name of Director	Directorship
Chairman	Zulkifly Bin Zakaria	Independent Non-Executive Chairman/ Senior Independent Non-Executive Director
Member	Woo Yew Tim	Independent Non-Executive Director
Member	Lee Yew Weng (appointed on 24 February 2021)	Independent Non-Executive Director
Member	Wong Kah Ming (resigned on 30 November 2020)	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 I – 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:

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



CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

PART I – COMMUNICATION WITH STAKEHOLDERS (Cont'd)

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

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.

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

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 Tenth (10th) AGM of the Company held on 26 June 2020, all the Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company.

Poll

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

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is of the view that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices set out in MCCG and all other applicable laws, where applicable and appropriate. This Corporate Governance Overview Statement was approved by the Board on 21 April 2021.



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 2020 (“FYE2020”).

Composition of AC and Attendance

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

Designation	Name of Director	Directorship
Chairman	Zulkifly Bin Zakaria	Independent Non-Executive Chairman/ Senior Independent Non-Executive Director
Member	Woo Yew Tim	Independent Non-Executive Director
Member	Lee Yew Weng (appointed on 24 February 2021)	Independent Non-Executive Director
Member	Wong Kah Ming (resigned on 30 November 2020)	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 2020, the AC held five meetings. The Group Managing Director, Executive Directors, Financial Controller, 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%
Woo Yew Tim	4/5	80%
Wong Kah Ming (resigned on 30 November 2020)	5/5	100%

** No attendance for Mr. Lee Yew Weng as he is newly appointed on 24 February 2021.

During the FYE 2020, 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 2020, 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 2020

1 Ensuring Financial Statements comply with applicable Financial Reporting

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

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

- (a) Reviewed and approved the Internal Audit Plan for FYE 2020 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”). 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 RM16,000.00.

During the FYE 2020, the following activities were carried out by the internal auditors in discharge of its responsibilities:

- Present the Internal Audit Plan for the year for review and evaluation by the AC;
- Reviewed the Fixed Asset Management Review function of Topmark Petroleum Products Sdn Bhd, a wholly owned subsidiary of the Company;
- Recommend improvements to the existing systems of internal controls;
- Follow up on implementation and disposition of audit findings and recommendation;
- Identify opportunities to improve the operations of and processes in the Company and the Group; and Identification of risks and implementation of recommendations to mitigate the risks.

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

This AC Report was approved by the Board of Directors on 21 April 2021.



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 that appropriate systems are in place to safeguard the assets of the Company and the Group, and to detect and prevent fraud and other irregularities.

The Directors are satisfied that in the preparing the financial statements of the Company and the Group for the financial year ended 31 December 2020, 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

The Board of Directors ("The Board") of Hiap Huat Holdings Berhad ("Hiap Huat" or "the Company") acknowledges the importance of a sound risk management and internal control system in Hiap Huat group of companies ("the Group") to safeguard shareholders' investments, stakeholders' interests and the Group's assets.

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

BOARD RESPONSIBILITY

The Board recognises the importance of good risk management practices and sound internal control as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. 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 risks. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against fraud, material misstatement or errors.

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

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

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

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 have been developed. Risks identified were prioritised in terms of the likelihood of occurrence and its impact on the achievement of the Group’s business objectives.

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

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

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

2. Internal Control System

- (i) The Group has in place an organisational structure with defined lines of responsibilities and delegation of authority. A process of hierarchical reporting has been established, which provide for a documented and auditable trail of accountability and also facilitate the check and balance for proper decision making at the appropriate authority levels of Management including matters that require the Board’s approval.
- (ii) A documented delegation of limits of authority across the Group’s operations that sets out decisions that need to be taken and the appropriate levels of Management involved including matters that require the Board’s approval.
- (iii) The Board of Directors and AC meet at least four (4) times during the financial year to review and deliberate on financial reports, annual financial statements, internal audit reports and etc. Discussions with Management were held to deliberate on the actions that are required to be taken to address internal control issues identified.
- (iv) The Group has a budgeting process which establishes plans and targets for performances to be measured on an on-going basis. Budget variances are analysed and reported internally on a quarterly basis.
- (v) Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Group. Monthly management accounts containing key financial results, operational performances and comparison are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Board for their review and approval. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.
- (vi) Internal policies and procedures had been established for key business units within the Group. Certain subsidiaries within the Group are also ISO accredited.
- (vii) Comprehensive guidelines on employment, code of conduct and retention of employees are in place to ensure that the Group has a team of employees who are qualified and equipped with all the necessary knowledge, skills and abilities to carry out their responsibilities effectively.
- (viii) A formal Whistle-blowing Policy has been established to forms part of the Group’s Code of Conduct in achieving and maintaining the highest standard of work ethics in the conduct of business. The policy provide a platform to its employees to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group. The Whistle Blowing Policy is available at the corporate website at <https://www.hiaphuat.com>.



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

- (ix) The Group has adopted an Anti-Bribery and Anti-Corruption Policy which in line with the Listing Requirements and/or the provisions of the Malaysian Anti-Corruption Commission Act 2009. The Group is committed to carry out its business honestly and openly and has a zero tolerance of bribery and corruption. The business of the Group is conducted with high level of integrity and ethics and complies with applicable laws.
- (x) An integrated regulatory compliance monitoring and control process has been implemented within the Group on the waste management and recycled process. The Group ensures that the compliance of laws and regulations of the relevant authority to provide assurance that its products and services offered are in a manner consistent with regulatory requirements and the Group's corporate responsibilities.

3. Internal Audit Function

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

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

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

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

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide AAPG 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31 December 2020, 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 21 April 2021.



OTHER DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA SECURITIES

1 UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

During the financial year, there was 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 2020 were as follows:

	Company (RM)	Group (RM)
Audit Services Rendered		
Non-Audit Services Rendered	30,000	93,000
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

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 2020.



DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

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 loss for the financial year, attributable to owners of the parent	1,297,633	974,698

Reserves and Provisions

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

Dividend

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 984,000 of its issued ordinary shares from the open market at an average price of RM0.1006 per share. The total consideration paid for the repurchase was RM98,966. 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 2020, the Company held 4,113,000 treasury shares out of the total 333,301,330 issued ordinary shares. Further relevant details are disclosed in Note 15 to the financial statements.

Options Granted Over Unissued Shares

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



DIRECTORS' REPORT (Cont'd)

Directors

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

Dato' Chan Say Hwa*	
Datin Chow Pui Ling*	
Soo Kit Lin*	
Zulkifly Bin Zakaria	
Woo Yew Tim	
Lee Yew Weng	(Appointed on 24 February 2021)
Wong Kah Ming	(Resigned on 30 November 2020)

* *Director of the Company and its subsidiary companies*

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

Soo Yat Sun	(Appointed on 11 March 2021)
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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 31.12.2020
	At 1.1.2020	Acquired	Disposed	
Interests in the Company				
Direct Interests				
Dato' Chan Say Hwa	69,026,460	-	-	69,026,460
Datin Chow Pui Ling	7,163,220	-	(3,800,000)	3,363,220
Soo Kit Lin	66,608,460	-	-	66,608,460
Indirect Interests				
Dato' Chan Say Hwa (#)	7,163,220	-	(3,800,000)	3,363,220
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 RM6,000 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 or 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 their obligations as and when they fall due;
- (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Subsidiary Companies

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

Significant Event During the Financial Year and Subsequent Event

The details of the significant event during the financial year and subsequent event are disclosed in Note 36 to the financial statements.

Auditors

Messrs. UHY retires at the forthcoming annual general meeting and does not wish to seek re-appointment.

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 21 April 2021.

DATO' CHAN SAY HWA

DATIN CHOW PUI LING

SHAH ALAM



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 112 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 2020 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 21 April 2021.

DATO' CHAN SAY HWA

DATIN CHOW PUI LING

SHAH ALAM



STATUTORY DECLARATION

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

I, Dato' Chan Say Hwa, being the Director primarily responsible for the financial management of Hiap Huat Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 52 to 112 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the)
abovenamed at Kuala Lumpur in)
Federal Territory on 21 April 2021)

DATO' CHAN SAY HWA

Before me,

(No. W790)
ZAINUL ABIDIN BIN AHMAD

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 2020 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 112.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and 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

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.

Impairment assessment on property, plant and equipment

As at 31 December 2020, the Group has property, plant and equipment amounted to RM22,367,590. Included in the property, plant and equipment are plant and machinery with aggregate carrying values of RM10,507,066.

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.

How we addressed the key audit matters

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.

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.
- We assessed the management valuation methodology on the property, plant and equipment in term of its value in use.
- We reconciled input data to supporting evidences, such as approved cash flow projection and considering the reasonableness of these projections.



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, actions taken to eliminate threats or safeguards applied.

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

Other 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

CHONG YEW HONG
Approved Number: 03532/10/2022 J
Chartered Accountant

KUALA LUMPUR
21 April 2021



STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	22,367,590	17,539,076	645,767	704,923
Right-of-use assets	5	31,902,266	39,317,939	-	7,199,914
Investment properties	6	7,723,601	3,664,280	7,723,601	3,664,280
Investment in subsidiary companies	7	-	-	33,975,026	34,001,775
		<u>61,993,457</u>	<u>60,521,295</u>	<u>42,344,394</u>	<u>45,570,892</u>
Current Assets					
Inventories	8	4,905,259	8,107,264	-	-
Trade receivables	9	3,697,784	6,165,578	-	-
Other receivables	10	2,953,391	3,297,517	95,860	146,055
Amount due from subsidiary companies	11	-	-	505,290	108,932
Tax recoverable		74,677	169,567	13,778	21,517
Fixed deposits with licensed banks	12	4,801,149	6,235,685	-	1,529,640
Short term investment	13	4,249,881	4,149,972	4,249,881	4,149,972
Cash and bank balances		2,918,696	2,538,672	367,589	443,358
		<u>23,600,837</u>	<u>30,664,255</u>	<u>5,232,398</u>	<u>6,399,474</u>
Non-current assets classified as held for sale	14	1,380,000	-	1,380,000	-
		<u>24,980,837</u>	<u>30,664,255</u>	<u>6,612,398</u>	<u>6,399,474</u>
Total Assets		<u>86,974,294</u>	<u>91,185,550</u>	<u>48,956,792</u>	<u>51,970,366</u>



STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020 (Cont'd)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
EQUITY					
Share capital	15	41,092,641	41,092,641	41,092,641	41,092,641
Treasury shares	15	(400,646)	(301,680)	(400,646)	(301,680)
Merger deficit	16	(9,535,114)	(9,535,114)	-	-
Revaluation reserves	17	8,881,351	9,488,431	687,219	1,294,299
Retained earnings		23,599,976	24,897,609	519,265	1,493,963
Total Equity		63,638,208	65,641,887	41,898,479	43,579,223
LIABILITIES					
Non-Current Liabilities					
Lease liabilities	18	1,081,810	1,197,789	-	260,886
Bank borrowings	19	12,030,376	13,003,877	3,537,092	4,223,337
Deferred tax liabilities	20	5,115,397	6,078,459	227,581	503,755
		18,227,583	20,280,125	3,764,673	4,987,978
Current Liabilities					
Trade payables	21	1,063,193	2,227,895	-	-
Other payables	22	1,803,214	1,012,895	233,103	101,926
Amount due to subsidiary companies	11	-	-	1,985,389	2,388,147
Lease liabilities	18	895,138	767,729	-	112,785
Bank borrowings	19	1,346,958	1,255,019	1,075,148	800,307
		5,108,503	5,263,538	3,293,640	3,403,165
Total Liabilities		23,336,086	25,543,663	7,058,313	8,391,143
Total Equity and Liabilities		86,974,294	91,185,550	48,956,792	51,970,366

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 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	23	37,295,429	50,934,540	3,060,000	5,090,000
Cost of sales		(31,346,412)	(40,080,773)	-	-
Gross profit		5,949,017	10,853,767	3,060,000	5,090,000
Other income		365,327	393,620	228,289	297,008
Administrative expenses		(7,252,181)	(7,394,842)	(3,959,116)	(3,517,332)
Net (loss)/gain on impairment of financial instruments	25	(12,954)	110,837	-	(19,667)
(Loss)/Profit from operation		(950,791)	3,963,382	(670,827)	1,850,009
Finance costs	24	(502,271)	(815,715)	(181,128)	(269,614)
(Loss)/Profit before tax	25	(1,453,062)	3,147,667	(851,955)	1,580,395
Taxation	26	155,429	(1,290,059)	(122,743)	(40,494)
(Loss)/Profit for the financial year		(1,297,633)	1,857,608	(974,698)	1,539,901
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation of land and buildings	5	-	8,894,075	-	1,703,025
Impairment loss on buildings	5(c)	(858,000)	-	(858,000)	-
Deferred tax liabilities relating to component of other comprehensive income	20	250,920	(2,134,578)	250,920	(408,726)
Other comprehensive (loss)/income for the financial year		(607,080)	6,759,497	(607,080)	1,294,299
Total comprehensive (loss)/income for the financial year		(1,904,713)	8,617,105	(1,581,778)	2,834,200
(Loss)/Profit for the financial year attributable to:					
Owners of the parent		(1,297,633)	1,857,608	(974,698)	1,539,901
Total comprehensive(loss)/income attributable to:		(1,904,713)	8,617,105	(1,581,778)	2,834,200
(Loss)/Earnings per share					
Basic and diluted(loss)/earnings per share(sen)	28	(0.39)	0.56		

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



STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Attributable to Owners of the Parent						Total Equity RM
	Non-distributable			Distributable			
	Share Capital RM	Treasury Shares RM	Merger Deficit RM	Revaluation Reserves RM	Retained Earnings RM		
At 1 January 2020	41,092,641	(301,680)	(9,535,114)	9,488,431	24,897,609	65,641,887	
Net loss for the financial year	-	-	-	-	(1,297,633)	(1,297,633)	
Other comprehensive loss for the financial year	-	-	-	(607,080)	-	(607,080)	
Total comprehensive loss for the financial year	-	-	-	(607,080)	(1,297,633)	(1,904,713)	
Transactions with owners:							
Shares repurchased	-	(98,966)	-	-	-	(98,966)	
At 31 December 2020	41,092,641	(400,646)	(9,535,114)	8,881,351	23,599,976	63,638,208	

Note

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STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Cont'd)

Group	Note	Attributable to Owners of the Parent							Total Equity RM
		Non-distributable			Distributable			Non-Controlling Interests RM	
		Share Capital RM	Treasury Shares RM	Merger Deficit RM	Revaluation Reserves RM	Retained Earnings RM	Total RM		
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	15	-	(301,680)	-	-	-	(301,680)	-	(301,680)
Acquisition of non-controlling interests	7(b)	-	-	-	-	(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 2020 (Cont'd)

	Note	Non-distributable		Distributable		Total Equity RM
		Share Capital RM	Treasury Shares RM	Revaluation Reserves RM	(Accumulated Losses)/ Retained Earnings RM	
Company						
At 1 January 2020		41,092,641	(301,680)	1,294,299	1,493,963	43,579,223
Net loss for the financial year		-	-	-	(974,698)	(974,698)
Other comprehensive loss for the financial year		-	-	(607,080)	-	(607,080)
Total comprehensive loss for the financial year		-	-	(607,080)	(974,698)	(1,581,778)
Transactions with owners:						
Shares repurchased	15	-	(98,966)	-	-	(98,966)
At 31 December 2020		41,092,641	(400,646)	687,219	519,265	41,898,479
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	15	-	(301,680)	-	-	(301,680)
At 31 December 2019		41,092,641	(301,680)	1,294,299	1,493,963	43,579,223

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



STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash Flows from Operating Activities				
(Loss)/Profit before tax	(1,453,062)	3,147,667	(851,955)	1,580,395
Adjustments for:				
Bad debts written off - Trade	3,940	-	-	-
Depreciation of property, plant and equipment	3,286,397	3,691,441	153,518	146,390
Depreciation of right-of-use assets	1,674,292	1,303,110	211,117	240,997
Depreciation of investment properties	80,679	80,682	80,679	80,682
Dividend income	-	-	-	(2,030,000)
Fair value gain on short term investment	(99,909)	(124,432)	(99,909)	(124,432)
Loss/(Gain) on disposal of property, plant and equipment	33,259	(14,763)	-	4,236
Property, plant and equipment written off	317,481	32,435	257,791	16,676
Impairment loss on non-current assets held for sale	286,000	-	286,000	-
Impairment loss on investment in subsidiary companies	-	-	26,749	273,255
Impairment loss on amount due from subsidiary companies	-	-	-	19,679
Impairment loss on trade receivables	12,954	14,870	-	-
Other payables written back	(18,462)	-	-	-
Reversal of impairment loss on amount due from a subsidiary company	-	-	-	(12)
Reversal of impairment loss on trade receivables	-	(125,707)	-	-
Interest expenses	502,271	815,715	181,128	269,614
Interest income	(138,397)	(111,612)	(7,215)	(45,176)
Inventories written off	-	21,994	-	-
Operating profit before working capital changes	4,487,443	8,731,400	237,903	432,304
Changes in working capital:				
Inventories	3,202,005	6,177,911	-	-
Trade receivables	2,450,900	(538,087)	-	-
Other receivables	344,125	(1,218,705)	50,195	(79,515)
Trade payables	17,100	960,947	-	-
Other payables	(373,021)	(1,020,950)	131,177	(22,450)
	5,641,109	4,361,116	181,372	(101,965)
Cash generated from operations	10,128,552	13,092,516	419,275	330,339
Interest received	138,397	96,349	7,215	29,913
Interest paid	(502,271)	(815,715)	(181,128)	(269,614)
Tax paid	(463,590)	(414,984)	(140,258)	(43,388)
Tax refund	1,768	112,062	-	50,304
	(825,696)	(1,022,288)	(314,171)	(232,785)
Net cash from operating activities	9,302,856	12,070,228	105,104	97,554



STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Cont'd)

Note	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash Flows from Investing Activities				
Repayment from subsidiary companies	-	-	(797,020)	788,254
Dividend received	-	-	-	2,030,000
Purchase of property, plant and equipment	(7,775,964)	(4,548,093)	(29,452)	(18,398)
Additions to right-of-use assets	(156,598)	(172,747)	-	-
Acquisition of additional interest from non-controlling interests	7(b) -	(49,000)	-	-
Acquisition of investment in subsidiary company	-	-	-	(49,000)
Proceeds from disposal of property, plant and equipment	37,000	22,401	-	3,401
Net cash (used in)/from investing activities	(7,895,562)	(4,747,439)	(826,472)	2,754,257
Cash Flows from Financing Activities				
Repayment of bank borrowings	(763,379)	(1,208,916)	(411,404)	(875,876)
Payment of lease liabilities	(1,481,278)	(581,504)	(373,671)	(107,501)
Purchase of treasury shares	(98,966)	(301,680)	(98,966)	(301,680)
Net cash used in financing activities	(2,343,623)	(2,092,100)	(884,041)	(1,285,057)
Net (decrease)/increase in cash and cash equivalents	(936,329)	5,230,689	(1,605,409)	1,566,754
Cash and cash equivalents at the beginning 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	7,719,845	8,656,174	367,589	1,972,998
Cash and cash equivalents at the end of the financial year comprises:				
Cash and bank balances	2,918,696	2,538,672	367,589	443,358
Fixed deposits with licensed banks	4,801,149	6,235,685	-	1,529,640
Bank overdrafts	-	(118,183)	-	-
	7,719,845	8,656,174	367,589	1,972,998

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



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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 was 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 was located at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. With effect from 27 January 2021, the Company's registered office has been changed to Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan.

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:

Amendments to References to the Conceptual Framework in MFRS Standards	
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 9, MFRS 139, and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 4	Extension of the Temporary Exemption from applying MFRS 9

The adoption of the new and amendments to MFRS's did not have any significant impact on the financial statements of the Group and of the Company.

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
Amendments to MFRS 16	Covid-19 – Related Rent Concessions	1 June 2020
Amendments to MFRS 4, MFRS 7, MFRS 9, MFRS 16 and MFRS 139	Interest Rate Benchmark Reform – Phase 2	1 January 2021



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

		Effective dates for financial periods beginning on or after
Amendments to MFRS 16	Covid-19 – Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRSs Standards 2018 - 2020:		1 January 2022
• Amendments to MFRS 1		
• Amendments to MFRS 9		
• Amendments to MFRS 16		
• Amendments to MFRS 141		
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 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, if applicable, when they become effective.

The Group and the Company do not plan to apply MFRS 17 and Amendments to MFRS 17 *Insurance Contracts* that is effective for annual period beginning or after 1 January 2023 as it is not applicable to the Group and to the Company.

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

(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.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

2. Basis of Preparation (Cont'd)

(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:

Classification between investment properties and property, plant and equipment

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.

Key sources of estimation uncertainty

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

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

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.

Impairment of investment in subsidiary companies

The Company reviews its investments in subsidiary companies when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount at the reporting date for investment in subsidiary companies is disclosed in Note 7.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Deferred tax assets

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

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 8.

Provision for expected credit loss of financial assets at amortised cost

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.

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.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

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 2020, the Group and the Company have tax recoverable of RM74,677 (2019: RM169,567) and RM13,778 (2019: RM21,517) 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.

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.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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.

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.

(iii) Disposal of subsidiary companies

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

(b) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

3. Significant Accounting Policies (Cont'd)

(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.

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 retained earnings.

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 the Company 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 2020

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	10 years
Office equipment	2 to 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.

Buildings, leasehold land and factory lots

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 and the Company 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

As lessee

The Group and the Company recognises 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
Leasehold buildings	Over the remaining lease period
Buildings	50 years
Factory equipment	1 year
Motor vehicles	5 years



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

3. Significant Accounting Policies (Cont'd)

(d) Leases (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's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group 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.

(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 lease period
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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 2020

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 2020

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 financial liabilities at fair value, net of transaction costs. Subsequently, the liability is measured at the higher of:

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

(j) Impairment of assets

(i) Non-financial assets

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

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.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

3. Significant Accounting Policies (Cont'd)

(j) Impairment of assets (Cont'd)

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

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.

(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.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

3. Significant Accounting Policies (Cont'd)

(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.

(o) Revenue recognition

(i) Revenue from contracts with customers

Revenue is recognised when the Group and the Company 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 and the Company recognise 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.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

3. Significant Accounting Policies (Cont'd)

(o) Revenue recognition (Cont'd)

(i) Revenue from contracts with customers (Cont'd)

(a) Sale of goods (Cont'd)

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.

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 Company, and the Group and the Company 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 and the Company's right to receive payment is established.

(iv) Interest income

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

(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.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

3. Significant Accounting Policies (Cont'd)

(q) Borrowing costs

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

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.

(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.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

3. Significant Accounting Policies (Cont'd)

(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.

(u) Non-current assets held for sale

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

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

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

(v) Fair value measurement

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

4. Property, Plant and Equipment

Group 2020	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
Cost							
At 1 January 2020	1,909,701	903,718	2,406,781	33,669,736	1,174,906	5,165,689	45,230,531
Additions	48,114	-	-	725,376	12,000	6,990,474	7,775,964
Disposals	-	-	-	(236,975)	-	-	(236,975)
Written off	(819,718)	-	-	(326,735)	(38)	(755,214)	(1,901,705)
Reclassification	87,070	-	-	1,857,040	-	(1,944,110)	-
Transferred from right-of-use assets (Note 5)	-	1,183,720	-	-	-	-	1,183,720
At 31 December 2020	1,225,167	2,087,438	2,406,781	35,688,442	1,186,868	9,456,839	52,051,535
Accumulated depreciation							
At 1 January 2020	812,635	885,957	1,626,384	22,869,332	741,933	-	26,936,241
Charge for the financial year	87,379	136,094	188,652	2,764,794	109,478	-	3,286,397
Disposals	-	-	-	(166,716)	-	-	(166,716)
Written off	(542,939)	-	-	(286,034)	(37)	-	(829,010)
Transferred from right-of-use assets (Note 5)	-	457,033	-	-	-	-	457,033
At 31 December 2020	357,075	1,479,084	1,815,036	25,181,376	851,374	-	29,683,945
Accumulated impairment losses							
At 1 January	-	-	-	-	-	755,214	755,214
Written off	-	-	-	-	-	(755,214)	(755,214)
At 31 December 2020	-	-	-	-	-	-	-
Carrying amount							
At 31 December 2020	868,092	608,354	591,745	10,507,066	335,494	9,456,839	22,367,590



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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

Group 2019	At valuation <----->		At cost ----->						Total RM
	Leasehold land and factory lots RM	Leasehold 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	
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/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 2020

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

	Office equipment RM	Renovation RM	Furniture and fittings RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
Company						
2020						
Cost						
At 1 January 2020	549,056	584,973	267,897	7,300	-	1,409,226
Additions	13,752	-	-	-	15,700	29,452
Written off	(451,350)	-	(232,032)	-	-	(683,382)
Transferred from right-of-use assets (Note 5)	-	-	-	643,857	-	643,857
Transferred to subsidiary companies	(4,057)	-	-	-	-	(4,057)
At 31 December 2020	107,401	584,973	35,865	651,157	15,700	1,395,096
Accumulated depreciation						
At 1 January 2020	387,843	257,379	56,891	2,190	-	704,303
Charge for the financial year	33,643	58,497	6,263	55,115	-	153,518
Written off	(372,578)	-	(53,013)	-	-	(425,591)
Transferred from right-of-use assets (Note 5)	-	-	-	319,060	-	319,060
Transferred to subsidiary companies	(1,961)	-	-	-	-	(1,961)
At 31 December 2020	46,947	315,876	10,141	376,365	-	749,329
Carrying amount						
At 31 December 2020	60,454	269,097	25,724	274,792	15,700	645,767

<- At valuation -><----- At cost ----->

	Leasehold 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



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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

	<- At valuation ->		----- At cost ----->			Total RM
	Leasehold Buildings RM	Office equipment RM	Renovation RM	Furniture and fittings RM	Motor vehicles RM	
Company						
2019						
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

Following adoption to MFRS 16 on 1 January 2019, the Group and the Company have reclassified the carrying amount of buildings, leasehold land and factory lots and motor vehicles to ROU assets (Note 5).

5. Right-of-Use Assets

	<-----At valuation----->		<----- At cost ----->			Total RM
	Leasehold land and factory lots RM	Leasehold buildings RM	Buildings RM	Factory equipment RM	Motor vehicles RM	
Group						
2020						
Cost/Valuation						
At 1 January 2020	30,417,755	6,800,000	758,262	-	2,292,775	40,268,792
Additions	-	-	-	596,794	1,052,512	1,649,306
Transferred to property, plant and equipment (Note 4)	-	-	-	-	(1,183,720)	(1,183,720)
Transferred to investment properties (Note 6)	-	(6,800,000)	-	-	-	(6,800,000)
At 31 December 2020	30,417,755	-	758,262	596,794	2,161,567	33,934,378
Accumulated depreciation						
At 1 January 2020	124,685	-	284,348	-	541,820	950,853
Charge for the financial year	615,562	136,000	379,131	149,199	394,400	1,674,292
Transferred to property, plant and equipment (Note 4)	-	-	-	-	(457,033)	(457,033)
Transferred to investment properties (Note 6)	-	(136,000)	-	-	-	(136,000)
At 31 December 2020	740,247	-	663,479	149,199	479,187	2,032,112



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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

	<-----At valuation----->		<----- At cost ----->			Total RM
	Leasehold land and factory lots RM	Leasehold buildings RM	Buildings RM	Factory equipment RM	Motor vehicles RM	
Group						
2020						
Accumulated impairment losses						
At 1 January 2020	-	-	-	-	-	-
Recognised for the financial year	-	858,000	-	-	-	858,000
Transferred to investment properties (Note 6)	-	(858,000)	-	-	-	(858,000)
At 31 December 2020	-	-	-	-	-	-
Carrying amount						
At 31 December 2020	29,677,508	-	94,783	447,595	1,682,380	31,902,266

	<-----At valuation----->		<----- At cost ----->			Total RM
	Leasehold land and factory lots RM	Leasehold buildings RM	Buildings RM	Motor vehicles RM	Motor vehicles RM	
Group						
2019						
Cost/Valuation						
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	6,800,000	758,262	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 for the financial year	509,181	112,226	284,348	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	6,800,000	473,914	1,750,955		39,317,939



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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

	<At valuation> Leasehold buildings RM	<At cost> Motor vehicles RM	Total RM
Company			
2020			
Cost/Valuation			
At 1 January 2020	6,800,000	643,857	7,443,857
Transferred to property, plant and equipment (Note 4)	-	(643,857)	(643,857)
Transferred to investment properties (Note 6)	(6,800,000)	-	(6,800,000)
At 31 December 2020	-	-	7,443,857
Accumulated depreciation			
At 1 January 2020	-	243,943	243,943
Charge for the financial year	136,000	75,117	211,117
Transferred to property, plant and equipment (Note 4)	-	(319,060)	(319,060)
Transferred to investment properties (Note 6)	(136,000)	-	(136,000)
At 31 December 2020	-	-	-
Accumulated impairment losses			
At 1 January 2020	-	-	-
Recognised for the financial year	858,000	-	858,000
Transferred to investment properties (Note 6)	(858,000)	-	(858,000)
At 31 December 2020	-	-	-
Carrying amount			
At 31 December 2020	-	-	-
Company			
2019			
Cost/Valuation			
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 for 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



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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

(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 2020, the remaining lease term of leasehold lands and factory lots and buildings of the Group ranges from 33 to 80 (2019: 34 to 81) years.

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

In the previous financial year, the 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.

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 2020 are as follows:

	Level 1 RM	Level 2 RM	Level 3 RM
2020			
Group			
Leasehold land and factory lots	-	29,677,508	-
2019			
Group			
Buildings	-	6,800,000	-
Leasehold land and factory lots	-	30,293,070	-
Company			
Buildings	-	6,800,000	-

There were no transfers between levels during the financial year.

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Leasehold land and factory lots	7,815,038	7,981,084	-	-
Leasehold buildings	11,788,862	12,036,827	4,984,747	5,096,974
	<u>19,603,900</u>	<u>20,017,911</u>	<u>4,984,747</u>	<u>5,209,201</u>

(c) Impairment loss

During the financial year, the Group and Company assess the recoverable amount of the land and buildings based on recent market transacted price. As a result of the impairment assessment, an impairment loss of RM858,000 (2019: Nil) was recognised.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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

- (d) Motor vehicles pledged as securities to related lease liabilities

The Group and the Company lease motor vehicles with lease term of 5 years. The Group and the Company have options to purchase assets at the end of contract term.

Motor vehicles of the Group and the Company with carrying amount of RM1,682,380 (2019: RM1,750,955) and Nil (2019: RM399,914) respectively, are pledged as securities for the related lease liabilities (Note 18).

- (e) Transferred to property, plant and equipment

The transferred to property, plant and equipment represents assets that had been previously used under lease arrangement and were purchased by the Group and the Company at the end of the lease term, now used as own property, plant and equipment.

6. Investment Properties

	Group and Company	
	2020	2019
	RM	RM
Cost		
At 1 January	4,034,070	4,034,070
Transferred from right-of-use assets (Note 5)	6,800,000	-
Transferred to non-current assets held for sale (Note 14)	(1,700,000)	-
At 31 December	9,134,070	4,034,070
Accumulated depreciation		
At 1 January	369,790	289,108
Charge for the financial year	80,679	80,682
Transferred from right-of-use assets (Note 5)	136,000	-
Transferred to non-current assets held for sale (Note 14)	(34,000)	-
At 31 December	552,469	369,790
Accumulated impairment losses		
At 1 January	-	-
Transferred from right-of-use assets (Note 5)	858,000	-
At 31 December	858,000	-
Carrying amount		
At 31 December	7,723,601	3,664,280

- (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. The remaining lease term of leasehold lands and factory lots and buildings of the Group are 80 (2019: 81) years.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

6. Investment Properties (Cont'd)

(b) Fair value basis of investment properties

The investment properties are valued at fair value based on market value determined by independent qualified valuer amounting to RM8,280,000 (2019: 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.

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

	Level 2 RM
Group and Company 2020	
Investment properties	8,280,000
	<hr/>
2019	
Investment properties	4,920,000
	<hr/>

There were no transfers between levels during the financial year.

(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 2020 RM	2019 RM
Rental income	116,234	127,400
Direct operating expenses:		
- Income generating investment properties	(12,570)	(6,944)
- Non-income generating investment properties	(2,514)	-
	<hr/>	<hr/>

(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.

7. Investment in Subsidiary Companies

	Company 2020 RM	2019 RM
At cost		
Unquoted shares	34,945,030	35,731,133
Less: Accumulated impairment losses	(970,004)	(1,729,358)
	<hr/>	<hr/>
	33,975,026	34,001,775
	<hr/>	<hr/>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

7. Investment in Subsidiary Companies (Cont'd)

Movements in the allowance for impairment loss are as follows:

	Company	
	2020 RM	2019 RM
At 1 January	1,729,358	1,456,103
Impairment losses recognised	26,749	273,255
Disposal of a subsidiary company	(786,103)	-
At 31 December	970,004	1,729,358

During the financial year, the Company carried out a review of the recoverable amounts of certain subsidiary companies. An impairment loss on the investments amounting to RM26,749 (2019: RM273,255) was recognised in the 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		Principal activities
		2020 %	2019 %	
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	Dormant
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	Dormant
Tradergy Sdn. Bhd. (Formerly known as Transada Chemicals Sdn. Bhd.)	Malaysia	100	100	Dormant
Hiap Huat Services Sdn. Bhd.	Malaysia	100	100	Physical refining, processing, pre-treatment, recovery, reuse and trading of waste and residues and by-products generated from oil palm and other oils and fats industry
Lab Master Sdn. Bhd.	Malaysia	100	100	Provide laboratory services including provide the products and services which involve in numerous research projects, provision of scientific or clinical advice, diagnostic testing services, dealing in all substance, apparatus and related services



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

7. Investment in Subsidiary Companies (Cont'd)

(a) Disposal of subsidiary companies

During the financial year

On 7 February 2020, Hiap Huat Portal Solutions Sdn. Bhd. ('HHPS') has been struck off by Companies Commission of Malaysia under Section 550 of Companies Act 2016. The derecognition of HHPS is not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.

(b) Acquisition of non-controlling interests

In the previous financial year

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 is attributable to the owners of the Company:

	2019
	RM
Carrying amount of non-controlling interest acquired	(358,376)
Consideration paid to non-controlling interest	(49,000)
	<hr/>
Decrease in parent's equity	(407,376)
	<hr/>

8. Inventories

	Group	
	2020	2019
	RM	RM
Raw materials	2,689,191	6,490,449
Packing materials	43,157	65,769
Finished goods	2,172,911	1,551,046
	<hr/>	<hr/>
	4,905,259	8,107,264
	<hr/>	<hr/>
Recognised in profit or loss:		
Inventories recognised as cost of sales	31,300,876	40,021,609
Inventories written off	-	21,994
	<hr/>	<hr/>

9. Trade Receivables

	Group	
	2020	2019
	RM	RM
Trade receivables	3,775,357	6,230,197
Less: Accumulated impairment losses	(77,573)	(64,619)
	<hr/>	<hr/>
	3,697,784	6,165,578
	<hr/>	<hr/>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

9. Trade Receivables (Cont'd)

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2019: 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:

	2020 RM	Group 2019 RM
At 1 January	64,619	175,456
Impairment losses recognised	12,954	14,870
Reversal of impairment losses	-	(125,707)
	<hr/>	<hr/>
At 31 December	77,573	64,619

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Group is 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	Gross amount RM	Loss allowance RM	Net amount RM
2020			
Neither past due nor impaired	2,461,259	-	2,461,259
Past due but not impaired:			
Less than 30 days	827,168	(12,260)	814,908
31 to 60 days	152,281	(4,291)	147,990
61 to 90 days	231,556	(11,250)	220,306
More than 90 days	75,270	(21,949)	53,321
	<hr/>	<hr/>	<hr/>
	1,286,275	(49,750)	1,236,525
	<hr/>	<hr/>	<hr/>
	3,747,534	(49,750)	3,697,784
Credit impaired:			
Individual impaired	27,823	(27,823)	-
	<hr/>	<hr/>	<hr/>
	3,775,357	(77,573)	3,697,784
	<hr/>	<hr/>	<hr/>
2019			
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
	<hr/>	<hr/>	<hr/>
	2,649,255	(49,750)	2,599,505
	<hr/>	<hr/>	<hr/>
	6,215,328	(49,750)	6,165,578
Credit impaired:			
Individual impaired	14,869	(14,869)	-
	<hr/>	<hr/>	<hr/>
	6,230,197	(64,619)	6,165,578
	<hr/>	<hr/>	<hr/>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

9. Trade Receivables (Cont'd)

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

As at 31 December 2020, trade receivables of RM1,236,525 (2019: RM2,599,505) 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 RM27,823 (2019: RM14,869). These balances are expected to be recovered through the debt recovery process.

10. Other Receivables

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other receivables	43,225	413,293	-	35,636
Deposits	2,738,753	2,637,253	24,482	28,412
Prepayments	171,413	227,767	71,378	80,130
GST receivables	-	19,204	-	1,877
	<u>2,953,391</u>	<u>3,297,517</u>	<u>95,860</u>	<u>146,055</u>

Included in deposits is an amount of RM2,393,186 (2019: RM2,393,186) relating to earnest deposit paid for acquisition of property, plant and equipment (Note 33).

11. Amount Due from/(to) Subsidiary Companies

	Company	
	2020 RM	2019 RM
Amount due from subsidiary companies		
Non-interest bearing	805,810	774,333
Less: Accumulated impairment losses	(300,520)	(665,401)
	<u>505,290</u>	<u>108,932</u>
Amount due to subsidiary companies		
Non-interest bearing	(1,985,389)	(2,388,147)
	<u>(1,985,389)</u>	<u>(2,388,147)</u>

Movements in the allowance for impairment loss are as follows:

	Company	
	2020 RM	2019 RM
At 1 January	665,401	645,734
Impairment losses recognised	-	19,679
Reversal of impairment losses	-	(12)
Written off	(364,881)	-
At 31 December	<u>300,520</u>	<u>665,401</u>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

11. Amount Due from/(to) Subsidiary Companies (Cont'd)

During the financial year, the Company carried out a review of the recoverable amounts on certain subsidiary companies. An impairment loss of Nil (2019: RM19,679) was recognised in statement of profit or loss and other comprehensive income.

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

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 1.65% - 3.40% (2019: 3.10% - 3.40%) per annum and the maturities of deposits are 90 days (2019: 90 days).

13. Short Term Investment

	Group and Company			
	2020		2019	
	Carrying amount RM	Market value of investment RM	Carrying amount RM	Market value of investment RM
At fair value				
- Unit trust fund	4,249,881	4,249,881	4,149,972	4,149,972

14. Non-Current Asset Held for Sale

On 16 November 2020, the Company entered into a Sale and Purchase Agreement (“SPA”) to dispose of a leasehold building for a total cash consideration of RM1,380,000. As at 31 December 2020, the Conditions Precedent as set out in the SPA have yet to be fulfilled. The disposal is expected to be completed in the next financial year.

	Group and Company	
	2020 RM	2019 RM
Carrying amount		
At 1 January	-	-
Transferred from investment properties(Note 6)	1,666,000	-
Impairment loss recognised	(286,000)	-
At 31 December	1,380,000	-



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

15. Share Capital

	Group and Company			
	Number of Shares		Amount	
	2020 Units	2019 Units	2020 RM	2019 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. In respect of the Company's treasury shares that are held by the Company, all rights are suspended until these shares are reissued.

Treasury Shares

	Group and Company			
	Number of Shares		Amount	
	2020 Units	2019 Units	2020 RM	2019 RM
At 1 January	3,129,000	-	301,680	-
Purchase of own shares	984,000	3,129,000	98,966	301,680
At 31 December	4,113,000	3,129,000	400,646	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 984,000 (2019: 3,129,000) of its issued ordinary shares from the open market at an average price RM0.1006 (2019: RM0.096) per share. The total consideration paid for the repurchase was RM98,966 (2019: 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 2020, the total shares held as treasury shares amounted to 4,113,000 (2019: 3,129,000) ordinary shares at a total cost of RM400,646 (2019: RM301,680).

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

16. Merger Deficit

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



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

17. Revaluation Reserves

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 January	9,488,431	2,728,934	1,294,299	-
Revaluation of land and buildings	-	8,894,075	-	1,703,025
Impairment loss on buildings	(858,000)	-	(858,000)	-
Adjustment on effect of deferred tax	250,920	(2,134,578)	250,920	(408,726)
At 31 December	8,881,351	9,488,431	687,219	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.

18. Lease Liabilities

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 January	1,965,518	-	373,671	-
Effect of adopting MFRS 16	-	1,065,360	-	481,172
At 1 January, as restated	1,965,518	1,065,360	373,671	481,172
Additions	1,492,708	1,481,662	-	-
Payments	(1,481,278)	(581,504)	(373,671)	(107,501)
At 31 December	1,976,948	1,965,518	-	373,671
Presented as:				
Non-current	1,081,810	1,197,789	-	260,886
Current	895,138	767,729	-	112,785
	1,976,948	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	
	2020 RM	2019 RM	2020 RM	2019 RM
Within one year	951,762	910,438	-	127,044
Later than one year but not later than two years	387,612	488,347	-	127,044
Later than two years but not later than five years	783,445	736,151	-	147,184
	2,122,819	2,134,936	-	401,272
Less: Future finance charges	(145,871)	(169,418)	-	(27,601)
Present value of lease liabilities	1,976,948	1,965,518	-	373,671

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



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

19. Bank Borrowings

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Secured				
<i>Floating rate</i>				
Term loan I	616,886	683,158	616,886	683,158
Term loan II	677,692	736,258	677,692	736,258
Term loan III	677,718	736,258	677,718	736,258
Term loan IV	647,082	702,974	647,082	702,974
Term loan V	647,082	702,974	647,082	702,974
Term loan VI	672,889	731,011	672,889	731,011
Term loan VII	672,891	731,011	672,891	731,011
Term loan VIII	-	235,959	-	-
Term loan IX	631,660	645,676	-	-
Term loan X	8,133,434	8,235,434	-	-
Bank overdrafts	-	118,183	-	-
	<u>13,377,334</u>	<u>14,258,896</u>	<u>4,612,240</u>	<u>5,023,644</u>
Non-current				
Term loan I	470,565	573,269	470,565	573,269
Term loan II	520,137	619,143	520,137	619,143
Term loan III	520,164	619,143	520,164	619,143
Term loan IV	496,651	591,158	496,651	591,158
Term loan V	496,651	591,158	496,651	591,158
Term loan VI	516,461	614,733	516,461	614,733
Term loan VII	516,463	614,733	516,463	614,733
Term loan VIII	-	203,767	-	-
Term loan IX	577,172	600,555	-	-
Term loan X	7,916,112	7,976,218	-	-
	<u>12,030,376</u>	<u>13,003,877</u>	<u>3,537,092</u>	<u>4,223,337</u>
Current				
Term loan I	146,321	109,889	146,321	109,889
Term loan II	157,555	117,115	157,555	117,115
Term loan III	157,554	117,115	157,554	117,115
Term loan IV	150,431	111,816	150,431	111,816
Term loan V	150,431	111,816	150,431	111,816
Term loan VI	156,428	116,278	156,428	116,278
Term loan VII	156,428	116,278	156,428	116,278
Term loan VIII	-	32,192	-	-
Term loan IX	54,488	45,121	-	-
Term loan X	217,322	259,216	-	-
Bank overdrafts	-	118,183	-	-
	<u>1,346,958</u>	<u>1,255,019</u>	<u>1,075,148</u>	<u>800,307</u>
	<u>13,377,334</u>	<u>14,258,896</u>	<u>4,612,240</u>	<u>5,023,644</u>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

19. Bank Borrowings (Cont'd)

Term Loan I, II, III, IV, V, VI and VII

The term loan bears interest at floating rate of 5.42% (2019: 4.25%) 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 subsidiary company.

Term Loan VIII and IX

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 5(a);
- (d) corporate guarantee by the Company; and
- (e) jointly and severally guaranteed by certain Directors of the Company.

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

Term Loan X

The term loan bears interest at rate of 4.80-7.44% 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Within one year	1,346,958	1,255,019	1,075,148	800,307
Between one to two years	1,442,402	1,210,165	1,111,692	855,972
Between two to five years	3,860,274	4,544,359	2,425,400	3,367,365
After five years	6,727,700	7,249,353	-	-
	<u>13,377,334</u>	<u>14,258,896</u>	<u>4,612,240</u>	<u>5,023,644</u>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

19. Bank Borrowings (Cont'd)

Ranges of interest rates of bank borrowings are as follows:

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Term loans	4.65-7.40	4.25-6.85	2.03-6.67	4.25
Bank overdrafts	4.95-7.60	4.95-7.60	-	-

20. Deferred Tax Liabilities

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 January	6,078,459	2,876,468	503,755	58,800
Recognised in other comprehensive income	(250,920)	2,134,578	(250,920)	408,726
Recognised in profit or loss (Note 26)	(351,251)	874,786	(5,285)	19,583
(Over)/Under provision in prior year (Note 26)	(360,891)	192,627	(19,969)	16,646
At 31 December	5,115,397	6,078,459	227,581	503,755

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Deferred tax liabilities	5,625,886	6,706,404	227,581	503,755
Deferred tax assets	(510,489)	(627,945)	-	-
	5,115,397	6,078,459	227,581	503,755

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

Deferred tax liabilities	Accelerated capital allowances RM	Revaluation of assets RM	Total RM
Group			
At 1 January 2020	3,800,542	2,905,862	6,706,404
Recognised in profit or loss	(207,260)	(191,174)	(398,434)
Recognised in other comprehensive income	-	(250,920)	(250,920)
Under/(Over) provision in prior years	223,400	(654,564)	(431,164)
At 31 December 2020	3,816,682	1,809,204	5,625,886
At 1 January 2019	3,894,233	784,180	4,678,413
Recognised in profit or loss	(268,700)	(17,235)	(285,935)
Recognised in other comprehensive income	-	2,134,578	2,134,578
(Over)/Under provision in prior years	175,009	4,339	179,348
At 31 December 2019	3,800,542	2,905,862	6,706,404



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

20. Deferred Tax Liabilities (Cont'd)

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

Deferred tax liabilities	Accelerated capital allowances RM	Revaluation of assets RM	Total RM
Company			
At 1 January 2020	95,029	408,726	503,755
Recognised in profit or loss	(46,042)	40,757	(5,285)
Recognised in other comprehensive income	-	(250,920)	(250,920)
Over provision in prior years	(15,621)	(4,348)	(19,969)
	<hr/>	<hr/>	<hr/>
At 31 December 2020	33,366	194,215	227,581
At 1 January 2019	125,484	-	125,484
Recognised in profit or loss	(22,868)	-	(22,868)
Recognised in other comprehensive income	-	408,726	408,726
Over provision in prior years	(7,587)	-	(7,587)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	95,029	408,726	503,755

Deferred tax assets	Unabsorbed capital allowances RM	Unutilised tax losses RM	Right-of- use assets RM	Total RM
Group				
At 1 January 2020	(449,937)	(173,738)	(4,270)	(627,945)
Recognised in profit or loss	59,183	-	(12,000)	47,183
Under provision in prior years	66,003	-	4,270	70,273
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	(324,751)	(173,738)	(12,000)	(510,489)
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
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	(449,937)	(173,738)	(4,270)	(627,945)

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
Over provision in prior years	24,233	24,233
	<hr/>	<hr/>
At 31 December 2019	-	-



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

20. Deferred Tax Liabilities (Cont'd)

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Unutilised tax losses	797,600	712,100	-	-
Unabsorbed capital allowances	34,800	33,800	-	-
	<u>832,400</u>	<u>745,900</u>	<u>-</u>	<u>-</u>

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 unabsorbed capital allowances 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.

21. Trade Payables

The Group's normal trade credit terms range from 30 to 120 days (2019: 30 to 120 days). Other credit terms are assessed and approved on a case to case basis.

22. Other Payables

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other payables	200,824	687,009	4,323	7,146
Deposits received	1,332,302	36,654	150,500	36,654
Accruals	270,088	289,232	78,280	58,126
	<u>1,803,214</u>	<u>1,012,895</u>	<u>233,103</u>	<u>101,926</u>

Included in the deposit received of the Group is an amount of RM1,181,802 (2019: Nil) relating to advance received for supply of goods.

23. Revenue

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contracts with customers:				
- Sale of goods	37,295,189	50,354,153	-	-
- Management fees received from subsidiary companies	-	-	3,060,000	3,060,000
- Services rendered	240	580,387	-	-
	<u>37,295,429</u>	<u>50,934,540</u>	<u>3,060,000</u>	<u>3,060,000</u>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

23. Revenue (Cont'd)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from other sources:				
- Dividend income received from a subsidiary company	-	-	-	2,030,000
	<u>37,295,429</u>	<u>50,934,540</u>	<u>3,060,000</u>	<u>5,090,000</u>
Timing of revenue recognition:				
- At a point in time	37,295,429	50,934,540	-	-
- Overtime	-	-	3,060,000	3,060,000
	<u>37,295,429</u>	<u>50,934,540</u>	<u>3,060,000</u>	<u>3,060,000</u>

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

	Trading and service	
	2020 RM	2019 RM
Major goods and services:		
Sale of goods	37,295,189	50,354,153
Services rendered	240	580,387
Total revenue from contracts with customers	<u>37,295,429</u>	<u>50,934,540</u>
Geographical market:		
Malaysia	33,859,667	44,654,188
Singapore	1,925,586	1,095,552
Italy	52,576	33,015
Vietnam	1,457,600	5,151,785
Total revenue from contracts with customers	<u>37,295,429</u>	<u>50,934,540</u>

24. Finance Costs

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Interest expenses on:				
Term loans	419,994	709,949	170,455	250,072
Bank overdrafts	625	9,857	-	-
Lease liabilities	81,652	95,909	10,673	19,542
	<u>502,271</u>	<u>815,715</u>	<u>181,128</u>	<u>269,614</u>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

25. (Loss)/Profit Before Tax

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Auditors' remuneration				
- statutory audit	93,000	94,000	30,000	30,000
- overprovision in prior year	(1,000)	(4,000)	-	-
- other service	5,000	5,000	5,000	5,000
Bad debts written off - Trade	3,940	-	-	-
Depreciation of:				
- property, plant and equipment	3,286,397	3,691,441	153,518	146,390
- right-of-use assets	1,674,292	1,303,110	211,117	240,997
- investment properties	80,679	80,682	80,679	80,682
Fair value gain on short term investment	(99,909)	(124,432)	(99,909)	(124,432)
Impairment loss on				
- investment in subsidiary companies	-	-	26,749	273,255
Net loss/(gain) on impairment of financial instruments:				
Impairment loss on				
- amount due from subsidiary companies	-	-	-	19,679
- trade receivables	12,954	14,870	-	-
Reversal of impairment loss on amount due from a subsidiary company	-	-	-	(12)
Reversal of impairment loss on trade receivables	-	(125,707)	-	-
	12,954	(110,837)	-	19,667
Impairment loss on non-current assets held for sale	286,000	-	286,000	-
Non-executive Directors' remuneration:				
- Fees	164,000	153,000	164,000	153,000
- Other benefits	19,200	15,000	19,200	15,000
Inventories written off	-	21,994	-	-
Property, plant and equipment written off	317,481	32,435	257,791	16,676
Realised loss on foreign exchange	71,809	101,208	147	-
Loss/(Gain) on disposal of property, plant and equipment	33,259	(14,763)	-	4,236
Interest income	(138,397)	(111,612)	(7,215)	(45,176)
Other payables written back	(18,462)	-	-	-
Rental income	(116,234)	(127,400)	(116,234)	(127,400)



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

26. Taxation

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Tax expenses recognised in profit or loss:				
Current tax provision	449,327	207,336	103,434	12,143
Under/(Over) provision in prior year	107,386	15,310	44,563	(7,878)
	<u>556,713</u>	<u>222,646</u>	<u>147,997</u>	<u>4,265</u>
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 20)	(351,251)	874,786	(5,285)	19,583
(Over)/Under provision in prior year (Note 20)	(360,891)	192,627	(19,969)	16,646
	<u>(712,142)</u>	<u>1,067,413</u>	<u>(25,254)</u>	<u>36,229</u>
Tax expenses for the financial year	<u>(155,429)</u>	<u>1,290,059</u>	<u>122,743</u>	<u>40,494</u>

Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated assessable profits for the financial year.

A reconciliation of income tax expenses applicable to (loss)/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	
	2020 RM	2019 RM	2020 RM	2019 RM
(Loss)/Profit before tax	(1,453,062)	3,147,667	(851,955)	1,580,395
At Malaysian statutory tax rate of 24% (2019: 24%)	(348,735)	755,440	(204,469)	379,295
Expenses not deductible for tax purposes	429,800	453,995	302,618	169,495
Income not subject to tax	(3,703)	(126,114)	-	(517,064)
Deferred tax assets not recognised	23,630	-	-	-
Utilisation of previously unrecognised deferred tax assets	(2,916)	(1,199)	-	-
Under/(Over) provision of income tax expense in prior year	107,386	15,310	44,563	(7,878)
(Over)/Under provision of deferred tax in prior year	(360,891)	192,627	(19,969)	16,646
Tax expenses for the financial year	<u>(155,429)</u>	<u>1,290,059</u>	<u>122,743</u>	<u>40,494</u>

The Group and the Company has the following estimated unutilised 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Unutilised tax losses	1,521,500	1,436,000	-	-
Unabsorbed allowances	1,388,000	1,908,500	-	-
	<u>2,909,500</u>	<u>3,344,500</u>	<u>-</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

27. Staff Costs

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Salaries, wages and other emoluments	4,806,631	4,794,622	1,748,343	1,731,722
Social security contributions	46,244	44,976	9,390	10,176
Defined contribution plans	414,324	403,200	184,459	179,322
Other benefits	479,906	722,481	261,706	246,331
	<u>5,747,105</u>	<u>5,965,279</u>	<u>2,203,898</u>	<u>2,167,551</u>

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Executive Directors				
<u>Existing Directors of the Company</u>				
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	113,760	113,760	113,760
	<u>1,184,200</u>	<u>1,184,200</u>	<u>1,184,200</u>	<u>1,184,200</u>

28. (Loss)/Earnings Per Share

(a) Basic (loss)/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	
	2020 RM	2019 RM
Net (loss)/profit for the financial year attributable to shareholders	(1,297,633)	1,857,608
Weighted average number of shares in issue	333,301,330	333,301,330
Effect of treasury shares held	(3,579,214)	(1,981,197)
Weighted average number of shares at at 31 December	<u>329,722,116</u>	<u>331,320,133</u>
Basic (loss)/earning per share (in sen)	<u>(0.39)</u>	<u>0.56</u>

(b) Diluted earnings per share

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



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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	New lease RM	Financing cash flows RM	At 31 December RM
2020				
Group				
Lease liabilities	1,965,518	1,492,708	(1,481,278)	1,976,948
Term loans	14,140,713	-	(763,379)	13,377,334
	<u>16,106,231</u>	<u>1,492,708</u>	<u>(2,244,657)</u>	<u>15,354,282</u>
Company				
Lease liabilities	373,671	-	(373,671)	-
Term loans	5,023,644	-	(411,404)	4,612,240
	<u>5,397,315</u>	<u>-</u>	<u>(785,075)</u>	<u>4,612,240</u>

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

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.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

30. Related Party Disclosures (Cont'd)

- (b) Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed in Note 11, the significant related party transactions of the Group and of the Company are as follows:

	Group	
	2020 RM	2019 RM
Transactions with close family members of the Directors/substantial shareholder		
Allowance paid for advisory services provided	67,200	67,200
	<hr/>	<hr/>
	Company	
	2020 RM	2019 RM
Transactions with subsidiary companies		
- Management fee received	3,060,000	3,060,000
- Dividend income received	-	2,030,000
	<hr/>	<hr/>

- (c) Compensation of key management personnel

Remuneration of the Directors is as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Salaries, wages, fee and other emoluments	1,251,200	1,236,000	1,251,200	1,236,000
Social security contribution	2,440	2,440	2,440	2,440
Defined contribution plans	113,760	113,760	113,760	113,760
	<hr/>	<hr/>	<hr/>	<hr/>
	1,367,400	1,352,200	1,367,400	1,352,200

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	
	2020 RM	2019 RM
Group		
Malaysia	33,859,667	44,654,188
Singapore	1,925,586	1,095,552
Italy	52,576	33,015
Vietnam	1,457,600	5,151,785
	<hr/>	<hr/>
	37,295,429	50,934,540



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

31. Segmental Reporting (Cont'd)

Major customers

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

	Revenue	
	2020 RM	2019 RM
Customer A	9,048,199	8,274,829
Customer B	6,451,694	7,039,037
	15,499,893	15,313,866

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
2020			
Group			
Financial Assets			
Trade receivables	3,697,784	-	3,697,784
Other receivables	2,781,978	-	2,781,978
Fixed deposits with licensed banks	4,801,149	-	4,801,149
Short term investment	-	4,249,881	4,249,881
Cash and bank balances	2,918,696	-	2,918,696
	14,199,607	4,249,881	18,449,488
Financial Liabilities			
Trade payables	1,063,193	-	1,063,193
Other payables	1,803,214	-	1,803,214
Lease liabilities	1,976,948	-	1,976,948
Bank borrowings	13,377,334	-	13,377,334
	18,220,689	-	18,220,689



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

32. Financial Instruments (Cont'd)

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

	At Amortised Cost RM	At FVTPL RM	Total RM
2020			
Company			
Financial Assets			
Other receivables	24,482	-	24,482
Amount due from subsidiary companies	505,290	-	505,290
Short term investment	-	4,249,881	4,249,881
Cash and bank balances	367,589	-	367,589
	897,361	4,249,881	5,147,242
Financial Liabilities			
Other payables	233,103	-	233,103
Amount due to subsidiary companies	1,985,389	-	1,985,389
Bank borrowings	4,612,240	-	4,612,240
	6,830,732	-	6,830,732
2019			
Group			
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 2020

32. Financial Instruments (Cont'd)

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Net (loss)/gain on impairment of financial instruments:				
- Financial assets at amortised cost	(12,954)	110,837	-	(19,667)

(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 of 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 Company's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM10,480,872 (2019: RM9,235,252), 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 2020, the Group had 6 customers (2019: 8 customers) that owed the Company at total amount of approximately RM2,581,000 (2019: RM3,987,000), which accounted for approximately 27% (2019: 65%) of all the receivables outstanding.

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



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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.

Group	On demand or within					Total contractual cash flows RM	Total carrying amount RM
	1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM			
2020							
Non-derivative financial liabilities							
Trade payables	1,063,193	-	-	-	1,063,193	1,063,193	
Other payables	1,803,214	-	-	-	1,803,214	1,803,214	
Lease liabilities	951,762	387,612	783,445	-	2,122,819	1,976,948	
Bank borrowings	3,655,065	1,952,256	5,070,743	9,371,010	20,049,074	13,377,334	
	7,473,234	2,339,868	5,854,188	9,371,010	25,038,300	18,220,689	
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	



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

32. Financial Instruments (Cont'd)

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

(ii) Liquidity risk (Cont'd)

Company	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
2020						
Non-derivative financial liabilities						
Other payables	233,103	-	-	-	233,103	233,103
Amount due to subsidiary companies	1,480,099	-	-	-	1,480,099	1,985,389
Bank borrowings	1,213,044	1,213,044	2,512,144	-	4,938,232	4,612,240
Financial guarantee*	10,480,872	-	-	-	10,480,872	-
	13,407,118	1,213,044	2,512,144	-	17,132,306	6,830,732
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
Financial guarantee*	9,235,252	-	-	-	9,235,252	-
	12,966,761	1,241,436	3,910,570	-	18,118,767	7,887,388

* Being corporate guarantee granted for banking facilities of certain subsidiary companies which will only be encased in the event of default by these company.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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:

	2020 RM	2019 RM
Group		
Floating rate instruments		
Financial liabilities	13,377,334	14,258,896
	<hr/>	<hr/>
Fixed rate instruments		
Financial assets	(4,801,149)	(6,235,685)
Financial liabilities	1,976,948	1,965,518
	<hr/>	<hr/>
	(2,824,201)	(4,270,167)
	<hr/>	<hr/>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

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)

	2020 RM	2019 RM
Company		
Floating rate instruments		
Financial liabilities	4,612,240	5,023,644
Fixed rate instruments		
Financial liabilities	-	373,671

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 RM33,443 and RM11,530 (2019: RM35,647 and RM12,559) 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 2020

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			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
Group and Company								
2020								
Financial Asset								
Short term investment	4,249,881	-	-	-	-	-	4,249,881	4,249,881
2019								
Financial Asset								
Short term investment	4,149,972	-	-	-	-	-	4,149,972	4,149,972



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

33. Capital Commitment

	Group	
	2020 RM	2019 RM
Contracted and approved for:		
- Purchase of property, plant and equipment	14,304,038	9,572,746

34. 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Total loans and borrowings	15,250,812	16,224,414	4,612,240	5,397,315
Less: Deposits, bank and cash balances	(7,719,845)	(8,774,357)	(367,589)	(1,972,998)
Total net debts	7,530,967	7,450,057	4,244,651	3,424,317
Total equity	63,638,208	65,641,887	41,898,479	43,579,223
Gearing ratio(%)	12%	11%	10%	8%

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.

35. Contingencies

	Company	
	2020 RM	2019 RM
Corporate guarantee given to financial institutions for banking facilities granted to subsidiary companies		
- Limit of guarantees	12,938,500	12,938,500
- Amount utilised	10,480,872	9,235,252



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2020

36. Significant Event During the Financial Year and Subsequent Event

(a) In the previous financial year, Hiap Huat Chemicals Sdn. Bhd., a wholly-owned subsidiary company of the Company 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 on-going development project known as “Pulau Indah Industrial Park” held under master title on 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 2020, the conditions precedent as set out in the SPA have yet to be fulfilled.

(b) Impact of COVID-19 Pandemic

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. The COVID-19 outbreak has resulted in travel restrictions, quarantines, lockdowns and other precautionary measures imposed by various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operates.

On 16 March 2020, the Malaysian Government imposed the Movement Control Order (“MCO”) from 18 March 2020 and subsequently entered into various phases of the MCO until 31 March 2021 to curb the spread of the COVID-19 pandemic in Malaysia.

The COVID-19 pandemic has impacted the business operations of the Group particularly on the Group's revenue as sales order received from customer are downscaled due to the disruption of economic activity.

At the reporting date, the Group is financially strong with a net current asset and positive shareholder fund amounted to RM19,872,334 and RM63,638,208 respectively. Besides that, the Group's holding cash and cash equivalents of RM7,719,845 as at 31 December 2020, and has no issue in its ability to continue as going concern in the foreseeable future.

As the COVID-19 pandemic situation is still evolving as at the date of authorisation of the financial statements, the ultimate impact of the COVID-19 is highly uncertain and subject to change. The Group and the Company will continuously monitor the impact of COVID-19 on their operations and their financial performance. The Group and the Company will also be taking appropriate and timely measures to minimise the potential impact of the outbreak on the Group's and Company's operation.

(c) On 5 January 2021, the Company entered into a Share Sale Agreement (“SSA”) with a third party to dispose of 40% of its equity interests in Hiap Huat Services Sdn. Bhd. representing 40,000 ordinary shares, to a third party for cash consideration of RM40,000.

(d) On 15 March 2021, the Company announced that it proposed to establish an employee share option scheme of up to 30% of the total number of issued shares of the Company (excluding treasury shares) at any point in time for the eligible Directors and employees of the Company and its subsidiary companies (excluding dormant subsidiary companies) (“Proposed ESOS”). The proposed ESOS has been approved by Bursa Malaysia Securities Berhad vide its letter dated 5 April 2021.

As of the date of this report, the proposed ESOS is conditional upon approval by shareholders of the Company at an extraordinary general meeting (“EGM”) to be convened.

37. 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 21 April 2021.



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 31.12.2020 RM'000	Date of acquisition
1.	Lot No. A-1, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. <i>Title identification:</i> PN 11605 Lot 18211 (formerly held under HS(D) 12163, PT No. 15677), Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 2,088 Gross built-up area: 926.7	27 years	Leasehold for 66 years, expiring on 22.03.2053	1,078	10/12/2008
2.	Lot No. A-2, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. <i>Title identification:</i> PN11606 Lot 18212 (formerly held under HS(D) 12164, PT No. 15678), Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 1,864 Gross built-up area: 926.7	27 years	Leasehold for 66 years, expiring on 22.03.2053	980	08/08/2007
3.	Lot No. A-3, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. <i>Title identification:</i> PN 11607 Lot 18213 (formerly held under HS(D) 12165, PT No. 15679), Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 1,716 Gross built-up area: 926.7	27 years	Leasehold for 66 years, expiring on 22.03.2053	980	08/08/2007
4.	Lot No. A-4, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. <i>Title identification:</i> PN 11609 Lot 18214 (formerly held under HS(D) 12166, PT No. 15680), Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 1,553 Gross built-up area: 926.7	27 years	Leasehold for 66 years, expiring on 22.03.2053	931	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 31.12.2020 RM'000	Date of acquisition
5.	Lot No. A-5, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. <i>Title identification:</i> PN 11610 Lot 18215 (formerly held under HS(D) 12167, PT No. 15681), Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as staff canteen, factory and warehouse.	Land area: 1,538 Gross built-up area: 926.7	27 years	Leasehold for 66 years, expiring on 22.03.2053	931	10/12/2003
6.	Lot No. A-6, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. <i>Title identification:</i> PN 11611 Lot 18216 (formerly held under Pajakan Negeri 2486, Lot 15403), Mukim Bentong, Daerah Bentong, Negeri Pahang	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 2,073 Gross built-up area: 926.7	27 years	Leasehold for 66 years, expiring on 22.03.2053	1,078	11/02/1998
7.	Lot No. B-1, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. <i>Title identification:</i> PN 11598 Lot No. 18210, Mukim Bentong, Daerah Bentong, Negeri Pahang	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 1,582 Gross built-up area: 587	27 years	Leasehold for 66 years, expiring on 22.03.2053	980	25/05/2010
8.	Lot No. B2, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. <i>Title identification:</i> PN 11600 Lot 18209 Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 1,261 Gross built-up area: 587	27 years	Leasehold for 66 years, expiring on 22.03.2053	686	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 31.12.2020 RM'000	Date of acquisition
9.	Lot No. B3, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. <i>Title identification:</i> PN 11602 Lot 18208 Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as administration office.	Land area: 1,222 Gross built-up area: 587	27 years	Leasehold for 66 years, expiring on 22.03.2053	686	19/09/2011
10.	Lot No. B4, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. <i>Title identification:</i> PN 11603 Lot 18207 Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 1,390 Gross built-up area: 587	27 years	Leasehold for 66 years, expiring on 22.03.2053	735	19/09/2011
11.	Lot No. 21, Jalan Sungai Pinang 5/3, Phase 2A Taman Perindustrian Pulau Indah, Klang, Selangor Darul Ehsan. <i>Title identification:</i> Individual Title PN 24351, Lot 102521, in the Mukim of Klang, District of Klang, State of Selangor.	Industrial land with a single storey refinery and recycling factory and a 2 stories office building used as administration office, factory and warehouse.	Land area: 12,386 Gross built-up area: 5,748.57	7 years	Leasehold for 99 years, expiring on 24.02.2097	19,593	07/07/2009
12.	D-22-01, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. <i>Title identification:</i> Strata Title PN 94193/ M1-C/23/182, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 182, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan. * The fair value of the property as at 31 December 2020 is RM1,640,000	Soho Duplex Unit used as investment property.	Gross built-up area: 152.00	6 years	Leasehold for 99 years, expiring on 23.11.2100	1,195 *	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 31.12.2020 RM'000	Date of acquisition
13.	D-22-03, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. <i>Title identification:</i> Strata Title PN 94193/ M1-C/23/184, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 184, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan.	Soho Duplex Unit used as investment property.	Gross built-up area: 157.00	6 years	Leasehold for 99 years, expiring on 23.11.2100	1,380	10-05-2013
14.	D-22-03A, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. <i>Title identification:</i> Strata Title PN 94193/ M1-C/23/185, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 185, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor.	Soho Duplex Unit used as investment property.	Gross built-up area: 157.00	6 years	Leasehold for 99 years, expiring on 23.11.2100	1,380	10-05-2013
15.	D-22-05, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. <i>Title identification:</i> Strata Title PN 94193/ M1-C/23/186, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 186, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor. * The fair value of the property as at 31 December 2020 is RM1,640,000	Soho Duplex Unit used as investment property.	Gross built-up area: 152.00	6 years	Leasehold for 99 years, expiring on 23.11.2100	1,194*	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 31.12.2020 RM'000	Date of acquisition
16.	D-22-06, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. <i>Title identification:</i> Strata Title PN 94193/ M1-C/23/187, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 187, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor. * The fair value of the property as at 31 December 2020 is RM1,640,000	Soho Duplex Unit used as investment property.	Gross built- up area: 152.00	6 years	Leasehold for 99 years, expiring on 23.11.2100	1,194*	10-05-2013
17.	D-22-07, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. <i>Title identification:</i> Strata Title PN 94193/ M1-C/23/188, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 188, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor.	Soho Duplex Unit used as investment property.	Gross built- up area: 157.00	6 years	Leasehold for 99 years, expiring on 23.11.2100	1,380	10-05-2013
18.	D-22-08, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. <i>Title identification:</i> Strata Title PN 94193/ M1-C/23/189, 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 investment property.	Gross built- up area: 157.00	6 years	Leasehold for 99 years, expiring on 23.11.2100	1,380	10-05-2013



STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2021

SHARE CAPITAL

Total Number of Issued Shares	:	333,301,330 (including treasury shares of 4,113,000)
Issued Share Capital	:	RM33,330,133.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MARCH 2021

Size of Holding	No. of shareholders	% of shareholders	No. of holdings	% of shares
1 – 99	39	2.37	1,133	0.00
100 - 1,000	135	8.19	68,900	0.02
1,001 - 10,000	373	22.63	2,625,098	0.80
10,001 - 100,000	804	48.79	37,885,600	11.51
100,001 to less than 5% of issued shares	295	17.90	152,972,679	46.47
5% and above of issued shares	2	0.12	135,634,920	41.20
Total	1,648	100.00	329,188,330	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2021

No.	Name of Substantial Shareholder	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Dato' Chan Say Hwa	69,026,460	20.97	3,363,220 ^(a)	1.02
2	Soo Kit Lin	66,608,460	20.23	-	-
3	Datin Chow Pui Ling	3,363,220	1.02	69,026,460 ^(b)	20.97

^(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 31 MARCH 2021

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	20.97	3,363,220 ⁽¹⁾	1.02
3	Datin Chow Pui Ling	3,363,220	1.02	69,026,460 ⁽²⁾	20.97
4	Soo Kit Lin	66,608,460	20.23	-	-
5	Lee Yew Weng	1,000	0 ⁽³⁾	-	-
6	Woo Yew Tim	-	-	-	-

⁽¹⁾ Deemed interested through direct holding of spouse, Datin Chow Pui Ling.

⁽²⁾ Deemed interested through direct holding of spouse, Dato' Chan Say Hwa.

⁽³⁾ Negligible



STATISTICS OF SHAREHOLDINGS (Cont'd)

AS AT 31 MARCH 2021

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 31 MARCH 2021)

No.	Name of Shareholders	No. of Shares	%
1	CHAN SAY HWA	69,026,460	20.97
2	SOO KIT LIN	66,608,460	20.23
3	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)	12,000,000	3.65
4	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (SRB/PMS)	10,700,000	3.25
5	DB (MALAYSIA) NOMINEE (ASING) SDN BHD EXEMPT AN FOR NOMURA PB NOMINEES LTD	5,077,500	1.54
6	CHOW PUI LING	3,363,220	1.02
7	TEOH HIN HENG	3,000,000	0.91
8	LAU KIM SAN	2,815,000	0.86
9	TAN MENG HOOI	2,300,000	0.70
10	CHIN KA WONG	2,297,000	0.70
11	ONG SOI TAT	2,247,000	0.68
12	SUA YONG CHIN	2,000,000	0.61
13	CHOW CHIAT WEE	1,992,800	0.61
14	CHOW HOW FAI	1,975,600	0.60
15	CHONG THO CHIN @ CHONG JHO CHIN	1,800,000	0.55
16	LIM KIM SUAN	1,758,200	0.53
17	GV ASIA FUND LIMITED	1,715,300	0.52
18	SUA TIEN FONG	1,650,000	0.50
19	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG TIAM MING (008)	1,600,000	0.49
20	CHIA SHENG DAR	1,500,000	0.46
21	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE CHEE CHIANG (M55008)	1,441,000	0.44
22	LEE CHAY YEW	1,425,200	0.43
23	LIOW SIN CHOW	1,400,000	0.43
24	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	1,400,000	0.43
25	CARMEN A/P A SIMON	1,312,100	0.40
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD YAU YOKE LAN	1,300,000	0.39
27	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN ENG HOO	1,200,000	0.36
28	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAU YOKE LAN (CLT)	1,200,000	0.36
29	GAN CHIN CHOOI	1,189,800	0.36
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HONG HONG	1,084,500	0.33
Total		208,379,140	63.30



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eleventh (“11th”) Annual General Meeting (“AGM”) of Hiap Huat Holdings Berhad (“Hiap Huat” or “the Company”) will be held at Greens III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Monday, 24 May 2021 at 9.00 a.m. and at any adjournment thereof for the purpose of transacting the following businesses:

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. *Please refer to Explanatory Note 1*
2. To approve the payment of Non-Executive Directors' fees of up to RM170,000 for the financial year ending 31 December 2021 to be divided amongst the Directors of the Company and other benefits payable of up to RM50,000 for the period from 24 May 2021 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) En. Zulkifly Bin Zakaria; and *Ordinary Resolution 2*
 - (b) Madam Soo Kit Lin *Ordinary Resolution 3*
4. To re-elect the following Director, who retire by rotation in accordance with Clause 114 of the Company's Constitution and who being eligible, has offered himself for re-election:
 - (a) Mr. Lee Yew Weng *Ordinary Resolution 4*
5. To appoint Messrs TGS TW PLT (“TGS”), as Auditors of the Company in place of the retiring Auditors, Messrs UHY (“UHY”) and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. *Ordinary Resolution 5
Please refer to Explanatory Note 5*

AS SPECIAL BUSINESS:

To consider and if thought fit, with or without modifications to pass the following resolutions:

6. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS**
“That the following Directors, be and are hereby retained and continue to act as an Independent Non-Executive Directors of the Company until the conclusion of the next AGM, subject to the provisions of the relevant regulatory authorities:
 - (a) Mr. Woo Yew Tim *Ordinary Resolution 6*
 - (b) En. Zulkifly Bin Zakaria.” *Ordinary Resolution 7*
7. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** *Ordinary Resolution 8*
“THAT subject to passing of the Special Resolution 1 of the Notice of AGM dated 30 April 2021, and 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”);



NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

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.”

8. **PROPOSED RENEWAL OF SHARES BUY-BACK AUTHORITY FOR THE PURCHASE OF ITS OWN ORDINARY SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")**

Ordinary Resolution 9

“THAT, subject always to the Act, the provisions of the Constitution of the Company, the ACE Market Listing Requirements of Bursa Securities and the approvals of all relevant authorities (if any), the Board of Directors of the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase and/or hold such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- (i) the maximum aggregate number of shares which may be purchased and/or held as treasury shares by the Company pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase including the shares previously purchased and retained as treasury shares (if any);
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the aggregate retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of purchase; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares, or cancel the shares, or retain part of the shares so purchased as treasury shares and cancel the remainder, or resell the shares, or transfer the shares or distribute the shares as dividends or in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force.

THAT the authority conferred by this resolution will commence immediately upon the passing of this resolution and will continue to be in force until:

- (a) the conclusion of the next AGM of the Company following the general meeting at which such resolution is passed, at which time the authority will lapse, unless by an ordinary resolution passed at the general meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (c) the authority is revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first, but shall not prejudice the completion of the purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Act, the rules and regulations made pursuant thereto and the guidelines issued by Bursa Securities and/or any other relevant authority.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company”.



NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

9. PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY *Special Resolution 1* ("PROPOSED AMENDMENTS")

"THAT the Proposed Amendments to the Constitution of the Company as set out in the Appendix A which has been circulated to the shareholders together with this notice, be approved and adopted AND THAT the Directors and/or Secretary of the Company be authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the said Proposed Amendments for and on behalf of the Company."

10. To transact any other ordinary business for which due notice shall have been given in accordance with the Companies Act, 2016.

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

Selangor Darul Ehsan

Dated this 30 April 2021

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 Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor 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 17 May 2021. 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.



NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

COVID-19 Outbreak Measure Notes

The health and safety of our members and staff who will attend the 11th AGM are the top priority of the Company. Hence, the following precautionary measures will be taken for the conduct of the 11th 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 11th 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 11th 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 11th 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 11th 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 11th 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.
- i. In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of the 11th AGM at short notice. Kindly check Bursa Malaysia Securities Berhad's and Company's website at www.hiaphuat.com for the latest updates on the status of the said meeting.

EXPLANATORY NOTES TO ORDINARY AND SPECIAL BUSINESS:

1. Audited Financial Statements for the Financial Year Ended 31 December 2020

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 to Non-Executive Directors

Pursuant to Section 230(1) of the Act, fees and benefits payable to the Non- Executive 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 24 May 2021 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 retires 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.

En. Zulkifly Bin Zakaria and Madam Soo Kit Lin 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 11th AGM, the Nomination Committee has considered the requirements under Rule 2.20A of the Listing Requirements of Bursa Securities and recommended En. Zulkifly Bin Zakaria and Madam Soo Kit Lin for re-election as Directors pursuant to Clause 105 of the Company's Constitution.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

4. Ordinary Resolution 4: Re-election of Director who retires in accordance with Clause 114 of the Company's Constitution

Clause 114 of the Company's Constitution states that any Directors so appointed shall hold the office only until the next following AGM, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Mr Lee Yew Weng standing for re-election as Director of the Company and being eligible, has offered himself for re-election.

For the purpose of determining the eligibility of the Directors to stand for re-election at the 11th AGM, the Nomination Committee has considered the requirements under Rule 2.20A of the Listing Requirements of Bursa Securities and recommended Mr Lee Yew Weng for re-election as Director pursuant to Clause 114 of the Company's Constitution.

5. Ordinary Resolution 5: The retiring Auditors, UHY

UHY had indicated their intention for not seeking re-appointment as Auditors of the Company at the 11th AGM. The Board of Directors of the Company has proposed for the appointment of TGS, as the new Auditors of the Company for the ensuing year.

6. Ordinary Resolution 6 & 7: 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. Woo Yew Tim who's tenure of service as an INED will exceed nine (9) years by August 2021 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.

7. Ordinary Resolution 8: Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016

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.

The Ordinary Resolution 8, if passed, is a renewal of general mandate to empower the Directors to issue and allot shares up to an amount not exceeding 20% of the total number of issued shares (excluding treasury shares) of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, shall continue to be in force until the conclusion of the next AGM or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is the earlier, unless such approval is revoked or varied by a resolution of the Company at a general meeting or any adjournment thereof. The Directors, 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 shareholders.



NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

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

As at the date of this Notice, no new shares in the Company were issued pursuant to the general mandate granted to the Directors at the Tenth (10th) AGM held on 26 June 2020 and which will lapse at the conclusion of the Eleventh (11th) AGM. Hence, no proceeds were raised therefrom.

8. Ordinary Resolution 9: 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 9, if passed, will renew the authority given to the Directors of the Company to purchase its own ordinary shares of up to 10% of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the total amount of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of purchase of the Company’s shares. This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM after that date is required by the law to be held, whichever occurs first.

Further information on the Proposed Renewal Share Buy-Back Authority is set out in the Share Buy-Back Statement to Shareholders dated 30 April 2021 which is dispatched together with the Company’s Annual Report 2020.

9. Special Resolution 1: Proposed Amendments to the Constitution of the Company (“Proposed Amendments”)

The Proposed Amendments to the Constitution of the Company is primarily to provide further clarify on certain terms of the Constitution and provide more flexibility for the Company and to ensure the compliance with the Companies Act 2016, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. The Proposed Amendments to be made to the Constitution are listed as per Appendix A, which is circulated to the shareholders together with the Notice of the Eleventh (11th) AGM dated 30 April 2021.



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 11th AGM are set out in their respective profiles which appear in the Directors' Profile of this Annual Report and the details of their interests in the securities of the Company are disclosed in the Statistics of Shareholdings of this Annual Report.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Rule 6.04 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 8 as stated in the Notice of Annual General Meeting of the Company for the details.

APPENDIX A

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

The Constitution of the Hiap Huat Holdings Berhad is proposed to be amended in the following manner:

CLAUSE NO.	EXISTING CLAUSE	PROPOSED AMENDMENT
21.	Subject to the Listing Requirement, the Central Depositories Act and or the Rules, and notwithstanding the existence of a resolution pursuant to the Act, the Company must ensure that it shall not issue any shares or convertible Securities if those shares or convertible Securities, when aggregated with any such shares or convertible Securities issued during the preceding twelve (12) months, exceeds ten per cent (10%) of the value of the issued and paid-up capital of the Company, except where the shares or convertible Securities are issued with the prior approval of the shareholders in general meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible Securities that may be issued by the Company, if the Security is a convertible Security, each such Security is counted as the maximum number of shares into which it can be converted or exercised.	Subject to the provisions of this Constitution and Listing Requirement, and notwithstanding the existence of a resolution pursuant to Section 75(1) and 76(1) of the Act, the Company shall ensure that it shall not issue any shares or convertible securities if the total number of shares or convertible securities, when aggregated with the total number of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds 10% of the total number of issued shares (excluding treasury shares) of the Company or such other limit as may be allowed by relevant authorities, except where the shares or convertible securities are issued with the prior approval of the Members in general meeting of the precise terms and conditions of the issue.

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Number of shares held	CDS Account No.

Form of Proxy

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

I / We (Full Name in Block Letters) _____

NRIC No. / Passport No. / Registration No. _____

of _____

being a member / members of **HIAP HUAT HOLDINGS BERHAD [Registration No. 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 Eleventh (11th) Annual General Meeting of the Company to be held at Greens III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Monday, 24 May 2021 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 Non-Executive Directors' fees and other benefits payable for the financial year ending 31 December 2021.	Ordinary Resolution 1		
2.	To re-elect En. Zulkifly Bin Zakaria as Director.	Ordinary Resolution 2		
3.	To re-elect Madam. Soo Kit Lin as Director.	Ordinary Resolution 3		
4.	To re-elect Mr. Lee Yew Weng as Director.	Ordinary Resolution 4		
5.	To appoint Messrs TGS TW PLT as Auditors of the Company in place of the retiring Auditors, Messrs UHY and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration	Ordinary Resolution 5		
6.	To approve the continuation in office as INED for Mr. Woo Yew Tim.	Ordinary Resolution 6		
7.	To approve the continuation in office as INED for En. Zulkifly Bin Zakaria.	Ordinary Resolution 7		
8.	To approve the authority to allot shares pursuant to Section 75 and 76 of the Companies Act, 2016	Ordinary Resolution 8		
9.	To approve the Proposed Renewal of Share Buy-Back Authority.	Ordinary Resolution 9		
10.	Proposed Amendments to the Constitution of the Company	Special Resolution 1		

(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 _____, 2021.

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:

- 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.
- Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) or more proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each omnibus account it holds.
- Where the authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its Common Seal or under the hands of an officer or attorney duly authorised.
- The Form of Proxy must be deposited at the Share Registrar Office of the Company at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
- For the purposes of determining a member who shall be entitled to attend the meeting, the Company shall be requesting the Record of Depositors as at 17 May 2021. 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.
- 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
Level 5, Block B,
Dataran PHB, Saujana Resort,
Section U2,
40150 Shah Alam, Selangor

2nd fold here

1st fold here



Main office:

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Kawasan Perindustrian Pulau Indah, Fasa 2, 42920 Pulau Indah,
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