Hiap Huat Holdings Berhad
(881993-M)

2017
ANNUAL REPORT

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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

Wong Kah Ming
Independent Non-Executive Director

Woo Yew Tim
Independent Non-Executive Director

AUDIT COMMITTEE

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

Member
Wong Kah Ming
Independent Non-Executive Director

Woo Yew Tim
Independent Non-Executive Director

REMUNERATION COMMITTEE

Chairman
Wong Kah Ming
Independent Non-Executive Director

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

Woo Yew Tim
Independent Non-Executive Director

NOMINATION COMMITTEE

Chairman
Woo Yew Tim
Independent Non-Executive Director

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

Wong Kah Ming
Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

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

Member
Dato' Chan Say Hwa
Group Managing Director

Datin Chow Pui Ling
Executive Director

Soo Kit Lin
Executive Director

Wong Kah Ming
Independent Non-Executive Director

Woo Yew Tim
Independent Non-Executive Director

COMPANY SECRETARIES

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

REGISTERED OFFICE

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

HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

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

PRINCIPAL BANKERS

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

SHARE REGISTRAR

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

STOCK EXCHANGE LISTING

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

WEBSITE

www.hiaphuat.com

INVESTOR RELATIONS

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

DIRECTORS' PROFILES

Zulkifly Bin Zakaria
63 years of age, Malaysian, Male
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 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 also sits on the Board of Directors of Malaysia-China Business Council and the Vice President of the Malaysia-China Friendship Society.

He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

Dato' Chan Say Hwa
39 years of age, Malaysian, Male
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 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 15 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. He is the husband of Datin Chow Pui Ling and son of Soo Kit Lin and Chan Ban Hin, both the major shareholders of the Company. He has no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

DIRECTORS' PROFILES (Cont'd)

Datin Chow Pui Ling
37 years of age, Malaysian, Female
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 any directorships in any other public companies. She is the wife of Dato' Chan Say Hwa and daughter-in-law of Soo Kit Lin and Chan Ban Hin, both the major shareholders of the Company. She has no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

Soo Kit Lin
63 years of age, Malaysian, Female
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 30 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 any directorships in any other public companies. She is the wife of Chan Ban Hin, a major shareholder of the Company, mother of Dato' Chan Say Hwa and mother-in-law of Datin Chow Pui Ling. She has no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

DIRECTORS' PROFILES (Cont'd)

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

Wong Kah Ming was appointed as an Independent Non-Executive Director of the Company on 10 October 2011. He graduated with a Bachelor of Commerce majoring in Accounting and Finance from Curtin University of Technology, Australia in 2000. He is a Member of CPA Australia and Malaysia Institute of Accountants since 2004. He has over 15 years of experience in the areas of accounting, internal audit, legal affairs, financial planning, corporate affairs, corporate finance and investor relations.

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

He does not hold any directorships in any other public companies. He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

Woo Yew Tim
40 years of age, Malaysian, Male
Independent Non-Executive Director
Chairman of Nomination Committee
Member of Audit Committee, Nomination Committee and Risk Management Committee

Woo Yew Tim was appointed as an Independent Non-Executive Director of the Company on 8 August 2012. He holds a Bachelor of Business majoring in Accounting and Finance from the University of Technology Sydney, Australia. He is a chartered accountant under the membership of CPA Australia as well as the Malaysian Institute of Accountants. He has over 15 years of combined experience in the areas of financial reporting, auditing, taxation and corporate finance advisory.

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

He does not hold any directorships in any other public companies. He has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

PROFILES OF KEY SENIOR MANAGEMENT

Lilian Au Yong
43 years of age, Malaysian, Female
Financial Controller

Lilian Au Yong serves as Financial Controller of the Group and is responsible for the financial management processes, accounting and treasury functions. She holds a Master in Business Administration majoring in International Business and a chartered accountant under the membership of Association of Chartered Certified Accountants as well as the Malaysian Institute of Accountants.

She began her career as an Audit Associate in Shan & Co and was later promoted to Senior Audit Supervisor in year 2003. In 2004, she joined Modulasi Cekap Sdn Bhd, a wastewater engineering company, as its Chief Financial Officer.

Thereafter, in year 2006, she joined Rigel Technology (M) Sdn Bhd, a manufacturing and trading of sanitary ware company, as the Head of Finance. She was a Corporate Planner for Wavelink Sdn Bhd in year 2008, a company dealing with service and maintenance of government machineries. She joined Hiap Huat in year 2009 as an Accounts Manager and was subsequently promoted as Financial Controller in early 2011. She left Hiap Huat in year 2013 to pursue her career in a subsidiary company under PPB Group Bhd and re-joined Hiap Huat in year 2015.

She does not sit on the Board of Hiap Huat or any other public companies. She has no relation with any director and/or major shareholder of the Company, no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

Chow How Fai
35 years of age, Malaysian, Male
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.

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 Solution Sdn Bhd), a wholly-owned subsidiary of Hiap Huat as Production Supervisor. He was then promoted to Operation Manager in year 2010. In year 2011, he been assigned to Hiap Huat Chemicals Sdn Bhd as a Production Manager and in year 2013, he became the Production Manager for Topmark Petroleum Products Sdn Bhd and was subsequently promoted to his current position in early 2017.

He is the brother and brother-in-law of Datin Chow Pui Ling and Dato' Chan Say Hwa. He does not sit on the Board of Hiap Huat or any other public companies. He has no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

Chow Chiat Wee
31 years of age, Malaysian, Male
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 sit on the Board of Hiap Huat or any other public companies. He has no conflict of interest with the Company and has not committed any offences within the past five (5) years other than traffic offences, if any.

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 2017 ("FYE2017").

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

Financial Performance

For the financial year under review, the Group achieved a new high record of revenue at RM41.55 million, approximately 44.50% higher as compared to RM28.76 million in the financial year ended 31 December 2016 ("FYE2016"). The increase in Group's revenue of RM12.79 million was mainly due to the increase in demand in recycled petroleum products.

The Group's gross profit margin decreased approximately 5.67% as compared to 29.48% recorded in the FYE2016. The lower gross profit margin was mainly due to product mix followed also by the decrease in profit margin of the scheduled waste management services, due to the increase in labour cost and service mix. However, we were able to mitigate these mentioned factors partly by offsetting through cost saving measures which include cutting overhead, managing stock control and operational efficiency control.

Resulting from the above, the Group has recorded a higher profit before taxation of RM1.88 million as compared to the profit before taxation of RM1.04 million in the FYE2016. The increase in profit before tax was mainly due to increase in revenue and savings in selling and distribution and finance cost.

Moving Forward

2018 will be another tough and challenging year for the Group due to uncertainty of the oil prices and global economy. As it is, the Group's business is very much dependent on the magnitude of fluctuation in crude oil prices and demand for the Group's products and services which correspondingly asserts a downward pressure on the Group's revenue and margins.

Despite the challenging business and economic environment, the Group is positioning itself for growth to meet these challenges by continuing to explore and engaging in new innovative production method. In order to strengthen its market presence, it will manage its resources efficiently, optimise any cost efficiencies including stringent stock control measures to enhance its financial performance and productivity. This is to ensure its ongoing success in today's competitive market. At the same time, the Group will continue searching for new opportunities to enhance the revenue stream and profitability. Barring unforeseen circumstances, the Board is optimistic in maintaining the Group's growth performance for the financial year ending 2018.

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 employees. I trust that this 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

The following Management Discussion and analysis ("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 2017 ("FYE2017").

Business and operation overview

Hiap Huat is an investment holding company with subsidiaries involved in the scheduled waste management, recycling and refinery of oil and petrochemicals and laboratory services.

The Company was listed on ACE Market, Bursa Malaysia Securities Berhad in 2011 with its corporate head office in Kota Damansara, Petaling Jaya, Selangor Darul Ehsan and the manufacturing facilities situated at Pulau Indah, Port Klang, Selangor Darul Ehsan and Bentong, Pahang Darul Makmur. Our manufacturing processes are accredited for our quality standards under BS EN ISO 9001. We also recognised by various certificate include ISO 9001, ISO 14001, ISO 17025, OHSAS 18001 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 innovative in every aspect of business with commitment, determination, 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 that achieve zero-waste through maximisation of resources and highest beneficial by re-use of waste material that committed to a green environmental performance, living the motto of "Green, build by innovative and sustainability."

A green ecology is a basis for a green economy taking into considerations of the economic, environmental and social risk and opportunities along with financial implications. To generate long term benefits and sustainability, Hiap Huat aggressively invested in its state of art oil refining facilities that allow to produce innovative recycled petroleum products with lowers production costs and generates additional revenues from its.

Hiap Huat believe sustainability is an integral part of development that engage competitive edge and develop competencies to create entry barriers to rivals. Technology innovation will bring Company to a better future.

Mission Statement

"Recycled today towards a better tomorrow" is the mission statement of Hiap Huat.

Being in a competitive marketplace, Hiap Huat operate to strict international quality standard and operational procedures and recycling industry best standard practices with the aim to apply its expertise and experience to deliver best solution for customers' satisfaction efficiently and proactively. With professional assistance in engaging exceptional services of hazardous waste management and reliable innovative recycled petroleum and petrochemical products at all times have increase customers' green credentials and reduce all possible threats to environment.

Besides upgrading its operations to be a more effectiveness and efficiency's company, Hiap Huat embarks on continuous research and development in striving to do business profitably and responsibly by seeking up-to-date technologies and modern state of art facilities that produced high quality products with aim to replace the need of original crude oil products.

Business Objectives and Strategies

Hiap Huat's primary objective is to maximise profit margin to enhance the Company sustainability of business eco-system.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

The major strategy of Hiap Huat is to diversify its raw material from multiple supply sources. The main challenge for the industry is the current low awareness on the waste oil and waste petrochemical recycling led to unnecessary amounts of waste oil and solvent being improperly disposed. In response to this, Hiap Huat continues with its strategy to secure stable supplies of feedstock for its recycling activities. Further, diversify its raw material also allow Hiap Huat to have a comprehensive range of products and this could increase the revenue and profit margin to the Company.

To sustain and improve the Company's profit margin and operational efficiency, Hiap Huat regularly invests and upgrades its plant and machinery in order to reduce the machine downtime, implement various systems and processes to increase productivity, efficiency and cost saving, and undertake various training programs to strengthen the Group's human resources.

Financial Review

Revenue

The Group's operates principally in Malaysia and generated revenue from both local (95.10%) and export (4.90%) market to Singapore, South Korea and Vietnam. For the FYE2017, the Group's revenue increased by 44.50% to RM41.55 million primarily due to improved revenue in recycled petroleum products.

Gross Profit Margin

The Group's gross profit margin stood at 23.81%, representing a decrease of approximately 5.67% as compare to 29.48% recorded in the financial year ended 31 December 2016 ("FYE2016"). The lower gross profit margin was primarily resulted from product mix follow by the decrease in profit margin of the scheduled waste collection services due to the increase in labour cost and service mix. The scheduled waste collection services contributed approximately 19.32% of the Group's total revenue and experiencing decrease in gross profit margin by 4.84% as compared to the FYE2016 and thus impacted the overall gross margin of the Group.

Administrative Expenses

The administrative expenses has increased by 8.92% as compared to the FYE2016 mainly due to the impairment loss on trade receivables amounted to RM0.85 million and stamp duty paid for the title transfer of properties amounted to RM0.29 million which partly offset by the decrease in staff cost and the savings of transportation costs due to the rationalisation of distribution channel in the FYE2017.

Finance Cost

The finance cost has reduced by 17.39% as compared to the FYE2016 mainly due to refinancing activity and loan settlement in the second half of 2016, partly offset by the increase in overdraft and finance lease interest incurred in the FYE2017.

Taxes

The Group's income tax expenses was RM1.12 million in the FYE2017, an increase of RM0.99 million over the tax expenses of RM0.12 million in the FYE2016. The Group's effective tax rate in the FYE2017 was higher than the statutory tax rate mainly due to the under provision of deferred tax in prior year.

Profitability

For the FYE2017, the Group has recorded an increase in profit before tax of RM0.85 million as compared to profit before taxation of RM1.04 million in the FYE2016. The increase of profit before tax was mainly due to increase in revenue and cost saving measures implemented by the Group.

During the FYE2017, several financial measures were undertaken which included streamlining of businesses, saving in selling and distribution, reducing overheads and enhancing the Group's debt portfolio. There were also no material capital commitments incurred by the Group that have any material impact on our financial results and position.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Financial Position and Liquidity

Total assets of the Group stood at RM79.33 million at the FYE2017, a decrease of RM1.36 million from the FYE2016 mainly due to reduction in property, plant and equipment attributed to deprecation charges, lower trade receivables as a result of the improved in payment term offset by the impairment loss on trade receivables, partly offset by an increase in inventories and cash and bank balances.

Total liabilities of the Group also declined comparably by RM2.13 million to RM23.34 million in the FYE2016 mainly due to lower bank borrowing arising from the repayment and partly offset by the increase in provision of deferred tax due to the under provision in prior year.

Equity attributable to equity holders of the Group was RM55.99 million at the FYE2017 with net assets per share at 16.8 sen.

The Group's recorded a negative cash and cash equivalents excluding cash deposits pledged to licensed banks of RM2.39 million, an increase of RM0.01 million from FYE2016 mainly due to the increase in bank overdrafts offset by the net cash generated from operating activities. Including cash deposits pledged to licensed banks, the cash and cash equivalents as at FYE2017 have improved RM0.03 million due to net cash generated from operating activities.

Dividend

There were no divided proposed, declared or paid by the Group since the end of the FYE2016. The Board of Directors do not recommended any dividend in respect of the FYE2017.

Financial Summary

5-Year Group Financial Highlights (2013-2017)

	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
Revenue	41,551	28,756	24,535	36,608	42,578
Profit/(loss) before tax	1,885	1,038	(1,698)	(184)	2,827
Income tax expense/(credit)	1,116	124	(86)	165	297
Profit after tax	768	914	(1,612)	(349)	2,530
Basic earnings/(loss) per share (sen)	0.23	0.28	(0.48)	(0.10)	0.76

Risk and Uncertainties

1. **Slowdown in economy**

   Our business mostly depends on local market and in view of the reported local economic outlook in the foreseeable future and the speed at which the risk evolved, to improve the Company's financial performance, Management has diversified the business into direct and indirect exporting to overseas customer such as China, Korea, Singapore, and Vietnam.

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

   Rivalry among industry players can affect industry profits through downward pressure on prices and declining profit margin. To improve the Group's market position, Hiap Huat constantly seeking to improve and upheld our standards and quality to our customers. We are confidence our technology and knowhow able to provide world class services and products to meet customer expectation and increase our competitiveness in the scheduled waste management and waste oil recovery industry.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

3. Increasing cost of sales

The continued rising of labour cost impact from the Minimum Wages Order 2016 and the fluctuation of world crude oil prices have risen the raw material cost greatly impacted our cost of sales. The increase in cost is not in line with the corresponding increase of our product prices have also lower our margin. Closely monitor on the cost of sales is crucial by working closely with our supplier to secure stable supplies with reasonable price for our raw material and in the same time we increase the productivity of the employee via training and investment in machinery with advanced technology that can cut down on utility cost.

4. Credit risk

Slow payment and bad debt due to deterioration in the financial condition of the country have impact our cash flow and losses with regard to credit provided to customer. The management have taken precaution on the approval of customer credit application and review the credit risk policy of the Company to monitor and control the credit granted to the customer.

Prospects

The outlook for the financial year ending 31 December 2018 remains challenging due to uncertainty of the oil prices and global economy. This in turn may affect the demand for the Group's products and services and correspondingly 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. In addition, the Group intends to enhance its product offerings to overseas market, which is expected to generate better sales and profitability.

Dato' Chan Say Hwa
Group Managing Director

CORPORATE SUSTAINABILITY STATEMENT

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

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

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

Employee Welfare

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

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

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

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

To promote and develop our human capital to meet challenges, Hiap Huat continues to build and upgrade our human resources to ensure our employee realise their full potential and talents. Hiap Huat encourages continual professional and personal development of employees through various training programmes, workshops and seminar. This is to enhance their knowledge, career advancement and expand the employees' competency level in executing daily functions.

There were 31 different employees training programs were organised and participated over the course of the year, targeted at all levels from our ground workers to upper management. The programmes covered topics such as:

1. Corporate Disclosure;
2. Enhance Quality of Management Discussion and Analysis;
3. Certified Environmental Professional in Scheduled Waste Management;
4. Classification, Labelling and Safety Data Sheet of Hazardous Chemicals;
5. Companies Act, 2016 – Key Insights and Implication;
6. Environmental Quality Act, 1974 – Legislations and Corporate Legal Issues;
7. Effective Internal Audit Function;
8. Developing Productive and Innovative Towards Internationalisation and Industry 4.0;
9. Guided Self-Regulation and Pematuhan Akta Kualiti Alam Sekeliling, 1974;
10. Hazard at Workplace, Standard Operation Procedure and Housekeeping;
11. Industrial Relations Talk;
12. Integrated ISO Briefing Policy, Objective and Target;
13. General Factory Regulation, Hiradc and Sea Briefing;
14. ISO 14001:2015 Awareness and Internal Auditor;
15. Tax, GST & Customs Seminar; and
16. Sustainability Engagement.

CORPORATE SUSTAINABILITY STATEMENT (Cont'd)

To promote healthier living, enjoyable and professional work environment that support job enthusiasm, effective team work and encourage social interaction amongst employee; Hiap Huat encourage employee on sport and fitness programme such as gym and swimming during break hours by utilised the executive club facilities in the office building to help our employees to stay fit and have a closer working relationships. Employees are encouraged to be socialised across departments and job level.

Environmental Awareness

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

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

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

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

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

During the year, Hiap Huat participated in various environmental awareness programme such as:

1. FMM Industrial Waste Management Conference 2017 on "Enhancing Self-Regulation and Waste Reduction"

   In 16 May 2017, Hiap Huat participates as an Industrial Waste Management Specialist to provide assistance to various organisation towards the updated legislative requirements on industrial waste management. With our experience and expertise, Hiap Huat able to provide valuable insight on how to properly manage and dispose scheduled waste to the attendees.

2. Comprehensive Seminar on Environmental Quality Act (EQA, 1974) Legislations

   On 24 October 2017, Hiap Huat being invited by DOE Penang to exhibit in Seminar on Environmental Quality Act (EQA, 1974) Legislations. With our experience in handling scheduled waste, we are able to provide a great awareness to the participants of the seminar. Many industry players that are unfamiliar to waste disposal are looking to be more involving in protecting the environment by working together with Hiap Huat.

3. Seminar Pemerkasaan Pematuhan kepada Akta Kualiti Alam Sekeliling (AKAS) 1974 dan Dialog Halatuju Kendiri "Guided Self-Regulation" (GSR)

   On 16 February 2017, Hiap Huat has participated in Seminar AKAS and GSR as an associate. Hiap Huat believes playing a major role in environmental protection activities can increase the environmental awareness to all level. Hence, we were there to assist DOE on educating the industries importance of Guided Self-Regulation when it comes to scheduled waste. DOE Pahang has express their appreciation to us for supporting their campaign throughout the years.

CORPORATE SUSTAINABILITY STATEMENT (Cont'd)

Social Awareness

Aside from operating an environmentally friendly business, the Group also takes an active role in giving back to the community as well as shaping the next generation. Hiap Huat donates food, daily essentials and cash to charitable home in Klang Valley on monthly basis. Employees are encouraged to volunteer their time to care for the needy and deserving, performing pro bono work with the charities.

Marketplace

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

CORPORATE GOVERNANCE STATEMENT

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

The Board recognises the importance of good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance ("MCCG") to enhance business prosperity and maximise shareholders' value. In 2017, the MCCG, which supercedes its earlier edition, takes on a new approach to promote greater internalisation of corporate governance culture. The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in MCCG to the best interest of the shareholders of the Company.

Below is a statement and description in general on how the Group has applied the principles and complied with the best practice provisions as laid out in MCCG throughout the financial year ended 31 December 2017 pursuant to Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Leadership

The respective roles and responsibilities of the Board and management are clearly set out and understood by both parties to ensure accountability.

The Board is responsible for the oversight and overall management of the Group including assessing and agreeing with the Group's corporate objectives, and the goals and targets to be met by 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 management, including the Executive Directors of the Company, is responsible for managing the day-to-day running of the business activities in accordance with the direction and delegation of the Board. The management meets regularly to discuss and resolve operational issues. The Group Managing Director briefs the Board on business performance and operations as well as the management initiatives during quarterly Board's meetings.

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

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

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

- <u>Review and Adopt Strategic Plan of the Group</u>

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

- <u>Implementation of Internal Compliance Controls and Justify Measure to Address Principle Risks</u>

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Board Leadership (Cont'd)

- To Formulate and Have in Place an Appropriate Succession Plan

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

- Developing and Implementing an Investor Relations Program or Shareholder Communications Policy For The Group

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

The roles and responsibilities of the Board are clearly defined in the Board Charter, which is available on the Company's website at www.hiaphuat.com.

The Board will normally hold meetings at least four (4) times in each financial year to consider:

i) relevant operational reports from the management;
ii) reports on the financial performance;
iii) specific proposals for capital expenditure and acquisitions, if any;
iv) major issues and opportunities for the Company, if any; and
v) quarterly financial statements for announcement to authorities.

In addition, the Board will, at intervals of not more than one (1) year:

i) approve annual financial statements, and other reports to shareholders;
ii) consider and, if appropriate, declare or recommend the payment of dividends;
iii) review the Board composition, structure and succession plan;
iv) review the Company's audit requirements;
v) review the performance of, and composition of Board committees;
vi) undertake Board and individual Board member evaluations;
vii) review Board remuneration; and
viii) review risk assessment policies and controls and compliance with legal and regulatory requirements.

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 of 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 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 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, as well as all significant corporate matters, corporate restructuring plans, 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)

Board Leadership (Cont'd)

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

In discharging its fiduciary duties, the Board has delegated specific tasks to four (4) Board Committees namely the Audit Committee, Nomination Committee, Remuneration Committee, and 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 and to report to the Board with the necessary recommendation.

Independent Chairman

During the financial year under review, the Board is chaired by an Independent Non-Executive Director. 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 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. 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.

Qualified and Competent Company Secretaries

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

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.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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.

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

In addition, all Directors have direct access to the advice and services of the Company Secretaries who is responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulatory are complied with. 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. 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 and Nomination 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.

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.

Code of Conduct and Ethics

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Board has formalised the Code of Conducts and Ethics which summarises what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur. The Code of Conduct and Ethics provides guidance for Directors regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The details of the Code of 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)

Whistle-blowing Policy

The Board has formalised a Whistle-blowing Policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices.

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

Stakeholders, who have suspected fraud, misconduct or any integrity concerns, are encouraged to fill up a Whistle Blowing Report Form and email to:

Attention	: Encik Zulkifly Bin Zakaria
Designation	: Independent Non-Executive Chairman/Senior Independent Non-Executive Director
Email	: zulzak35@gmail.com

Board Composition

The Board of Hiap Huat comprises of six (6) members, i.e. 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 Company is in compliance with the Rule 15.02 of the Listing Requirements whereby at least two (2) or one third (1/3) of its Board members are independent directors as well as the recommendation of MCCG whereby at least half of the Board comprises of independent directors.

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

Tenure of Independent Directors

Currently, the Board does not have a formal 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.

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. 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.

Currently, none of the Independent Directors had served the Company for more than nine (9) years as per the recommendations of MCCG.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (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. As a whole, the Company maintains a very lean number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with Articles of Association 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 assess and recommend to the Board, the candidature of Directors, appointment of Directors to Board Committees, review of Board's succession plans and training programmes for the Board.

In assessing suitability of candidates, 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.

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

i) The Nomination Committee reviews the Board's composition through Board assessment/evaluation;

ii) The Nomination Committee determines skills matrix;

iii) The Nomination Committee evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;

iv) The Nomination Committee recommends to the Board for appointment; and

v) The Board approves the appointment of the candidates.

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

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

ii) the outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and

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

Boardroom Diversity

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

Currently, our Board comprise of two (2) female Directors which in line with the country's aspirational target of 30% representation of women on boards.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Time Commitment and Directorship in Other Public Listed Companies

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would 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

There were five (5) Board of Directors' meetings held during the financial year ended 31 December 2017. 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	4/5	80%
Soo Kit Lin	3/5	60%
Wong Kah Ming	5/5	100%
Woo Yew Tim	5/5	100%

All the Directors complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 December 2017.

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.

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Continuing Education Programs (Cont'd)

The Board has undertaken an assessment of the training needs of each of each Director and ensured that all the Directors undergo the necessary training programme to enable them to effectively discharge their duties.

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

Name of Director	Seminars/Conferences/Training Programmes Attended
Zulkifly Bin Zakaria	Advocacy Session on Corporate Disclosure
Dato' Chan Say Hwa	1. ISO 14001:2015 Awareness And Internal Auditor 2. Advocacy Session on Corporate Disclosure 3. Advocacy Sessions to Enhance Quality of Management Discussion and Analysis
Datin Chow Pui Ling	1. ISO 14001:2015 Awareness And Internal Auditor 2. Comprehensive Seminar on Environmental Quality Act,1974 - Legislations 3. Advocacy Session on Corporate Disclosure
Soo Kit Lin	1. ISO 14001:2015 Awareness And Internal Auditor
Wong Kah Ming	1. ISO 14001:2015 Awareness And Internal Auditor 2. Advocacy Session on Corporate Disclosure
Woo Yew Tim	1. Advocacy Session on Corporate Disclosure

During the financial year ended 31 December 2017, all the Directors have attended the necessary training programmes as required under the Rule 15.08 of the Listing Requirements.

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

Nomination Committee

As recommended by MCCG, the Company has established the Nomination Committee comprising 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:

Chairman
Woo Yew Tim - Independent Non-Executive Director

Members
Zulkifly Bin Zakaria - Independent Non-Executive Chairman/ Senior Independent Non-Executive Director
Wong Kah Ming - Independent Non-Executive Director

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

The summary of activities undertaken by the Nomination Committe during the financial year included the following:

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

ii) Reviewed and recommended the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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 individual Directors, based on a self-assessment approach on an annually basis. 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 forthcoming Annual General Meeting of the Company, 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. Each of the Directors will perform a self-assessment on an annually basis. The Board did not engage any external party to undertake an independent assessment of the Directors.

Based on the assessment conducted for the financial year 2017, 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 independence of its Independent Non-Executive Directors.

Re-election of Directors

The procedure on re-election of Directors by rotation is set out in the Company's Articles of Association ("the Articles"). Pursuant to the Articles, all Directors who are appointed by the Board during the year are subject to re-election by shareholders at the first meeting after their appointment. The Articles also provide at least one third (1/3) of the remaining Directors are subject to re-election by rotation at each Annual General Meeting and retiring Directors can offer themselves for re-election. All Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election.

Upon the recommendation of the Nomination Committee and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming Annual General Meeting of the Company to be held in 2018 are as stated in the Notice of Annual General Meeting.

Annual Assessment of Independence

Annual assessments will be conducted by Nomination Committee on annually basis and the criteria for assessment covers areas such as contributions to interaction, roles and responsibilities and quality of input to enhance the Board's effectiveness. The independence of Independent Directors was 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 of Bursa Securities.

Based on the assessment carried out during the financial year ended 31 December 2017, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during the financial year under review, and that each of them continues to fulfill the definition of independence as set out in the Listing Requirements of Bursa Securities.

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:

Chairman
Wong Kah Ming - Independent Non-Executive Director

Members
Zulkifly Bin Zakaria - Independent Non-Executive Chairman/ Senior Independent Non-Executive Director
Woo Yew Tim - Independent Non-Executive Director

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Remuneration Committee (Cont'd)

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 financial year included the following:

i) Reviewed and recommended the payment of Directors' fees and other benefits payable to the Directors of the Company.

Remuneration Policy

The Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors.

The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as directors.

The Remuneration Committee's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors that is fairly guided by market norms and industry practice. The Remuneration Committee also recommends the Executive Directors' remuneration and benefits based on their individual performances and that of the Group.

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

Directors' Remuneration

Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) for the financial year ended 31 December 2017 are as follows:

	Company		Group	
Director	Fees (RM)	Salaries and other emoluments (RM)	Fees (RM)	Salaries and other emoluments (RM)
Zulkifly Bin Zakaria	60,000	-	60,000	-
Dato' Chan Say Hwa	-	672,829	-	672,829
Datin Chow Pui Ling	-	323,388	-	323,388
Soo Kit Lin	-	191,393	-	191,393
Wong Kah Ming	36,000	-	36,000	-
Woo Yew Tim	36,000	-	36,000	-
Total	132,000	1,187,610	132,000	1,187,610

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Remuneration of Senior Management

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

There are only five (5) 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 are 8% of the overall salary of the Group and the range of the salary in line with the industrial practice.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

In line with the best practices of MCCG, the Board has set up the Audit Committee which comprising exclusively of Independent Non-Executive Directors. The present members of the Audit Committee are as follows:

Chairman

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

Members

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

Terms of Reference

The Terms of Reference of the Audit Committee 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 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 Audit Committee 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 Audit Committee was a key audit partner of the external auditors of the Group.

Financial Literacy of the Audit Committee Members

Collectively, the members of the Audit Committee 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 Audit Committee. The qualification and experience of the individual Audit Committee members are disclosed in the Directors' Profiles on pages 3 to 5 of this Annual Report. During the financial year ended 31 December 2017, all members of the Audit Committee had undertaken the relevant training programmes to keep themselves abreast of the latest development in accounting and auditing standards, statutory laws, regulations and best practices to enable them to effectively discharge their duties.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Attendance of Meetings

During the financial year ended 31 December 2017, the Audit Committee held five (5) meetings. Details of the attendance of committee members are as follow:

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

Summary Activities of the Audit Committee during the Financial Year

The activities of the Audit Committee during the financial year ended 31 December 2017 include the following:

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

ii) Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 December 2017;

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

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

v) Evaluated the performance of the external auditors for the financial year ended 31 December 2017 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence and considered and recommended the re-appointment of the external auditors;

vi) Reviewed and assessed the adequacy of the scope and functions of the internal audit plan;

vii) Reviewed the internal audit reports presented and considered the findings of internal audit through the review of the internal audit reports tabled and management responses thereof;

viii) Reviewed the updates on the risk profile and summary of risk presented by the Risk Management Committee;

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

x) Reviewed the proposed fees for the external auditors and internal auditors in respect of their audit of the Company and the Group;

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

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

xiii) Reviewed the Corporate Governance Statement and Statement on Risk Management and Internal Control before recommending to the Board for approval and inclusion in the Annual Report; and

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Compliance with Applicable Financial Reporting Standards

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the annual audited financial statements, interim financial reports, annual report and announcements to Bursa Securities.

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 31 December 2017 are prepared in accordance with the Malaysian Financial Reporting Standards, Listing Requirements and the Companies Act, 2016. The Board is assisted by the Audit Committee in overseeing the financial reporting processes and ensuring the quality of its financial reporting.

The statement by the Board pursuant to Rule 15.26(a) of the Listing Requirements on its responsibilities in preparing the financial statements is set out in page 32 of this Annual Report.

Assessment of Suitability and Independence of External Auditors

The Company has established a transparent arrangement with the External Auditors to meet their professional requirements. From time to time, the External Auditors highlight to the Audit Committee and Board of Directors 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.

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

i) the adequacy of the experience and resources of the External Auditors;

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

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

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

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

Where necessary, the Audit Committee will meet with the External Auditors without the presence of Executive Director and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns 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 the External Auditors. The External Auditors have also provided the required independence declaration to the Audit Committee and the Board for the financial year ended 31 December 2017.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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

The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the Audit Committee's recommendation for the shareholders' approval to be sought at the forthcoming Annual General Meeting on the re-appointment of Messrs UHY as the External Auditors of the Company for the financial year ending 31 December 2018.

Risk Management and Internal Control Framework

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

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

The Board also has set up a Risk Management Committee which comprises a majority of Independent Non-Executive Director of the Company 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 information on the Group's internal control is further elaborated in page 34 on the Statement on Risk Management and Internal Control of this Annual Report.

Internal Audit Functions

The Group's internal audit function, which reports directly to the Audit Committee, is outsourced to Axcelasia Columbus Sdn Bhd. The Engagement Director is Mr. Mah Siew Hoong who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Mr. Mah is a Certified Internal Auditor (USA) and has a Certification in Risk Management Assurance (USA).

The number of staff deployed for the internal audit reviews is 5 staff per visit including the Engagement Director. The staff involved in the internal audit reviews possesses professional qualifications and/or a university degree. Most of them are members of the Institute of Internal Auditors Malaysia. The internal audit staff on the engagement are free from any relationships or conflict of interest, which could impair their objectivity and independence, and the internal audit reviews were conducted using a risk based approach and were guided by the International Professional Practice Framework.

During the financial year under review, the internal audit function carried out reviews in accordance with the risk based internal audit plan reviewed and approved by the Audit Committee. Details of the reviews carried out are as follows:

Name of Subsidiary	Business Process/Area
Hiap Huat Holdings Berhad	Human Resource Management
Topmark Petroleum Products Sdn Bhd	i) Procurement ii) Inventory Management

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Internal Audit Functions (Cont'd)

Findings from the internal audit reviews conducted were discussed with Senior Management and subsequently presented, together with Management's response and proposed action plans, to the Audit Committee for their review and approval. The outsourced internal audit function also carries out follow up reviews and reports to the Audit Committee on the status of implementation of action plans committee by Management pursuant to the recommendations highlighted in the internal audit reports.

Notwithstanding the above, although a number of internal control deficiencies were identified during the internal audit reviews, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report.

The total cost incurred for the outsourcing of the internal audit function for the financial year ended 31 December 2017 was RM44,368.12.

The Audit Committee and the Board agree that the internal audit review was done in accordance with the audit plan and the coverage is adequate.

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

Communication with Stakeholders

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

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

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

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

Leverage on Information Technology for Effective Dissemination of Information

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

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Dialogue with Shareholders

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

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

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

Encourage Shareholders' Participation at General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. 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.

At the AGM, the Board will brief the shareholders on the progress and performance of the Group and the shareholders are encouraged to participate in the questions and answers session there at, where they will be given the opportunity to raise questions or seek more information during the AGM. Informal discussions between the Directors, senior management staff, the shareholders and investors are always active before and after the general meetings.

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 Seventh (7th) AGM of the Company held on 24 May 2017, all the six (6) Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company.

Poll Voting

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Effective Communication and Proactive Engagement

The Group maintains its effective communication with shareholders by adopting timely, comprehensive, and continuing disclosures of information to its shareholders as well as the general investing public and adopts the best practices recommended by the MCCG with regards to strengthening engagement and communication with shareholders.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

i) Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;
ii) Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;
iii) Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements; and
iv) Annual General Meetings.

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. The Share Registrar is also available to attend to administrative matters relating to shareholder interests. Shareholders and stakeholders are also may raise their queries to Senior Independent Non-Executive Director that has been appointed to assist the queries and concerns regarding the Group.

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

The Directors are responsible for the preparation of financial statements prepared for each financial year to give a true and accurate view of the state of the Group and the Company of the results and cash flows of the Group and the Company for the financial year then ended.

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

i) Overseeing the overall conduct of the Company's business and that of the Group;
ii) Identifying principal risks and ensuring that an appropriate system of internal control exists to manage these risks;
iii) Reviewing the adequacy and integrity of Internal Controls System and Management Information System in the Company and within the Group;
iv) Adopting suitable accounting policies and apply them consistently;
v) Making judgments and estimates that are reasonable and prudent; and
vi) Ensuring compliance with application Approved Accounting Standards in Malaysia.

The Directors are responsible for ensuring that proper accounting and other records which are closed with reasonable accuracy at any time the financial position of the Group and ensuring that the financial statements comply with the Listing Requirements, the provisions of the Companies Act, 2016 and applicable Approved Accounting Standards in Malaysia. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2017, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

RESPONSIBILITY

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

Due to inherent limitations in any risk management and internal control system, such system are designed to manage the risk that may impede the achievement of the Group's business objectives rather than eliminate these risk. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against fraud, material misstatement or errors.

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

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

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

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

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

1. Risk Management System

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

The 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 a majority of Independent Non-Executive Director of the Company to identify, evaluate and manage significant risks faced by the Group as well as report to the Board on significant risks affecting the Group's strategic and business plans, if any. Detail risk registers of the key risks been identified and existing controls including the risk responses have been created and a risk profile for the Group has been developed. Risks identified were prioritised in terms of likelihood of occurrence and its impact on the achievement of the Group's business objectives.

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

During the financial year under review, the risk register of the Group was updated by the RMC. Through this update, which takes into consideration the economic and business outlook, new risks were identified, assessed and rated, and existing risks are also re-evaluated. The updated risk register including additional mitigating action plans to be implemented were then presented to Audit Committee on 21 November 2017.

The details of the principal risks faced by the Group is set out in the MD&A on pages 10 to 11 of 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 Audit Committee meet at least four (4) times during the financial year to review and deliberate on financial reports, annual financial statements, internal audit reports and etc. Discussions with Management were held to deliberate on the actions that are required to be taken to address internal control issues identified.

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

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

(vi) Comprehensive guidelines on employment, code of conduct and retention of employees are in place to ensure that the Group has a team of employees who are qualified and equipped with all the necessary knowledge, skills and abilities to carry out their responsibilities effectively.

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

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

3. Internal Audit Function

The Group's Internal Audit Function assists the Board and Audit Committee by providing an independent assessment of the adequacy and effectiveness of the Group's internal control system. Further details of the Internal Audit Function are set out on pages 28 to 29 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 ("RPG") 5 (Revised), 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 2017, 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.

RPG 5 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the External Auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The External Auditors do not assume responsibility to any person other than the board of directors in respect of any aspect of this report.

CONCLUSION

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 10 April 2018.

OTHER DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA SECURITIES

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

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

2. AUDIT AND NON-AUDIT FEES PAID TO EXTERNAL AUDITORS

During the financial year, the amount of audit and non-audit fees paid/payable to the external auditors by the Company and the Group respectively for the financial year ended 31 December 2017 were as follows:

	Company (RM)	Group (RM)
Audit Services Rendered	28,000	89,000
Non-Audit Services Rendered		
- Review of Statement on Risk Management and Internal Control	5,000	5,000

3. MATERIAL CONTRACTS

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

4. CONTRACTS RELATING TO LOAN

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

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

Save for such disclosure made in note 29 to the audited consolidated financial statements on page 89 of this Annual Report, there were no material recurrent related party transactions of revenue nature during the financial year ended 31 December 2017.

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal Activities

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

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

Financial Results

	Group RM	Company RM
Net profit for the financial year	768,315	260,643
Attributable to:		
Owners of the parent	775,893	260,643
Non-controlling interests	(7,578)	-
	768,315	260,643

Reserves and Provisions

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

Dividends

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

Issue of Shares and Debentures

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

Options Granted Over Unissued Shares

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

Directors

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

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

DIRECTORS' REPORT (Cont'd)

Directors (cont'd)

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

Zhao, Ji Cheng

* *Director of the Company and its subsidiary companies*

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

Directors' Interests in Shares

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

	Number of ordinary shares			
	At 1.1.2017	**Addition**	**Disposed**	**At 31.12.2017**
Interests in the Company				
Direct interest				
Dato' Chan Say Hwa	66,105,460	-	-	66,105,460
Soo Kit Lin	66,608,460	-	-	66,608,460
Indirect interest				
Datin Chow Pui Ling (#)	66,105,460	-	-	66,105,460

(#) 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' 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 24, 26 and 29 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 29 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 RM9,750,400 and RM79,240 respectively. No indemnity was given to or insurance affected for auditors of the Company.

DIRECTORS' REPORT (Cont'd)

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;

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

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

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

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

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

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

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

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

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

(d) In the opinion of the Directors:

 (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due;

 (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

 (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 6 to the financial statements.

Auditors' Remuneration

The details of auditors' remuneration are set out in Note 24 to the financial statements.

DIRECTORS' REPORT (Cont'd)

Auditors

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 10 April 2018.

DATO' CHAN SAY HWA

DATIN CHOW PUI LING

KUALA LUMPUR

STATEMENT BY DIRECTORS

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 46 to 101 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 2017 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 10 April 2018.

DATO' CHAN SAY HWA

DATIN CHOW PUI LING

KUALA LUMPUR

STATUTORY DECLARATION

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

I, DATO' CHAN SAY HWA, being the Director primarily responsible for the financial management of Hiap Huat Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 46 to 101 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed at KUALA LUMPUR in the)
Federal Territory on 10 April 2018)

DATO' CHAN SAY HWA

Before me,

MOHAN AS. MANIAM (NO. W710)

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIAP HUAT HOLDINGS BERHAD (COMPANY NO.: 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 2017 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 101.

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 2017, 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 Requirements

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

Key Audit Matters

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

Key Audit Matters	How we addressed the key audit matters
Inventory Net Realisable Value	
The Group estimates the net realisable value of the inventories based on an assessment of expected sales prices. The estimated net realisable value is involving significant judgment by management due to the nature of the inventories, which depending on the market condition of bunker oil price and consumer bargaining and demand.	We discussed with 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 over periods. We test checked against the transacted price by inspecting related sales documents after the financial year end. Based on work performed, no major exceptional noted.

INDEPENDENT AUDITORS' REPORT

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

Key Audit Matters (cont'd)

Key Audit Matters	How we addressed the key audit matters
Impairment assessment on property, plant and equipment	
The recoverable value of these assets is supported by either value in use calculations, which are based on future cash flow forecasts of fair value less costs of disposal. The impairment assessment requires significant judgement in respect of factors such as future production levels, commodity prices, operating/capital costs.	We assessed the valuation methodology, the capacity and idleness of the plant and machineries in term of its value in use. We reviewed the reasonableness of key assumptions based on our knowledge of the business and industries. We reconciled input data to supporting evidence, such as approved cash flow projections and considering the reasonableness of these projections. Based on work performed, no major exceptional noted.

Information Other than the Financial Statements and Auditor's 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 auditor's 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 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.

Auditor's 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 auditor's 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 the financial statements.

INDEPENDENT AUDITORS' REPORT

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

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment 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 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.
- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinion.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditor's 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

NG WEE TEIK
Approved Number: 1817/12/2018 (J)
Chartered Accountant

KUALA LUMPUR
10 April 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	50,001,288	53,311,237	6,479,762	6,556,963
Investment properties	5	3,825,644	3,906,325	3,825,644	3,906,325
Investment in subsidiary companies	6	-	-	34,226,030	34,301,130
		53,826,932	57,217,562	44,531,436	44,764,418
Current Assets					
Inventories	7	16,386,931	14,354,697	-	-
Trade receivables	8	4,619,708	4,887,138	-	-
Other receivables	9	1,295,552	690,080	72,378	68,549
Amount due from subsidiary companies	10	-	-	954,645	576,113
Tax recoverable		219,513	374,416	19,536	36,968
Fixed deposits with licensed banks	11	1,476,874	1,431,695	-	-
Cash and bank balances		1,505,803	1,192,847	203,530	170,447
		25,504,381	22,930,873	1,250,089	852,077
Non-current assets classified as held for sale	12	-	546,430	-	-
		25,504,381	23,477,303	1,250,089	852,077
Total Assets		79,331,313	80,694,865	45,781,525	45,616,495
EQUITY					
Share capital	13	41,092,641	33,330,133	41,092,641	33,330,133
Share premium	14	-	7,762,508	-	7,762,508
Merger deficit	15	(9,535,114)	(9,535,114)	-	-
Revaluation reserves	16	2,728,934	2,820,289	-	-
Retained earnings/(Accumulated losses)		21,687,008	20,819,760	(3,954,920)	(4,215,563)
Equity attributable to owners of the parent		55,973,469	55,197,576	37,137,721	36,877,078
Non-controlling interests		18,938	26,516	-	-
Total Equity		55,992,407	55,224,092	37,137,721	36,877,078
LIABILITIES					
Non-Current Liabilities					
Finance lease payables	17	122,487	114,711	122,487	-
Bank borrowings	18	12,403,264	13,770,874	5,874,652	6,711,239
Deferred tax liabilities	19	2,465,326	1,558,778	-	-
		14,991,077	15,444,363	5,997,139	6,711,239
Current Liabilities					
Trade payables	20	1,342,198	1,483,821	-	-
Other payables	21	1,605,767	1,046,212	163,226	162,744
Amount due to subsidiary companies	10	-	-	1,591,433	1,035,574
Finance lease payables	17	131,990	484,030	31,410	-
Bank borrowings	18	5,267,874	7,012,347	860,596	829,860
		8,347,829	10,026,410	2,646,665	2,028,178
Total Liabilities		23,338,906	25,470,773	8,643,804	8,739,417
Total Equity and Liabilities		79,331,313	80,694,865	45,781,525	45,616,495

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

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	22	41,551,436	28,755,615	4,251,232	6,579,904
Cost of sales		(31,659,713)	(20,278,375)	-	-
Gross profit		9,891,723	8,477,240	4,251,232	6,579,904
Other income		557,811	737,312	147,225	147,618
Administrative expenses		(7,495,536)	(6,882,004)	(3,800,934)	(3,223,141)
Profit from operation		2,953,998	2,332,548	597,523	3,504,381
Finance costs	23	(1,069,477)	(1,294,588)	(335,480)	(388,225)
Profit before tax	24	1,884,521	1,037,960	262,043	3,116,156
Taxation	25	(1,116,206)	(124,358)	(1,400)	-
Net profit for the financial year, representing total comprehensive income for the financial year		768,315	913,602	260,643	3,116,156
Net profit for the financial year, attributable to:					
Owners of the parent		775,893	933,025	260,643	3,116,156
Non-controlling interests		(7,578)	(19,423)	-	-
		768,315	913,602	260,643	3,116,156
Total comprehensive income attributable to:					
Owners of the parent		775,893	933,025	260,643	3,116,156
Non-controlling interests		(7,578)	(19,423)	-	-
		768,315	913,602	260,643	3,116,156
Earnings per share (sen)					
- Basic	27	0.23	0.28		
Diluted earnings per share (sen)		0.23	0.28		

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to Owners of the Parent							
	Non-distributable				Distributable			
	Share Capital RM	Share Premium RM	Merger Deficit RM	Revaluation Reserves RM	Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
Group								
At 1 January 2017	33,330,133	7,762,508	(9,535,114)	2,820,289	20,819,760	55,197,576	26,516	55,224,092
Net profit for the financial year, representing total comprehensive income for the financial year	-	-	-	-	775,893	775,893	(7,578)	768,315
Realisation of revaluation reserves	-	-	-	(91,355)	91,355	-	-	-
Transition to no-par value regime on 31 January 2017	7,762,508	(7,762,508)	-	-	-	-	-	-
At 31 December 2017	41,092,641	-	(9,535,114)	2,728,934	21,687,008	55,973,469	18,938	55,992,407
At 1 January 2016	33,330,133	7,762,508	(9,535,114)	3,040,689	19,666,335	54,264,551	45,939	54,310,490
Net profit for the financial year, representing total comprehensive income for the financial year	-	-	-	-	933,025	933,025	(19,423)	913,602
Realisation of revaluation reserves	-	-	-	(220,400)	220,400	-	-	-
At 31 December 2016	3,330,133	7,762,508	(9,535,114)	2,820,289	20,819,760	55,197,576	26,516	55,224,092

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (cont'd)

	Non-distributable			
	Share Capital RM	Share Premium RM	Accumulated losses RM	Total Equity RM
Company				
At 1 January 2017	33,330,133	7,762,508	(4,215,563)	36,877,078
Net profit for the financial year, representing total comprehensive income for the financial year	-	-	260,643	260,643
Transition to no-par value regime on 31 January 2017	7,762,508	(7,762,508)	-	-
At 31 December 2017	41,092,641	-	(3,954,920)	37,137,721
At 1 January 2016	33,330,133	7,762,508	(7,331,719)	33,760,922
Net profit for the financial year, representing total comprehensive loss for the financial year	-	-	3,116,156	3,116,156
At 31 December 2016	33,330,133	7,762,508	(4,215,563)	36,877,078

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Cash Flows From Operating Activities					
Profit before tax		1,884,521	1,037,960	262,043	3,116,156
Adjustments for:					
Depreciation of property, plant and equipment		4,568,818	4,507,444	286,216	278,767
Depreciation of investment property		80,681	51,548	80,681	51,548
Dividend income		-	-	-	(4,000,000)
Gain on disposal of property, plant and equipment		(100,885)	(415,619)	-	-
Gain on disposal of non-current assets held for sale		(101,285)	-	-	-
Gain on liquidation in a subsidiary	6	(85,100)	-	-	-
Property, plant and equipment written off		130,438	172,592	5,341	18,462
Impairment loss on investment in subsidiary companies		-	-	75,100	4,000
Impairment loss on amount due from subsidiary companies		-	-	145,889	-
Impairment loss on trade receivables		846,808	-	-	-
Reversal of impairment loss on amount owing by a subsidiary company		-	-	(468)	(46,843)
Reversal of impairment losses on trade receivables		-	(77,411)	-	-
Interest expenses		1,069,477	1,294,588	335,480	388,225
Interest income		(51,641)	(37,016)	(5,857)	(1,375)
Operating profit/(loss) before working capital changes		8,241,832	6,534,086	1,184,425	(191,060)
Changes in working capital:					
Inventories		(2,032,234)	(1,851,778)	-	-
Receivables		(1,184,683)	924,652	(3,829)	3,891
Payables		417,932	(1,923,597)	482	(140,333)
Subsidiary companies		-	-	31,906	(2,585,088)
		(2,798,985)	(2,850,723)	28,559	(2,721,530)
Cash generated from/(used in) operations		5,442,847	3,683,363	1,212,984	(2,912,590)
Interest received		51,641	37,016	5,857	1,375
Interest paid		(1,069,477)	(1,294,588)	(335,480)	(388,225)
Tax paid		(278,397)	(288,842)	(7,568)	(13,368)
Tax refund		223,475	40,683	23,600	-
		(1,072,758)	(1,505,731)	(313,591)	(400,218)
Net cash from/(used in) operating activities		4,370,089	2,177,632	899,393	(3,312,808)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (Cont'd)

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Cash Flows From Investing Activities					
Dividend received		-	-	-	4,000,000
Purchase of property, plant and equipment	4(d)	(1,245,648)	(442,219)	(45,356)	(72,139)
Proceeds from disposal of non-current assets held for sale	12	647,715	-	-	-
Net cash inflow from liquidation of a subsidiary company	6	85,100	-	-	-
Proceeds from disposal of property, plant and equipment		126,226	1,126,189	-	-
Net cash (used in)/from investing activities		(386,607)	683,970	(45,356)	3,927,861
Cash Flows From Financing Activities					
Repayment of bank borrowings		(3,439,255)	(4,235,974)	(805,851)	(745,830)
Repayment of finance lease payables		(513,264)	(919,769)	(15,103)	-
Increase in fixed deposits pledged		(45,179)	(34,344)	-	-
Net cash used in financing activities		(3,997,698)	(5,190,087)	(820,954)	(745,830)
Net (decrease)/increase in cash and cash equivalents		(14,216)	(2,328,485)	33,083	(130,777)
Cash and cash equivalents at the beginning of the financial year		(2,375,782)	(47,297)	170,447	301,224
Cash and cash equivalents at the end of the financial year		(2,389,998)	(2,375,782)	203,530	170,447
Cash and cash equivalents at the end of the financial year comprises:					
Cash and bank balances		1,505,803	1,192,847	203,530	170,447
Fixed deposits with licensed banks		1,476,874	1,431,695	-	-
Bank overdrafts		(3,895,801)	(3,568,629)	-	-
		(913,124)	(944,087)	203,530	170,447
Less: Fixed deposits pledged to licensed banks		(1,476,874)	(1,431,695)	-	-
		(2,389,998)	(2,375,782)	203,530	170,447

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

2. Basis of Preparation

(a) Statement of compliance

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

Adoption of new and amended standards

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

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 – 2016 Cycle	Amendments to MFRS 12

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities in Note 28. Other than that, the adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and the Company.

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
MFRS 9	*Financial Instruments* (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2	Classification and measurement of Shared-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*	1 January 2018*
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Basis of Preparation (cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

The Group and the Company have not applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company: (cont'd)

		Effective dates for financial periods beginning on or after
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycle:		
• Amendments to MFRS 3		1 January 2019
• Amendments to MFRS 11		1 January 2019
• Amendments to MF RS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
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

Note:

* *Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Basis of Preparation (cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

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

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost ("AC"), fair value through other comprehensive income, ("FVOCI") and fair value through profit or loss ("FVTPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

During the financial year, the Group has performed a detailed impact assessment for all three aspects of MFRS 9. This assessment is based on current available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018, when the Group will adopt MFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity.

(a) Classification and measurement

Financial Assets	**2017 RM**	**Existing Classification under MFRS 139**	**New Classification under MFRS 9**
Group			
Trade receivables	4,619,708	LR	AC
Other receivables	1,315,582	LR	AC
Cash and cash equivalents	2,962,677	LR	AC
	8,897,967		
Company			
Other receivables	72,378	LR	AC
Amount due from subsidiary companies	954,645	LR	AC
Cash and cash equivalents	203,530	LR	AC
	1,230,553		

LR - Loans and receivables
AC - Amortised cost

Consequently, for financial assets designated to be measured at FVTPL, all fair value gains and losses will be reported in profit or loss for financial assets designated as measured at FVTPL. For financial assets to be measured at FVOCI, all fair value gains and losses will be reported in Other Comprehensive Income, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal for these financial assets.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Basis of Preparation (cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

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

(a) Impairment

MFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The rates are determined based on grouping of trade receivables with similar credit risk characteristics, taking into on their payment patterns, credit worthiness, insolvency and collateral received. The Group has determined that, based on its assessment on the market information currently available and the reputation and the past credit history of the counterparties with which the Group traded with, the Group will not be recording an expected credit loss on its trade receivables in its books.

(b) Hedge accounting

The Group does not apply hedge accounting and has no intention of doing so at the moment.

MFRS 15 *Revenue from Contracts with Customers*

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

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

During the financial year, the Group performed a detailed assessment of MFRS 15, as follow:

(a) Sales of goods

The Group carries on the business of manufacturing, recycling and refining all kinds of industrial paints, oils, solvent chemicals products and other related products in Malaysia, as well as investment holding.

For contracts with customers in which the sale of paints, oils, solvent chemicals products and other related products are generally expected to be the only performance obligation, adoption of MFRS 15 is not expected to have any impact on the Group's revenue and profit.

(b) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than under current MFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosure required in the Group's financial statements. Many of the disclosure requirements in MFRS 15 are new and the Group has assessed that the impact of some of these disclosures requirements will not be significant.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Basis of Preparation (cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

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

MFRS 17 *Insurance Contracts*

MFRS 17 which will supersede MFRS 4 *Insurance Contracts* is effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted as long as MFRS 9 and MFRS 15 are also applied. An entity identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. MFRS 17 requires to separate specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts, as well as to divide the contracts into groups that an entity will recognise and measure. MFRS 17 also include an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

The impact of the new MFRSs, amendments and improvements to published standard on the financial statements of the Group and of the Company are constantly being assessed by management.

(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 in Note 3.

(c) Functional and presentation currency

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

(d) Significant accounting judgments, estimates and assumptions

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Basis of Preparation (cont'd)

(d) Significant accounting judgments, estimates and assumptions (cont'd)

Judgements

Classification between investment properties and property, plant and equipment

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

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

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

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 (Note 4)

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

Impairment of investment in subsidiary companies

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. Basis of Preparation (cont'd)

(d) Significant accounting judgments, estimates and assumptions (cont'd)

Key sources of estimation uncertainty (cont'd)

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 7.

Impairment of loans and receivables

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

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

Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2014 for investment properties and revalued land and buildings. For investment properties, a valuation methodology based on sales comparison approach was used. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. Land was valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The fair value of buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

The key assumptions used to determine the fair value of the properties are provided in Notes 4 and 5.

Income taxes

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

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2017, the Group and the Company have tax recoverable of RM219,513 (2016: RM374,416) and RM19,536 (2016: RM36,968).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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.

The Group applies the merger method to account for business combination. 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.

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

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

If the initial accounting for a business combination is incomplete by the end to the reporting period in which the combinations 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. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement* in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Changes in ownership interests in subsidiary companies without change of control

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

(iii) Disposal of subsidiary companies

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

(b) Foreign currency transactions and balances

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

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

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

(c) Property, plant and equipment

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

(i) Recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (cont'd)

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

(i) Recognition and measurement (cont'd)

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

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (cont'd)

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

(iii) Depreciation (cont'd)

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

Building	50 years
Leasehold land	Over the remaining lease period
Leasehold bungalow land	Over the remaining lease period
Furniture and fittings and office equipment	10 years
Motor vehicles	5 years
Renovation	10 years
Plant and machinery	10 years
Laboratory equipment	10 years

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

(d) Leases

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

<u>As lessee</u>

(i) Finance lease

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

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

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

(ii) Operating lease

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (cont'd)

(d) Leases (cont'd)

As lessee (cont'd)

(ii) Operating lease (cont'd)

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

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

As lessor

Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(e) Investment properties

Investment properties are properties either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs, less 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.

Freehold land and buildings under construction are not depreciated. Other investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives. The principal annual depreciation rates are:

Leasehold buildings	Over the remaining period of the lease

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

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(h)(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)

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).

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

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

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into loans and receivables.

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

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

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

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

(h) Impairment of assets

(i) Non-financial assets

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (cont'd)

(h) Impairment of assets (cont'd)

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

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

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

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

Financial assets carried at amortised cost

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (cont'd)

(i) Financial liabilities

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

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

The Group and the Company classify their financial liabilities at initial recognition into the following categories:

(i) Financial liabilities measured at amortised cost

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

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

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

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

(ii) Financial guarantee contracts

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

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

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

(j) Offsetting of financial instruments

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

(k) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (cont'd)

(l) Share capital

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

(m) Provisions

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

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

(n) Revenue

(i) Sale of goods

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

(ii) Rendering of service

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

(iii) Rental income

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

(iv) Interest income

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

(v) Management fee

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

(vi) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (cont'd)

(o) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

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

(ii) Defined contribution plans

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

(p) Borrowing costs

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

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

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

(q) Income taxes

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

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

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant Accounting Policies (cont'd)

(q) Income taxes (cont'd)

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

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

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

(r) Goods and Services Tax (“GST”)

Revenues, expenses and assets are recognised net of the amount of GST except:

(i) where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables are recognised inclusive of GST.

The net amount of GST being the difference between output and input of GST, payable to or receivables from the authority at the reporting date, is included in other payables or other receivables in the statements of financial position.

(s) Segment reporting

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

(t) Contingencies

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

(u) Non-current assets held for sale

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. **Property, plant and equipment**

	<----------- At valuation	--------------->		<------------------------------------ At cost					-->
Group	**Leasehold land and factory lots RM**	**Leasehold bungalow land RM**	**Buildings RM**	**Furniture and fittings and office equipment RM**	**Motor vehicles RM**	**Renovation RM**	**Plant and machinery RM**	**Laboratory equipment RM**	**Capital work-in-progress RM**	**Total RM**
2017										
Cost/Valuation										
At 1 January 2017	26,975,509	-	5,611,350	1,614,848	2,620,304	2,328,601	33,260,996	1,117,348	471,913	74,000,869
Additions	-	-	-	596,626	193,679	56,990	171,535	52,517	343,301	1,414,648
Disposals	-	-	-	-	(470,528)	-	(138,146)	-		(608,674)
Written off	-	-	-	(313,460)	(164,212)	-	(45,113)	-	-	(522,785)
Reclassification	-	-	-	-	-	-	(14,080)	14,080	-	-
At 31 December 2017	26,975,509	-	5,611,350	1,898,014	2,179,243	2,385,591	33,235,192	1,183,945	815,214	74,284,058
Accumulated depreciation										
At 1 January 2017	2,345,947	-	177,693	630,420	2,451,428	1,039,653	13,678,317	366,174	-	20,689,632
Charge for the financial year	509,180	-	112,228	153,629	150,483	189,825	3,326,190	127,283	-	4,568,818
Disposals	-	-	-	-	(470,526)	-	(112,807)	-	-	(583,333)
Written off	-	-	-	(209,259)	(147,790)	-	(35,298)	-	-	(392,347)
Reclassification	-	-	-	4,724	-	-	-	(4,724)	-	-
At 31 December 2017	2,855,127	-	289,921	579,514	1,983,595	1,229,478	16,856,402	488,733	-	24,282,770
Carrying amount										
At 31 December 2017	24,120,382	-	5,321,429	1,318,500	195,648	1,156,113	16,378,790	695,212	815,214	50,001,288

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. **Property, plant and equipment (Cont'd)**

Group	Leasehold land and factory lots RM	Leasehold bungalow land RM	Buildings RM	Furniture and fittings and office equipment RM	Motor vehicles RM	Renovation RM	Plant and machinery RM	Laboratory equipment RM	Capital work-in-progress RM	Total RM
	<----------- At valuation		--------------->	<---------------		At cost			--------------->	
2016										
Cost/Valuation										
At 1 January 2016	27,625,509	717,907	8,300,680	1,660,623	2,958,656	2,546,794	33,517,829	1,103,309	355,859	78,787,166
Additions	-	-	-	38,430	-	-	273,696	14,039	116,054	442,219
Reclassified to investment property (Note 5)	-	-	(2,689,330)	-	-	-	-	-	-	(2,689,330)
Disposals	(650,000)	-	-	-	(338,352)	-	-	-	-	(988,352)
Written off	-	-	-	(84,205)	-	(218,193)	(530,529)	-	-	(832,927)
Reclassified as held for sale (Note 12)	-	(717,907)	-	-	-	-	-	-	-	(717,907)
At 31 December 2016	26,975,509	-	5,611,350	1,614,848	2,620,304	2,328,601	33,260,996	1,117,348	471,913	74,000,869
Accumulated depreciation										
At 1 January 2016	1,940,156	157,119	96,840	519,969	2,396,922	930,429	11,055,865	254,990	-	17,352,290
Charge for the financial year	497,291	14,358	141,361	161,012	240,788	192,052	3,149,398	111,184	-	4,507,444
Reclassified to investment property (Note 5)	-	-	(60,508)	-	-	-	-	-	-	(60,508)
Disposals	(91,500)	-	-	-	(186,282)	-	-	-	-	(277,782)
Written off	-	-	-	(50,561)	-	(82,828)	(526,946)	-	-	(660,335)
Reclassified as held for sale (Note 12)	-	(171,477)	-	-	-	-	-	-	-	(171,477)
At 31 December 2016	2,345,947	-	177,693	630,420	2,451,428	1,039,653	13,678,317	366,174	-	20,689,632
Carrying amount										
At 31 December 2016	24,629,562	-	5,433,657	984,428	168,876	1,288,948	19,582,679	751,174	471,913	53,311,237

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. Property, plant and equipment (Cont'd)

	At valuation	At cost				
	Buildings RM	**Office equipment RM**	**Renovation RM**	**Furniture and fittings RM**	**Motor vehicles RM**	**Total RM**
Company						
2017						
Cost/Valuation						
At 1 January 2017	5,611,350	542,088	584,973	268,117	-	7,006,528
Additions	-	20,677	-	-	193,679	214,356
Written off	-	(6,834)	-	(220)	-	(7,054)
At 31 December 2017	5,611,350	555,931	584,973	267,897	193,679	7,213,830
Accumulated depreciation						
At 1 January 2017	177,693	165,182	81,888	24,802	-	449,565
Charge for the financial year	112,228	84,797	58,497	10,729	19,965	286,216
Written off	-	(1,659)	-	(54)	-	(1,713)
At 31 December 2017	289,921	248,320	140,385	35,477	19,965	734,068
Carrying amount						
At 31 December 2017	5,321,429	307,611	444,588	232,420	173,714	6,479,762

	At valuation	At cost			
	Buildings RM	**Office equipment RM**	**Renovation RM**	**Furniture and fittings RM**	**Total RM**
2016					
Cost/Valuation					
At 1 January 2016	8,300,680	505,807	584,973	252,916	9,644,376
Additions	-	44,448	-	27,691	72,139
Reclassified to investment property (Note 5)	(2,689,330)	-	-	-	(2,689,330)
Written off	-	(8,167)	-	(12,490)	(20,657)
At 31 December 2016	5,611,350	542,088	584,973	268,117	7,006,528
Accumulated depreciation					
At 1 January 2016	96,840	108,408	23,391	4,862	233,501
Charge for the financial year	141,361	58,030	58,497	20,879	278,767
Reclassified to investment property (Note 5)	(60,508)	-	-	-	(60,508)
Written off	-	(1,256)	-	(939)	(2,195)
At 31 December 2016	177,693	165,182	81,888	24,802	449,565
Carrying amount					
At 31 December 2016	5,433,657	376,906	503,085	243,315	6,556,963

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Motor vehicles	177,138	156,218	167,858	-
Plant and machinery	1,240,380	1,447,110	-	-
	1,417,518	1,603,328	167,858	-

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

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

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Leasehold land and factory lots	24,120,380	24,629,562	-	-
Buildings	5,321,429	5,433,657	5,321,429	5,433,657
	29,441,809	30,063,219	5,321,429	5,433,657

(c) The remaining lease term of the leasehold land and factory lots of the Group ranges from 36 to 80 (2016: 37 to 81) years.

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

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Aggregate costs	1,414,648	442,219	214,356	72,139
Less: Finance lease financing	(169,000)	-	(169,000)	-
Cash payments	1,245,648	442,219	45,356	72,139

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

(e) Revaluation of leasehold land and buildings

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

Details of the Group's and the Company's leasehold land and buildings and information about the fair value hierarchy as at 31 December 2017 are as follows:

	Level 1 RM	Level 2 RM	Level 3 RM
Group			
Leasehold land and buildings	-	24,120,382	-
Company			
Buildings	-	5,321,429	-

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

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been RM20,749,570 (2016: RM21,205,325).

5. Investment Properties

	Group and Company 2017 RM	 2016 RM
Cost		
At 1 January	4,034,070	1,344,740
Reclassified from properties, plant and equipment (Note 4)	-	2,689,330
At 31 December	4,034,070	4,034,070
Accumulated depreciation		
At 1 January	127,745	15,689
Reclassified from properties, plant and equipment (Note 4)	-	60,508
Charge for the financial year	80,681	51,548
At 31 December	208,426	127,745
Carrying amount		
At 31 December	3,825,644	3,906,325

(a) Investment properties under leases

Investment properties comprise building that is 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.

During the previous financial year, 3 units of buildings have been transferred from property, plant and equipment to investment properties, since the buildings were no longer used by the Group and the Company and would be leased to a third party.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. Investment Properties (Cont'd)

(b) Fair value basis of investment property

The fair value was based on Directors' estimation using the latest available market information and recent experience and knowledge in the location and category property being valued. The fair values of investment property of the Group as at 31 December 2017 are classified as level 3 of fair value hierarchy and determined to be approximately RM5,300,000 (2016: RM4,500,000).

Estimation uncertainty and key assumptions:

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

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

(c) Income and expenses recognised in profit or loss

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

	Group and Company	
	2017	**2016**
	RM	**RM**
Rental income	140,900	99,400
Direct operating expenses	6,826	6,909

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

Investment property at carrying amount of RM3,825,644 (2016: RM3,906,325) have been pledged to secure banking facilities granted to the Company as disclosed in Note 18.

6. Investment in Subsidiary Companies

	Company	
	2017	**2016**
	RM	**RM**
At cost		
Unquoted shares	35,546,030	35,631,130
Less: Accumulated impairment losses	(1,320,000)	(1,330,000)
	34,226,030	34,301,130

Movements in the allowance for impairment loss are as follows:

	Company	
	2017	**2016**
	RM	**RM**
At 1 January	1,330,000	1,326,000
Impairment losses recognised	75,100	4,000
Disposal*	(85,100)	-
At 31 December	1,320,000	1,330,000

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

6. Investment in Subsidiary Companies (Cont'd)

Due to declining business operations of certain subsidiary companies, the Company carried out a review of the recoverable amounts. The recoverable amounts are estimated based on fair value less costs of disposal of approximately Nil (2016: Nil). An impairment loss amounting to RM75,100 (2016: RM4,000) was recognised during the financial year.

The fair value 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	Effective equity interest 2017	2016	Principal activities
Direct holding:		%	%
Hiap Huat Chemicals Sdn. Bhd.	100	100	Manufacturing, recycling and refining all kinds of industrial paints, oils and solvent chemical products.
Xia Fa Hardware Sdn. Bhd.	100	100	Distributor of paint and related products.
Topmark Petroleum Products Sdn. Bhd.	100	100	Manufacturing, recycling and refining all kinds of petroleum based products, industrial paints, oils, solvent chemicals products and other related products.
Hiap Huat Portal Solutions Sdn. Bhd.	100	100	Dormant
Transada Chemicals Sdn. Bhd.	100	100	Dormant
*Hiap Huat Loyalty Solutions Sdn. Bhd.	-	100	Liquidated and dissolved on 30 November 2017.
Hiap Huat Services Sdn. Bhd.	51	100	Manufacturing and marketing of high grade or premium grease and related products.
Lab Master Sdn. Bhd.	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.

* <u>Disposal of subsidiary</u>

On 30 November 2017, Hiap Huat Loyalty Solutions Sdn. Bhd. has completed its striking off process of which resulting to disposal of its wholly-owned investment. The striking-off of Hiap Huat Loyalty Solutions Sdn. Bhd. will not have any material impact on the share capital, shareholding structure, earnings, gearing and net assets of the Group for the financial year ending 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

7. Inventories

	Group 2017 RM	2016 RM
Raw materials	14,098,919	13,179,516
Packing materials	11,921	156,381
Finished goods	2,276,091	1,018,800
	16,386,931	14,354,697
Recognised in profit or loss:		
Inventories recognised as cost of sales	27,501,557	19,860,125

8. Trade Receivables

	Group 2017 RM	2016 RM
Trade receivables	5,466,516	4,887,138
Less: Accumulated impairment losses	(846,808)	-
	4,619,708	4,887,138

The Group's normal trade credit terms range from 30 to 120 (2016: 30 to 120) days. Other credit terms are assessed and approved on a case by case basis. Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

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

	Group 2017 RM	2016 RM
At 1 January	-	162,879
Impairment losses recognised	846,808	-
Reversal of impairment losses	-	(77,411)
Amount written off	-	(85,468)
At 31 December	846,808	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

8. Trade Receivables (Cont'd)

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

	Group	
	2017 RM	2016 RM
Neither past due nor impaired	3,932,331	4,021,338
Past due but not impaired:		
Less than 30 days	551,705	425,011
More than 30 days	135,672	440,789
	687,377	865,800
	4,619,708	4,887,138
Impaired	846,808	-
	5,466,516	4,887,138

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

As at 31 December 2017, trade receivables of RM687,377 (2016: RM865,800) 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 RM846,808 (2016: Nil), related to customers that are in financial difficulties and have defaulted on payments. These balances are expected to be recovered through the debt recovery process.

9. Other Receivables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables	10,723	45,760	221	-
Deposits	117,617	140,347	26,912	22,412
Prepayments	845,630	125,553	45,245	46,137
GST receivables	321,582	378,420	-	-
	1,315,552	690,080	72,378	68,549

10. Amount Due from/(to) Subsidiary Companies

	Company	
	2017 RM	2016 RM
Amount due from subsidiary companies		
Non-interest bearing	1,722,153	1,198,200
Less: Accumulated impairment losses	(767,508)	(622,087)
	954,645	576,113
Amount due to subsidiary companies		
Non-interest bearing	1,591,433	1,035,574

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

Movements in the allowance for impairment loss are as follows:

	Company	
	2017	**2016**
	RM	**RM**
At 1 January	622,087	668,930
Impairment losses recognised	145,889	-
Reversal of impairment losses	(468)	(46,843)
At 31 December	767,508	622,087

During the financial year, the Company has recognised an impairment loss of RM145,889 (2016: Nil) on amount due by certain subsidiary companies as the amount may not recoverable based on the fair value less cost of disposal approach, and this is derived using adjusted net assets of the respective subsidiary companies as at the end of the reporting period. The fair values are within level 3 of the hierarchy.

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

11. Fixed Deposits with Licensed Banks

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

The interest rate of fixed deposits is 3.30% (2016: 3.31%) per annum and the maturities of deposits is 30 (2016: 30) days.

12. Non-Current Assets Classified as Held for Sale

On 14 April 2016, a subsidiary company of the Company has entered into a Sale and Purchase Agreement ("SPA") to dispose a leasehold land for cash consideration of RM647,715. The disposal of the leasehold land and factory lot is completed on 14 January 2017.

	Group	
	2017	**2016**
	RM	**RM**
At carrying amount:		
At beginning of the financial year	546,430	-
Reclassified from property, plant and equipment (Note 4)	-	546,430
Disposal	(546,430)	-
At end of the financial year	-	546,430

On 14 April 2016, a subsidiary company of the Company has entered into a Sale and Purchase Agreement ("SPA") to dispose a leasehold land for cash consideration of RM647,715. The disposal of the leasehold land is completed on 14 January 2017, and had resulted in a gain of RM101,285.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

13. Share Capital

	2017 RM	2016 RM
Authorised		
Ordinary shares of RM0.10 each	-	50,000,000

	Group and Company			
	Number of Ordinary Shares		Amount	
	Units 2017	Units 2016	RM 2017	RM 2016
Issued and fully paid				
Ordinary shares				
At 1 January	333,301,330	333,301,330	33,330,133	33,330,133
Transition to no-par value regime on 31 January 2017 (Note 14)				
- Share premium	7,762,508	-	7,762,508	-
	341,063,838	333,301,330	41,092,641	33,330,133

The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the numbers of ordinary shares in issues to the relative entitlement of any of the members as a result of this transition.

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.

14. Share Premium

	Group and Company	
	2017 RM	2016 RM
At 1 January	7,762,508	7,762,508
Transition to no-par value regime on 31 January 2017 (Note 13)	(7,762,508)	-
At 31 December	-	7,762,508

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

The amount standing to the credit of the capital redemption reserve relates to the nominal amount of the Redeemable Preference Shares under Section 61(5) of the Companies Act, 1965.

Prior to 31 January 2017, the application of the share premium account and capital redemption reserves were governed by Sections 60 and 61 of the Companies Act, 1965. in accordance with the transitional provisions set out in Section 618(2) of the new Companies Act, 2016 (the "Act"), on 31 January 2017, the amounts standing to the credit of the share premium account becomes part of the Company's share capital (Note 13). Notwithstanding the provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM7,762,508 for purposes as set out in Sections 618(3) to pay up the unissued shares and for the bonus issue pursuant to Section 618(4) of the Act.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15. Merger Deficit

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

16. Revaluation Reserves

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

17. Finance Lease Payables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Minimum lease payments				
Within one year	139,335	504,606	37,860	-
Later than one year and not later than two years	37,860	115,140	37,860	-
Later than two years and not later than five years	94,630	-	94,630	-
	271,825	619,746	170,350	-
Less: Future finance charges	(17,348)	(21,005)	(16,453)	-
Present value of minimum lease payments	254,477	598,741	153,897	-
Present value of minimum lease payments				
Within one year	131,990	484,030	31,410	-
Later than one year and not later than two years	33,007	114,711	33,006	-
Later than two years and not later than five years	89,480	-	89,481	-
	254,477	598,741	153,897	-
Analysed as:				
Repayable within twelve months	131,990	484,030	31,410	-
Repayables after twelve months	122,487	114,711	122,487	-
	254,477	598,741	153,897	-

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

The finance lease payables charged interest at rates ranging from 2.31% to 3.31% (2016: 2.31% to 3.45%) per annum.

18. Bank Borrowings

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Secured				
Floating rate				
Term loans	13,775,337	17,214,592	6,735,248	7,541,099
Bank overdrafts	3,895,801	3,568,629	-	-
	17,671,138	20,783,221	6,735,248	7,541,099

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18. Bank Borrowings (Cont'd)

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Non-current				
Term loans	12,403,264	13,770,874	5,874,652	6,711,239
Current				
Term loans	1,372,073	3,443,718	860,596	829,860
Bank overdrafts	3,895,801	3,568,629	-	-
	5,267,874	7,012,347	860,596	829,860
	17,671,138	20,783,221	6,735,248	7,541,099

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

(a) facility agreement;

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

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

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

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

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

Maturity of bank borrowings is as follows:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Within one year	5,267,874	7,012,347	860,596	829,860
Between one to two years	1,424,845	1,363,221	898,942	866,226
Between two to five years	4,700,575	4,492,792	2,944,378	2,833,164
After five years	6,277,844	7,914,861	2,031,332	3,011,849
	17,671,138	20,783,221	6,735,248	7,541,099

Ranges of interest rates of bank borrowings are as follows:

	Group		Company	
	2017 %	**2016 %**	**2017 %**	**2016 %**
Term loans	4.65 - 6.80	4.00 - 6.80	4.32	4.25
Bank overdrafts	4.85 - 8.41	4.95 - 8.41	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19. Deferred Tax Liabilities

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At 1 January	1,558,778	1,882,567	-	-
Recognised in profit or loss (Note 25)	450,215	(492,252)	-	-
Under provision in prior year	456,333	168,463	-	-
At 31 December	2,465,326	1,558,778	-	-

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deferred tax liabilities	4,905,166	4,426,394	107,400	123,336
Deferred tax assets	(2,439,840)	(2,867,616)	(107,400)	(123,336)
	2,465,326	1,558,778	-	-

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

Deferred tax liabilities	Accelerated capital allowances RM	Revaluation of assets RM	Total RM
Group			
At 1 January 2017	3,576,882	849,512	4,426,394
Recognised in profit or loss	67,369	(44,930)	22,439
Under provision in prior years	456,333	-	456,333
At 31 December 2017	4,100,584	804,582	4,905,166
At 1 January 2016	3,117,073	934,325	4,051,398
Recognised in profit or loss	291,346	(84,813)	206,533
Under provision in prior years	168,463	-	168,463
At 31 December 2016	3,576,882	849,512	4,426,394

Deferred tax assets	Unabsorbed capital allowances RM	Unutilised tax losses RM	Total RM
Group			
At 1 January 2017	(2,675,976)	(191,640)	(2,867,616)
Recognised in profit or loss	518,136	(90,360)	427,776
At 31 December 2017	(2,157,840)	(282,000)	(2,439,840)
At 1 January 2016	(2,131,731)	(37,100)	(2,168,831)
Recognised in profit or loss	(544,245)	(154,540)	(698,785)
At 31 December 2016	(2,675,976)	(191,640)	(2,867,616)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19. Deferred Tax Liabilities (Cont'd)

Deferred tax liability	**Accelerated capital allowances RM**
Company	
At 1 January 2017	123,336
Recognised in profit or loss	(15,936)
At 31 December 2017	107,400
At 1 January 2016	123,000
Recognised in profit or loss	336
At 31 December 2016	123,336

Deferred tax assets	**Unabsorbed capital allowances RM**	**Unutilised tax losses RM**	**Total RM**
Company			
At 1 January 2017	(105,456)	(17,880)	(123,336)
Recognised in profit or loss	105,456	(89,520)	15,936
At 31 December 2017	-	(107,400)	(107,400)
At 1 January 2016	(96,800)	(26,200)	(123,000)
Recognised in profit or loss	(8,656)	8,320	(336)
At 31 December 2016	(105,456)	(17,880)	(123,336)

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

	Group		**Company**	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Unutilised tax losses	2,248,200	3,190,200	761,000	1,799,200
Unabsorbed capital allowances	37,500	38,100	-	-
	2,285,700	3,228,300	761,000	1,799,200

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20. Trade Payables

The Group's normal trade credit terms range from 30 to 120 days (2016: 30 to 120 days). Other credit terms are assessed and approved on a case to case basis.

21. Other Payables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables	634,438	763,685	84,921	142,744
Deposits received	33,548	64,771	33,548	-
Accruals	937,781	217,756	44,757	20,000
	1,605,767	1,046,212	163,226	162,744

22. Revenue

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sale of goods and services	41,551,436	28,755,615	-	-
Management fees received from subsidiary companies	-	-	4,251,232	2,579,904
Dividend income received from a subsidiary company	-	-	-	4,000,000
	41,551,436	28,755,615	4,251,232	6,579,904

23. Finance Costs

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest expenses on:				
Finance lease payables	7,364	57,739	3,827	-
Term loans	752,130	1,017,450	331,653	388,225
Bank overdrafts	309,983	219,399	-	-
	1,069,477	1,294,588	335,480	388,225

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24. Profit Before Tax

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration				
- statutory audit	89,000	95,000	28,000	25,000
- overprovision in prior year	(4,500)	-	-	-
Depreciation of investment properties	80,681	51,548	80,681	51,548
Depreciation of property, plant and equipment	4,568,818	4,507,444	286,216	278,767
Impairment loss on trade receivables	846,808	-	-	-
Impairment loss on investment in subsidiary companies	-	-	75,100	4,000
Impairment loss on amount due from subsidiary companies	-	-	145,889	-
Non-executive Directors' remuneration				
- Fees	132,000	132,000	132,000	132,000
Property, plant and equipment written off	130,438	172,592	5,341	18,462
Rental of premises	70,870	33,430	-	-
Rental of machinery	16,500	76,484	-	-
Rental of warehouse	60,000	72,000	-	-
Realised loss on foreign exchange	39,412	99,910	-	-
Gain on disposal of property, plant and equipment	(100,885)	(415,619)	-	-
Gain on disposal of non-current assets held for sale	(101,285)	-	-	-
Gain on liquidation in a subsidiary company	(85,100)	-	-	-
Dividend income	-	-	-	(4,000,000)
Interest income				
- fixed deposits	(50,241)	(35,256)	(4,583)	(340)
- overnight deposits	(1,400)	(1,760)	(1,274)	(1,035)
Rental income	(140,900)	(99,400)	(140,900)	(99,400)
Reversal of impairment loss on amount owing by a subsidiary company	-	-	(468)	(46,843)
Reversal of impairment loss on trade receivables	-	(77,411)	-	-

25. Taxation

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Tax expenses recognised in profit or loss:				
Current tax provision	181,823	179,120	1,400	-
Under provision in prior year	27,835	269,027	-	-
	209,658	448,147	1,400	-
Deferred tax:				
Relating to origination and reversal of temporary differences	450,215	(492,252)	-	-
Under provision in prior year	456,333	168,463	-	-
	906,548	(323,789)	-	-
Tax expenses for the financial year	1,116,206	124,358	1,400	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25. Taxation (Cont'd)

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profits for the financial year.

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax	1,884,521	1,037,960	262,043	3,116,156
At Malaysian statutory tax rate of 24% (2016: 24%)	452,285	249,110	62,890	747,877
Effect of control transfer of assets	-	(361,407)	-	-
Expenses not deductible for tax purposes	513,880	286,681	187,678	114,813
Income not subject to tax	(56,570)	(98,641)	-	(971,242)
Reinvestment allowance	(51,333)	(79,635)	-	-
Utilisation of previously unrecognised deferred tax assets	(249,168)	(538,080)	(249,168)	-
Deferred tax assets not recognised	22,944	228,840	-	108,552
Under provision of income tax expense in prior year	27,835	269,027	-	-
Under provision of deferred tax in prior year	456,333	168,463	-	-
Tax expenses for the financial year	1,116,206	124,358	1,400	-

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unutilised tax losses	3,423,200	3,988,700	1,208,500	1,873,700
Unabsorbed capital allowances	9,028,500	11,188,000	-	439,400
	12,451,700	15,176,700	1,208,500	2,313,100

26. Staff Costs

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, wages and other emoluments	4,483,170	4,463,844	1,734,412	1,845,118
Social security contributions	36,850	39,013	9,377	10,417
Defined contribution plans	425,603	447,708	195,659	208,368
Other benefits	389,927	423,310	112,358	135,525
	5,335,550	5,373,875	2,051,806	2,199,428

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26. Staff Costs (cont'd)

Included in the staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company and of the subsidiary companies during the financial year as below:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive Directors				
Salaries, wages and other emoluments	1,068,000	1,068,000	1,068,000	1,068,000
Social security contributions	2,250	1,582	2,250	1,582
Defined contribution plans	117,360	117,360	117,360	117,360
	1,187,610	1,186,942	1,187,610	1,186,942

27. Earnings Per Share

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

	Group	
	2017 RM	2016 RM
Net profit for the financial year attributable to ordinary shareholders	775,893	933,025
Weighted average number of ordinary shares in issue	333,301,330	333,301,330
Basic earnings per ordinary share (in sen)	0.23	0.28

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

28. Reconciliation of Liabilities arising from Financing Activities

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

	Note	At 1 January 2017 RM	New finance lease RM	Payment RM	At 31 December 2017 RM
Group					
Finance lease	17	598,741	169,000	(513,264)	254,477
Term loan	18	17,214,592	-	(3,439,255)	13,775,337
		17,813,333	169,000	(3,952,519)	14,029,814
Company					
Finance lease	17	-	169,000	(15,103)	153,897
Term loan	18	7,541,099	-	(805,851)	6,735,248
		7,541,099	169,000	(820,954)	6,889,145

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29. Related Party Disclosures

(a) Identifying related parties

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

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

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

	Group	
	2017	**2016**
	RM	**RM**
Transactions with close family members of the Directors/substantial shareholder		
Allowance paid for advisory services provided	67,200	61,600

	Company	
	2017	**2016**
	RM	**RM**
Transactions with subsidiary companies		
- Management fee received	4,251,232	2,579,904
- Dividend income received	-	4,000,000

(c) Compensation of key management personnel

Remuneration of Directors is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Salary and othe emoluments	1,068,000	1,068,000	1,068,000	1,068,000
EPF	117,360	117,360	117,360	117,360
	1,185,360	1,185,360	1,185,360	1,185,360

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30. 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 2017 RM	Revenue 2016 RM
Group		
Malaysia	39,517,275	23,149,728
Singapore	136,010	4,893,776
South Korea	179,655	712,112
Vietnam	1,718,496	-
	41,551,436	28,755,616

Major customers

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

	Revenue 2017 RM	Revenue 2016 RM
All common control companies of:		
- Customer A	9,604,642	3,649,142
- Customer B	-	2,903,800
- Customer C	5,148,510	-
	14,753,152	6,552,942

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. Financial Instruments

(a) Classification of financial instruments

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

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

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
Group			
2017			
Financial Assets			
Trade receivables	4,619,708	-	4,619,708
Other receivables	128,340	-	128,340
Fixed deposits with licensed banks	1,476,874	-	1,476,874
Cash and bank balances	1,485,803	-	1,485,803
	7,730,725	-	7,730,725
Financial Liabilities			
Trade payables	-	1,342,198	1,342,198
Other payables	-	1,390,441	1,390,441
Finance lease payables	-	254,477	254,477
Bank borrowings	-	17,671,138	17,671,138
	-	20,658,254	20,658,254
2016			
Financial Assets			
Trade receivables	4,887,138	-	4,887,138
Other receivables	186,107	-	186,107
Fixed deposits with licensed banks	1,431,695	-	1,431,695
Cash and bank balances	1,192,847	-	1,192,847
	7,697,787	-	7,697,787
Financial Liabilities			
Trade payables	-	1,483,821	1,483,821
Other payables	-	855,422	855,422
Finance lease payables	-	598,741	598,741
Bank borrowings	-	20,783,221	20,783,221
	-	23,721,205	23,721,205

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. Financial Instruments (Cont'd)

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

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
Company			
2017			
Financial Assets			
Other receivables	27,133	-	27,133
Amounts owing by subsidiary companies	954,645	-	954,645
Cash and bank balances	203,530	-	203,530
	1,185,308	-	1,185,308
Financial Liabilities			
Other payables	-	105,194	105,194
Amounts owing to subsidiary companies	-	1,591,433	1,591,433
Bank borrowings	-	6,735,248	6,735,248
	-	8,431,875	8,431,875
2016			
Financial Assets			
Other receivables	22,412	-	22,412
Amounts owing by subsidiary companies	576,113	-	576,113
Cash and bank balances	170,447	-	170,447
	768,972	-	768,972
Financial Liabilities			
Other payables	-	98,930	98,930
Amounts owing to subsidiary companies	-	1,035,574	1,035,574
Bank borrowings	-	7,541,099	7,541,099
	-	8,675,603	8,675,603

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies

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

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

(i) Credit risk

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

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

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

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM10,935,890 (2016: RM9,660,796), 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 2017, the Group had 7 customers (2016: 4 customers) that owed the Company at total amount of approximately RM2,923,229 (2016: RM 2,692,000), which accounted for approximately 63% (2016: 55%) of all the receivables outstanding.

(ii) Liquidity risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. Financial Instruments (Cont'd)

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

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group						
2017						
Non-derivative financial liabilities						
Trade payables	1,342,198	-	-	-	1,342,198	1,342,198
Other payables	1,390,441	-	-	-	1,390,441	1,390,441
Finance lease payables	139,335	37,860	94,630	-	271,825	254,477
Bank borrowings	5,904,383	1,995,732	5,987,196	6,862,821	20,750,132	17,671,138
	8,776,357	2,033,592	6,081,826	6,862,821	23,754,596	20,658,254
2016						
Non-derivative financial liabilities						
Trade payables	1,483,821	-	-	-	1,483,821	1,483,821
Other payables	855,422	-	-	-	855,422	855,422
Finance lease payables	504,606	115,140	-	-	619,746	598,741
Bank borrowings	6,653,584	1,943,636	5,855,455	9,173,183	23,625,858	20,783,221
	9,497,433	2,058,776	5,855,455	9,173,183	26,584,847	23,721,205

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. Financial Instruments (Cont'd)

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

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Company						
2017						
Non-derivative financial liabilities						
Other payables	105,194	-	-	-	105,194	105,194
Amount owing to subsidiary companies	1,591,433	-	-	-	1,591,433	1,591,433
Bank borrowings	1,137,504	1,137,504	3,412,512	2,117,817	7,805,337	6,735,248
	2,834,131	1,137,504	3,412,512	2,117,817	9,501,964	8,431,875
2016						
Non-derivative financial liabilities						
Other payables	98,930	-	-	-	98,930	98,930
Amount owing to subsidiary companies	1,035,574	-	-	-	1,035,574	1,035,574
Bank borrowings	1,137,504	1,137,504	3,412,512	3,113,536	8,801,056	7,541,099
	2,272,008	1,137,504	3,412,512	3,113,536	9,935,560	8,675,603

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. Financial Instruments (Cont'd)

(b) 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.

The carrying amounts of the Group's foreign currency denominated financial liabilities at the end of the reporting period are as follows:

	Denominated in USD RM
2017	
Financial asset	
Trade receivables	-
2016	
Financial asset	
Trade receivables	329,864

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.

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD exchange rates against RM, with all other variables held constant.

	Change in Currency rate RM	**2017 Effect on profit before tax RM**	**Change in Currency rate RM**	**2016 Effect on profit before tax RM**
USD	Strengthened 5%	-	Strengthened 5%	16,493
	Weakened 5%	-	Weakened 5%	(16,493)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

(iii) Market risk (Cont'd)

(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:

	2017 RM	**2016 RM**
Group		
Floating rate instruments		
Financial liabilities	17,671,138	20,783,221
Fixed rate instruments		
Financial assets	(1,476,874)	(1,431,695)
Financial liabilities	254,477	598,741
	(1,222,397)	(832,954)
Company		
Floating rate instruments		
Financial liabilities	6,735,248	7,541,099
Fixed rate instruments		
Financial liabilities	153,897	-

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. Financial Instruments (Cont'd)

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

(iii) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

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 RM44,178 and RM16,838 (2016: RM51,958 and RM18,853) 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.

(c) Fair values of financial instruments

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

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

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

	2017 RM	2016 RM
Group		
Financial liabilities		
Finance lease payables (Level 2)		
- Carrying amount (non-current)	122,487	114,711
- Fair value	119,642	114,095
Company		
Financial liabilities		
Finance lease payables (Level 2)		
- Carrying amount (non-current)	122,487	-
- Fair value	119,642	-

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. Financial Instruments (Cont'd)

(c) Fair values of financial instruments (Cont'd)

(iii) Level 2 fair value (Cont'd)

Non-derivative financial instruments

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

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

32. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

The gearing ratios are as follows:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Total loans and borrowings	17,925,615	21,381,962	6,889,145	7,541,099
Less: Deposits, bank and cash balances	(2,962,677)	(2,624,542)	(203,530)	(170,447)
Total net debts	14,962,938	18,757,420	6,685,615	7,370,652
Total equity	55,973,469	55,197,576	37,137,721	36,877,078
Gearing ratio (%)	27%	34%	18%	20%

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33. Contingencies

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Corporate guarantee				
Corporate guarantee given to financial instituitions for banking facilities granted to subsidiary companies				
- Limit of guarantees	14,761,000	14,761,000	14,761,000	14,761,000
- Amount utilised	7,841,360	9,660,796	7,841,360	9,660,796

34. Significant Events

During the financial year, the following significant events took place for the Company and its subsidiary company:

(a) On 19 April 2017, the Company proposed to seek for the shareholders' approval for the Proposed Share Buy-back Authority for the Purchase of its own Ordinary Shares ("Proposed Share Buy-back Authority") up to 10% of the issued share capital of the Company at any point of time through stock brokers to be appointed by the Company. The Proposed Share Buy-back Authority was approved by the shareholders of the Company during the Annual General Meeting on 24 May 2017.

(b) On 10 August 2017, the Company filed an application to Companies Commission of Malaysia ("CCM") to strike-off the name of Hiap Huat Loyalty Solutions Sdn. Bhd. ("HHLS"), a wholly-owned subsidiary of the Company from the Register of the CCM under Section 550 of the Companies Act, 2016. HHLS, a company incorporated in Malaysia with existing issued share capital of RM85,100, represented by 85,100 ordinary shares, has ceased business operation since year 2011. The striking-off of HHLS will enable the Company to divest its non-performing investment and relieving the Company from incurring further unnecessary costs which were primarily related to professional fees incurred on its investment in HHLS. The outcome of the strike off have been set out in Note 6 to the financial statements.

35. Subsequent Event

On 9 March 2018, the Company proposed to undertake a special issue of 42,200,000 new ordinary shares, representing approximately 11.24% of the new enlarged issued share capital of the Company (after the completion of the Proposed Special Issue) to Bumiputera investors to be identified and approved by the Ministry of International Trade and Industry ("MITI") at an issue price to be determined later after obtaining all relevant approvals.

Pursuant to the Securities Commission Malaysia's ("SC") approval letter dated 3 August 2012 in relation to its initial public offering ("IPO"), application, the Company has been imposed with the condition to allocate a portion of interest in the Company to Bumiputera public investors recognised by MITI, which is the difference between the prescribed equity requirement of 12.50% of its enlarged issued and paid-up share capital and the actual equity interest allocated to Bumiputera investors, within 1 year after achieving the profit track record requirement for companies seeking listing on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), or 5 years after being listed on the ACE Market of Bursa Securities, whichever is earlier ("Bumiputera Equity Condition").

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35. Subsequent Event (Cont'd)

Following the listing of the Company on the ACE Market of Bursa Securities on 26 November 2012, the Company is required to comply with the Bumiputera Equity Condition by 25 November 2017 ("Trigger Date"), being 5 years after its listing on the ACE Market of Bursa Securities. As such, on 24 November 2017, the Company submitted an application to the SC in relation an extension of time of up to 18 months from the Trigger Date to comply with the Bumiputera Equity Condition.

On 6 March 2018, the SC approved the proposed extension of time for a period of up to 18 months until 5 September 2019, subject to the Company submitting a proposal to comply with the Bumiputera Equity Condition before 5 September 2018.

Based on the Record of Depositors ("ROD") of the Company as at 19 November 2012, being the ROD from the IPO public balloting, 1.44% of the equity interest of the Company had been allocated to Bumiputera investors ("IPO Bumiputera Equity Interest"). For the purpose of complying with the Bumiputera Equity Condition, the Company intends undertake the Proposed Special Issue, which is the difference between the prescribed equity requirement of 12.50% of its enlarged issued share capital and its IPO Bumiputera Equity Interest.

The applications to SC Malaysia for the Proposed Special Issue, and the MITI for identifying Bumiputera investors for the Company to implement the Proposed Special Issue have been submitted on 14 March 2018.

36. 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 10 April 2018.

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 31.12.2017 RM'000	Date of acquisition
1.	Lot No. A-1, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *Title identification:* PN 11605 Lot 18211 (formerly held under HS(D) 12163, PT No. 15677), Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 2,088 Gross built-up area: 926.7 Land area: 1,864	24 years	Leasehold for 66 years, expiring on 22.03.2053	926	10/12/2008
2.	Lot No. A-2, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *Title identification:* PN11606 Lot 18212 (formerly held under HS(D) 12164, PT No. 15678), Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Gross built-up area: 926.7	24 years	Leasehold for 66 years, expiring on 22.03.2053	852	08/08/2007
3.	Lot No. A-3, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *Title identification:* PN 11607 Lot 18213 (formerly held under HS(D) 12165, PT No. 15679), Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 1,716 Gross built-up area: 926.7	24 years	Leasehold for 66 years, expiring on 22.03.2053	824	08/08/2007
4.	Lot No. A-4, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *Title identification:* PN 11609 Lot 18214 (formerly held under HS(D) 12166, PT No. 15680), Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 1,553 Gross built-up area: 926.7	24 years	Leasehold for 66 years, expiring on 22.03.2053	789	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 31.12.2017 RM'000	Date of acquisition
5.	Lot No. A-5, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *Title identification:* PN 11610 Lot 18215 (formerly held under HS(D) 12167, PT No. 15681), Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as staff canteen, factory and warehouse.	Land area: 1,538 Gross built-up area: 926.7	24 years	Leasehold for 66 years, expiring on 22.03.2053	730	10/12/2003
6.	Lot No. A-6, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *Title identification:* PN 11611 Lot 18216 (formerly held under Pajakan Negeri 2486, Lot 15403), Mukim Bentong, Daerah Bentong, Negeri Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 2,073 Gross built-up area: 926.7	24 years	Leasehold for 66 years, expiring on 22.03.2053	825	11/02/1998
7.	Lot No. B-1, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *Title identification:* PN 11598 Lot No. 18210, Mukim Bentong, Daerah Bentong, Negeri Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 1,582 Gross built-up area: 587	24 years	Leasehold for 66 years, expiring on 22.03.2053	732	25/05/2010
8.	Lot No. B2, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *Title identification:* PN 11600 Lot 18209 Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 1,261 Gross built-up area: 587	24 years	Leasehold for 66 years, expiring on 22.03.2053	662	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 31.12.2017 RM'000	Date of acquisition
9.	Lot No. B3, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *Title identification:* PN 11602 Lot 18208 Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as administration office.	Land area: 1,222 Gross built-up area: 587	24 years	Leasehold for 66 years, expiring on 22.03.2053	681	19/09/2011
10.	Lot No. B4, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *Title identification:* PN 11603 Lot 18207 Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 1,390 Gross built-up area: 587	24 years	Leasehold for 66 years, expiring on 22.03.2053	737	19/09/2011
11.	Lot No. 21, Jalan Sungai Pinang 5/3, Phase 2A Taman Perindustrian Pulau Indah, Klang, Selangor Darul Ehsan. *Title identification:* Individual Title PN 24351, Lot 102521, in the Mukim of Klang, District of Klang, State of Selangor.	Industrial land with a single storey refinery and recycling factory and a 2 stories office building used as administration office, factory and warehouse.	Land area: 12,386 Gross built-up area: 5,748.57	4 years	Leasehold for 99 years, expiring on 24.02.2097	16,344	07/07/2009
12.	D-22-01, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/M1-C/23/182, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 182, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor.	Soho Duplex Unit used as investment property.	Gross built-up area: 152.00	3 years	Leasehold for 99 years, expiring on 23.11.2100	1,275	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 31.12.2017 RM'000	Date of acquisition
13.	D-22-03, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/M1-C/23/184, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 184, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor.	Soho Duplex Unit used as office.	Gross built-up area: 157.00	3 years	Leasehold for 99 years, expiring on 23.11.2100	1,335	10-05-2013
14.	D-22-03A, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/M1-C/23/185, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 185, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor.	Soho Duplex Unit used as office.	Gross built-up area: 157.00	3 years	Leasehold for 99 years, expiring on 23.11.2100	1,335	10-05-2013
15.	D-22-05, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/M1-C/23/186, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 186, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor.	Soho Duplex Unit used as investment property.	Gross built-up area: 152.00	3 years	Leasehold for 99 years, expiring on 23.11.2100	1,275	10-05-2013
16.	D-22-06, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/M1-C/23/187, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 187, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor.	Soho Duplex Unit used as investment property.	Gross built-up area: 152.00	3 years	Leasehold for 99 years, expiring on 23.11.2100	1,275	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 31.12.2017 RM'000	Date of acquisition
17.	D-22-07, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/M1-C/23/188, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 188, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor.	Soho Duplex Unit used as office.	Gross built-up area: 157.00	3 years	Leasehold for 99 years, expiring on 23.11.2100	1,326	10-05-2013
18.	D-22-08, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/M1-C/23/189, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 189, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor.	Soho Duplex Unit used as office.	Gross built-up area: 157.00	3 years	Leasehold for 99 years, expiring on 23.11.2100	1,326	10-05-2013

STATISTICS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

SHARE CAPITAL

Total Number of Issued Shares	:	333,301,330
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 30 MARCH 2018

Size of Holding	No. of shareholders	% of shareholders	No. of holdings	% of shares
1 – 99	39	2.32	1,033	0.00
100 - 1,000	113	6.69	56,559	0.02
1,001 - 10,000	353	20.91	2,449,398	0.73
10,001 - 100,000	867	51.36	41,582,400	12.48
100,001 to less than 5% of issued shares	313	18.54	130,793,620	39.24
5% and above of issued shares	3	0.18	158,418,320	47.53
Total	**1,688**	**100.00**	**333,301,330**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 30 MARCH 2018

		No. of Shares held		No. of Shares held	
No.	Name of Substantial Shareholder	Direct	%	Indirect	%
1	Dato' Chan Say Hwa	66,105,460	19.83	-	-
2	Soo Kit Lin	66,608,460	19.98	-	-
3	Chan Ban Hin	8,384,310	2.52	66,608,460[a]	19.98
4	Datin Chow Pui Ling	-	-	66,105,460[b]	19.83
5	Bu Yaw Seng	25,704,400	7.71	-	-

[a] *Deemed interested through direct holding of spouse, Soo Kit Lin.*
[b] *Deemed interested through direct holding of spouse, Dato' Chan Say Hwa.*

DIRECTORS' INTERESTS IN SHARES AS AT 30 MARCH 2018

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

[1] *Deemed interested through direct holding of spouse, Dato' Chan Say Hwa.*

STATISTICS OF SHAREHOLDINGS

AS AT 30 MARCH 2018 (Cont'd)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 MARCH 2018)

No.	Name of Shareholders	No. of Shares	%
1	Soo Kit Lin	66,608,460	19.98
2	Dato' Chan Say Hwa	66,105,460	19.83
3	Bu Yaw Seng	25,704,400	7.71
4	Lim Kian Siong	8,608,600	2.58
5	Chow How Fai	5,135,600	1.54
6	Chow Chiat Wee	4,708,800	1.41
7	Chan Ban Hin	2,458,920	0.74
8	Ong Soi Tat	2,247,000	0.67
9	Lau Kim San	2,230,000	0.67
10	Chong Tho Chin @ Chong Jho Chin	2,000,000	0.60
11	Lim Poh Huat	2,000,000	0.60
12	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Eng Hoo	1,900,000	0.57
13	Chong Kim Lian	1,626,000	0.49
14	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chieng Tiong Chin (8071004)	1,600,000	0.48
15	Liew Swee Min	1,500,000	0.45
16	Lai Thiam Poh	1,400,000	0.42
17	Ong Poh Lian	1,400,000	0.42
18	Aw Kwok Ching	1,300,000	0.39
19	Teo Kwee Hock	1,300,000	0.39
20	Ha Tung Hua	1,290,000	0.39
21	Affin Hwang Nominees (Asing) Sdn Bhd Exempt an For DBS Vickers Securities (Singapore) Pte Ltd (Clients)	1,200,000	0.36
22	Leong Chee Wai	1,168,000	0.35
23	Lai Nyun Tai	1,122,100	0.34
24	Maybank Nominees (Tempatan) Sdn Bhd Lim Leong Soon	1,100,000	0.33
25	RHB Nominees (Tempatan) Sdn Bhd Chan Chum	1,060,000	0.32
26	Tan Meng Hooi	1,050,000	0.32
27	Ong Bok Lim	1,015,200	0.30
28	Hing Wai Keong	1,000,000	0.30
29	HLIB Nominees (Tempatan) Sdn Bhd Hong Leong Bank Bhd For Hong Chooi Kim	1,000,000	0.30
30	Lo Kwai Lee	1,000,000	0.30
	Total	**211,838,540**	**63.56**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth (8th) Annual General Meeting of Hiap Huat Holdings Berhad ("Hiap Huat" or "the Company") will be held at Room Green III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 26 June 2018 at 9.00 a.m. for the purpose of transacting the following businesses:

1. To receive the Audited Consolidated Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note 1)

2. To approve the payment of Directors' fees of up to RM171,600.00 for the financial year ending 31 December 2018 to be divided amongst the Directors of the Company and other benefits payable of up to RM50,000.00 for the period commencing from 26 June 2018 up to the next Annual General Meeting of the Company. **Ordinary Resolution 1**

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

   i) Zulkifly Bin Zakaria (Article 95) **Ordinary Resolution 2**
   ii) Soo Kit Lin (Article 95) **Ordinary Resolution 3**

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

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

5. **Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016** Ordinary Resolution 5

   THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time 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 issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

6. **Proposed Renewal of Share Buy-Back Authority for the Purchase of Its Own Ordinary Shares ("Proposed Share Buy-back Authority")** Ordinary Resolution 6

   THAT subject to the compliance with Section 127 of the Companies Act, 2016 ("the Act") and all other applicable laws, rules and regulations, approval be and is hereby given to the Company, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased and held pursuant to this resolution does not exceed 10% of the existing issued share capital of the Company including the shares previously purchased and retained as treasury shares (if any) and the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, upon such terms and conditions as set out in the Circular to Shareholders dated 30 April 2018.

   AND THAT such authority shall commence immediately upon the passing of this Ordinary Resolution and until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM is required by law to be held unless revoked or varied by Ordinary Resolution in the general meeting of the Company but so as not to prejudice the completion of a purchase made before such expiry date, in any event in accordance with the provisions of the ACE Market Listing Requirements of Bursa Securities ("Listing Requirements") and any other relevant authorities.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

AND THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends in such manner as may be permitted and prescribed by the provisions of the Listing Requirements and any other relevant authorities.

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.

7. **Proposed Alteration of Existing Memorandum and Articles of Association in Its Entirety and Substituting with a New Constitution of the Company ("Proposed Alteration")** Special Resolution 1

THAT approval be and is hereby given for the Company to alter or amend the whole of the existing Memorandum and Articles of Association of the Company by the replacement thereof with a new Constitution of the Company as set out in Appendix II of the Circular to Shareholders dated 30 April 2018 with immediate effect.

AND THAT the Board be and are hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents (including, without limitation, the affixing of the Company's common seal, where necessary) as the Board may consider necessary, expedient or relevant to give effect to and complete the Proposed Alteration with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Board may deem necessary or expedient in order to implement, finalise and give full effect to the Proposed Alteration.

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

By order of the Board,

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

Company Secretaries

Kuala Lumpur
30 April 2018

Notes

1. A member entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company, an advocate, an approved Company auditor or a person approved by the Registrar of Companies.

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

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

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

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

5. The Form of Proxy must be deposited at the Registrar Office of the Company at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

6. For the purpose of determining a member who shall be entitled to attend the Eighth (8th) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 19 June 2018. Only members whose name appears on the Record of Depositors as at 19 June 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

EXPLANATORY NOTES

1. **Audited Financial Statements for the Financial Year Ended 31 December 2017**

   The Agenda No. 1 is meant for discussion only as Section 340(1) (a) of the Companies Act, 2016 provide that the audited financial statements are to be laid in the general meeting and do not require a formal approval of the shareholders. Hence, this Agenda item is not put forward for voting.

2. **Ordinary Resolution 1 : To Approve the Payment of Directors' Fees and Other Benefits Payable**

   The Directors' benefits payable comprises of meeting attendance allowances and other claimable benefits.

   In determining the estimated total amount of Directors' benefits, the Board has considered various factors, among others, the estimated claimable benefits and estimated number of meetings for the Board and Board Committees held for the period commencing from 26 June 2018 until the next Annual General Meeting of the Company.

3. **Ordinary Resolution 5: Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016**

   The Ordinary Resolution 5, if passed, is a renewal of general mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.

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

   As at the date of this Notice, no new shares in the Company were issued pursuant to the general mandate granted to the Directors at the Seventh (7th) Annual General Meeting held on 24 May 2017 and which will lapse at the conclusion of the Eighth (8th) Annual General Meeting.

4. **Ordinary Resolution 6: Proposed Renewal of Share Buy-Back Authority for the Purchase of its Own Ordinary Shares**

   The Proposed Ordinary Resolution 6, if passed, will empowers the Company to purchase its own ordinary shares of up to 10% of the total issued share capital of the Company for the time being by utilising the funds allocated out of the retained profits of the Company. 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.

5. **Special Resolution 1: Proposed Alteration of Existing Memorandum and Articles of Association in its Entirety and Substituting with a New Constitution of the Company**

   The proposed alteration of the existing Memorandum and Articles of Association of the Company in its entirety and to substitute the same with a new Constitution of the Company are made mainly for the purpose to streamline and be aligned with the Companies Act, 2016 which came into force on 31 January 2017. It is also to provide clarity to certain provisions of the new Constitution, ensure consistency in cross references as well as use of defined terms and to correct typographical error, if any.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election at the Eighth (8th) Annual General Meeting of the Company are:

(i)	Zulkifly Bin Zakaria	Article 95	Ordinary Resolution 2
(ii)	Soo Kit Lin	Article 95	Ordinary Resolution 3

The profile of the above Directors are set out on pages 3 to 4 of the Annual Report 2017. The details of the interest of the above Directors in the securities of the Company or its related corporations are disclosed in the Directors report on page 38 of the aforesaid Annual Report.

The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 21 of the Annual Report 2017.

The Eighth (8th) Annual General Meeting of the Company will be held at Room Green III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 26 June 2018 at 9.00 a.m.

Hiap Huat Holdings Berhad (881993-M)

Number of shares held	CDS Account No.

Form of Proxy

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

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

NRIC No. / Passport No. / Company No. ____________________

of ____________________

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

____________________ NRIC No. / Passport ____________________

of ____________________

and/or ____________________

of ____________________

NRIC No. / Passport No. ____________________

or failing him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us and on my/our behalf at the Eighth (8th) Annual General Meeting of the Company to be held at Room Green III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 26 June 2018 at 9.00 a.m. and at any adjournment thereof in the manner as indicate below:

NO.	RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of Directors' fees and other benefits payable.	**Ordinary Resolution 1**		
2.	To re-elect Zulkifly Bin Zakaria as Director.	**Ordinary Resolution 2**		
3.	To re-elect Soo Kit Lin as Director.	**Ordinary Resolution 3**		
4.	To re-appoint Messrs UHY as Auditors of the Company and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 4**		
5.	To approve the authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016	**Ordinary Resolution 5**		
6.	To approve the Proposed Share Buy-back Authority.	**Ordinary Resolution 6**		
7.	To approve the Proposed Alteration.	**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 ____________________, 2018.

Signature: ____________________

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

The proportions of my/our holdings to be represented by my/our proxies are as follows:

First Proxy
No. of Shares: ....

Percentage: ....%

Second Proxy
No. of Shares: ....

Percentages: ....%

NOTES:

1. A member entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company, an advocate, an approved Company auditor or a person approved by the Registrar of Companies.
2. Where a member appoints two (2) proxies, the appointment of such proxies shall not be valid unless the member specifies the proportion of his shareholding to be represented by each such proxy
3. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A (1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or signed by attorney so authorised.
5. The Form of Proxy must be deposited at the Registrar Office of the Company at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
6. For the purpose of determining a member who shall be entitled to attend the Eighth (8th) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 19 June 2018. Only members whose name appears on the Record of Depositors as at 19 June 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

FOLD THIS FLAP FOR SEALING

FOLD HERE

Affix stamp

THE SHARE REGISTRAR

HIAP HUAT HOLDINGS BERHAD (881993-M)
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya, Selangor.

FOLD HERE

Hiap Huat Holdings Berhad (881993-M)

Main office:

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

www.hiaphuat.com