Hiap Huat
Holdings Berhad
(881993-M)

ANNUAL REPORT 2018

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Dato' Chan Say Hwa
Group Managing Director

Datin Chow Pui Ling
Executive Director

Soo Kit Lin
Executive Director

Wong Kah Ming
Independent Non-Executive Director

Woo Yew Tim
Independent Non-Executive Director

AUDIT COMMITTEE

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

Member
Wong Kah Ming
Independent Non-Executive Director

Woo Yew Tim
Independent Non-Executive Director

REMUNERATION COMMITTEE

Chairman
Wong Kah Ming
Independent Non-Executive Director

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

Woo Yew Tim
Independent Non-Executive Director

NOMINATION COMMITTEE

Chairman
Woo Yew Tim
Independent Non-Executive Director

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

Wong Kah Ming
Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

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

Member
Dato' Chan Say Hwa
Group Managing Director

Datin Chow Pui Ling
Executive Director

Soo Kit Lin
Executive Director

Wong Kah Ming
Independent Non-Executive Director

Woo Yew Tim
Independent Non-Executive Director

COMPANY SECRETARIES

Tan Tong Lang *(MAICSA 7045482)*
Thien Lee Mee *(LS0009760)*

REGISTERED OFFICE

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

HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS

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

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

STOCK EXCHANGE LISTING

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

WEBSITE

www.hiaphuat.com

INVESTOR RELATIONS

Email : enquiry@hiaphuat.com
Tel no: +603-2106 9866

DIRECTORS' PROFILES

Zulkifly Bin Zakaria

Age 64, Male, Malaysian
Independent Non-Executive Chairman/Senior Independent Non-Executive Director
Chairman of Audit Committee and Risk Management Committee
Member of Nomination Committee and Remuneration Committee

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

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

He 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 and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

Dato' Chan Say Hwa

Age 40, Male, Malaysian
Group Managing Director
Member of Risk Management Committee

Dato' Chan Say Hwa is the Group Managing Director of the Company. He is mainly responsible for our Group's overall strategy and development of our Group's overall vision. In addition, he oversees the development of our sales and marketing strategies and the implementation of sales plans and marketing of products to existing and new customers, the Company's growth, quality assurance, policy and strategy as well as monitoring the Company's overall profitability and also in charge of the production technology innovation and product's research and development.

He joined Hiap Huat Chemicals Sdn Bhd ("HHC") in year 2000 as the Factory Operation Supervisor. He was then promoted to Factory Manager in year 2002 and subsequently became the General Manager in year 2004. In 9 December 2009, he was appointed to the Board as Director of Hiap Huat and later became the Group Managing Director at the end of the same year. He has more than 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 and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

DIRECTORS' PROFILES (Cont'd)

Datin Chow Pui Ling

Age 38, Female, Malaysian
Executive Director
Member of Risk Management Committee

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

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

She does not hold 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 and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

Soo Kit Lin

Age 64, Female, Malaysian
Executive Director
Member of Risk Management Committee

Soo Kit Lin was appointed as a Non-Independent Non-Executive Director of the Company on 9 December 2009. Subsequently on 1 May 2013, she was re-designated as an Executive Director of Hiap Huat. She is one of the co-founders of Hiap Huat Manufacturing and Trading Co. and thereafter Hiap Huat and its subsidiaries. She has more than 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 and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018

DIRECTORS' PROFILES (Cont'd)

Wong Kah Ming

Age 40, Male, Malaysian
Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Audit Committee, Nomination Committee, and Risk Management Committee

Wong Kah Ming was appointed as an Independent Non-Executive Director of the Company on 10 October 2011. He graduated with a Bachelor of Commerce majoring in Accounting and Finance from Curtin University of Technology, Australia in 2000. He is a Member of CPA Australia and Malaysia Institute of Accountants since 2004. He has over 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 and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

Woo Yew Tim

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

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

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

He does not hold 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 and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

PROFILES OF KEY SENIOR MANAGEMENT

Lau Tuck Wai
Age 49, Male, Malaysian
Financial Controller

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

He does not sit on the Board of Hiap Huat or 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 and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

Chow How Fai
Age 36, Male, Malaysian
General Manager Operations for Pulau Indah Plant

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

He started his career in year 2001 where he joined Giordano Bhd as a Senior Sales Executive. In year 2006, he joined CNT Hardware and Petroleum Sdn Bhd (currently known as Hiap Huat Portal 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 and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

Chow Chiat Wee
Age 32, Male, Malaysian
General Manager Operations for Bentong Plant

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

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

He is the brother and brother-in-law of Datin Chow Pui Ling and Dato' Chan Say Hwa. He does not 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 and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

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 2018 ("FYE 2018").

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 RM53.32 million, approximately 28.33% higher as compared to RM41.55 million in the financial year ended 31 December 2017 ("FYE2017"). The increase in Group's revenue of RM11.77 million was mainly due to the increase in demand in recycled petroleum products.

The Group's gross profit margin decrease approximately 6.72% as compared to 23.81% recorded in the FYE2017. The lower gross profit margin was mainly from product mix followed by the decrease in profit margin of recycled petrochemical and petroleum products.

The increase of other income was mainly due to the reversal of impairment loss arising from fixed asset written off, the recovery of payment from a customer. The administrative expenses has increased mainly due to fixed asset written off and additional capital gain tax incurred in current year due to a disposal in FYE 2014. The lower finance cost was the results of refinancing of bank loan and gradual repayment of bank borrowing.

Resulting from the above, the Group has recorded a profit before taxation of RM2.23 million as compared to the profit before taxation of RM1.88 million in the FYE2017.

Moving Forward

2019 will be another tough and challenging year to the Group due to uncertainty of the oil prices and global economy. The Group's business performance is very much dependent on the magnitude of fluctuation in crude oil price which may assert a downward pressure on the Group's revenue and margin.

Despite the challenging business and economic environment, the Group is well-positioned to meet the challenges ahead by continuing to explore and engage in new innovative products and production methods. The Group continues to manage its resources efficiently, to optimise cost efficiencies, stringent stock control measures to enhance its financial performance and productivity in an uncertain and competitive market environment. Further, the Group will continue look out for new opportunities to enhance the revenue stream and profitability. Barring unforeseen circumstances, the Board is cautiously optimistic on the Group's growth performance for the financial year ending 2019.

Acknowledgement

On behalf of the Board, I wish to take this opportunity to express my gratitude to our shareholders, customers, business associates and stakeholders for their unwavering support, trust and confidence in the Group. I would also like to extend my heartfelt appreciation to thank my fellow Directors, the Management and employees of the Group for their dedication and contribution to the Group for another successful year. We shall remain committed in our quest to achieve our long term objective of the Group whilst not losing sight of the welfare of our employee. I trust that the enthusiasm and professionalism in carrying out their duties to the Group will enable the Group to prosper and generate increasingly better returns to all our stakeholders.

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

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")

The following MD&A is a review of the business and operation, discussion of the financial results and condition, performance of operating segments, risk and uncertainties and future outlook of Hiap Huat Holdings Berhad ("Hiap Huat", "the Company", or "the Group"). This MD&A should be read in conjunction with the Company's audited financial statements and the accompanying notes for the financial year ended 31 December 2018 ("FYE 2018").

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 in 2012 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 innovation in every aspect of business with absolute 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 through optimisation of resources that are sustainable, living to the motto of "Green, build by innovative and sustainability."

Hiap Huat believe sustainability is an integral part of the Company development that will enhanced our competitive edge and together with our core competencies will strengthen the barrier to entry. Technology deployments, efficient resources utilisation, market knowledge and management ingenuity will bring the Company to a greater height.

Mission Statement

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

Being in a competitive marketplace, Hiap Huat operate to a strict international quality standard and operational procedures as well as to the recycling industry best standard practices with the aim to apply its expertise and experience to deliver the best solution for customers' requirements efficiently and proactively. Our scheduled waste recycling services of hazardous waste management and innovative recycled petroleum and petrochemical products will increase customers' green credentials and minimise the threats to the environment.

In addition to upgrading its operations to be a more effective and efficient, Hiap Huat embarks on continuous research and development and to do business profitably and responsibly by seeking up-to-date technologies and modern state of art facilities as far as commercially viable and financially possible that will produce higher quality products with the aim of replacing the need of original crude oil products.

Business Objectives and Strategies

Hiap Huat 's primary objective is to maximise profitability and at the same time committed to create long term value for our shareholders, environment and society through best practice, compliance, innovation and overall operation excellency.

The major strategy of Hiap Huat is to diversify its raw material from multiple supply sources. The main challenge for the industry is the low level of awareness on the waste oil and petrochemical recycling had led to unnecessary amounts of waste oil and solvent being improperly disposed of. In response to this, Hiap Huat continues to educate and to secure stable supplies of feedstock for its recycling activities. In addition, diversification of its raw material had allowed Hiap Huat to have a comprehensive range of products that potentially could increase the revenue and profit margin of the Company. To sustain and improve the Company's profit margin and operational efficiency, Hiap Huat as far as it is commercially viable and financially possible, 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. Hiap Huat understands the important of human capital and have under take various training programs to strengthen the Group's human resources. As we are in a regulated environment, we have a comprehensive system and processes in regulatory compliance and environmental management. In addition, Hiap Huat has ISO 14001, ISO 9001 and ISO 45001 certification.

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

Financial Review

Revenue

The Group's operates principally in Malaysia and generated revenue from both local 93.80% and export 6.20% market to Singapore, China and Vietnam. For FYE2018, the Group's revenue increased by 28.33% to RM53.32 million primarily due to improved revenue in recycled petroleum products.

Gross Profit Margin

The Group's gross profit margin stood at 17.09%, representing a decrease of approximately 6.72% as compare to 23.81% recorded in the financial year ended 31 December 2017 ("FYE2017"). The lower gross profit margin was mainly resulted from product mix follow by the decrease in profit margin of recycled petrochemical products and recycled petroleum products by 6.83% and 4.08% respectively. Schedule waste collection services, however, experiencing an increase in gross profit margin by 4.08%.

Administrative Expenses

The administrative expenses has increase by 8.84% or RM0.59 million as compared to FYE2017 mainly due to impairment of fixed asset by RM0.76 million and additional capital gain tax incurred of RM0.12 million in FYE 2018. This increase was partly offsetted as there was no stamp duty expenses amounting to RM0.29 million incurred in current financial year.

Finance Cost

The finance cost has reduced by 19.62% as compared to FYE2017 mainly due to refinancing activity and gradual repayment of bank borrowing since the last financial year.

Taxes

The Group's income tax expenses was RM0.67 million in FYE2018, a decrease of RM0.45 million over the tax expenses of RM1.12 million in FYE2017. The Group's effective tax rate in FYE2018 was higher than the statutory tax rate mainly due to movement in deferred tax accounts.

Profitability

For the FYE2018, the Group has recorded an increase in profit before tax of RM0.35 million as compared to profit before taxation of RM1.88 million in the FYE2017. The increase of profit before tax was mainly due to increase in other income, and cost saving measures implemented by the Group.

During FYE2018, several financial measures were undertaken which included refinancing term loan in a subsidiary and reducing reliance on overdraft financing to just RM0.91 million. In addition, there are some saving in selling and distribution and administrative expenses.

There was a material capital commitment for the purchase pf plant and machinery, approved and contracted for by a subsidiary amounting to RM1.59 million. It will be internally financed and not expected to have any material impact on Group's operating cash flows position.

Financial Position and Liquidity

Total assets of the Group stood at RM80.88 million at FYE2018, an increase of RM1.55 million from FYE2017 mainly due to an increase in receivables, short term investment and cash and bank balances partially offset by reduction in property, plant and equipment attributable to depreciation charges.

Total liabilities of the Group has increased by RM0.17 million to RM23.51 million in FYE2018 mainly due to lower term loan borrowing arising from refinancing and gradual repayment and partly offset by the increase in finance lease liabilities, provision of deferred tax, and other payables.

Equity attributable to equity holders of the Group was RM57.73 million at FYE2018 with net assets per share at 17.3 sen. The Group's cash and cash equivalents (excluding cash deposits pledged to licensed banks) amounted to RM3.43 million, an increase of RM5.81 million FYE2017 mainly due to higher cash generated from operating activities, better working capital management, mainly on inventories and term loan refinancing.

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

Dividend

There were no divided proposed, declared or paid by the Group since the end of FYE2017. The Board of Directors do not recommend any dividend in respect of the FYE2018.

Financial Summary

5-Year Group Financial Highlights (2014-2018)

	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Revenue	53,323	41,551	28,756	24,535	36,608
Profit/(Loss) before tax	2,231	1,885	1,038	(1,698)	(184)
Income tax expense/(credit)	667	1,116	124	(86)	165
Profit/(Loss) after tax	1,564	768	914	(1,612)	(349)
Basic earnings/(loss) per share (sen)	0.58	0.23	0.28	(0.48)	(0.10)

Risk and Uncertainties

1. **Slowdown in economy**

   Our business mostly depends on local market and in view of the reported local economic outlook in 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 customers such as China, Singapore, India 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 in profit margin. To improve the Group's market position, Hiap Huat constantly seeking to upheld and further improve our products and services standards and quality to our customers. We are confidence our technology, knowhow and ingenuity enable us to provide a world class services and products to meet customers' requirements. This has undoubtedly increases our competitiveness in the schedule waste management and waste oil recovery industry.

3. **Increasing cost of sales**

   The fluctuation of world crude oil prices in a way correlates with our raw material costs and our cost of sales. Any increase in costs that does not flowed through to our products prices due to various reasons, not the least the time lag will has impact on our gross profit margin. We closely monitor our cost of materials by working closely with our suppliers to secure a more stable supplies with reasonable prices is crucial to our profitability. Further, we strive to increase the productivity of the employees via training and workshop. Our investment in machinery with more advance technologies have enable us reduce processes and utility costs.

4. **Credit risk**

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

Prospects

The outlook for the financial year ending 31 December 2019 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 further assert a downward pressure on the Group's revenue and margins. Nonetheless, the Group is constantly undertaking continuous enhancements in production efficiencies, overhead and production cost management. Further, the Group expands its product offerings to the overseas market, which is expected to generate better sales and profitability.

Dato' Chan Say Hwa
Group Managing Director

CORPORATE SUSTAINABILITY STATEMENT

Introduction

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

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

Sustainable Vision

To envisions being the preferred hazardous waste management company in Malaysia.

Sustainability Mission

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

Sustainability Maturity

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

Risk Management

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

Governance

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

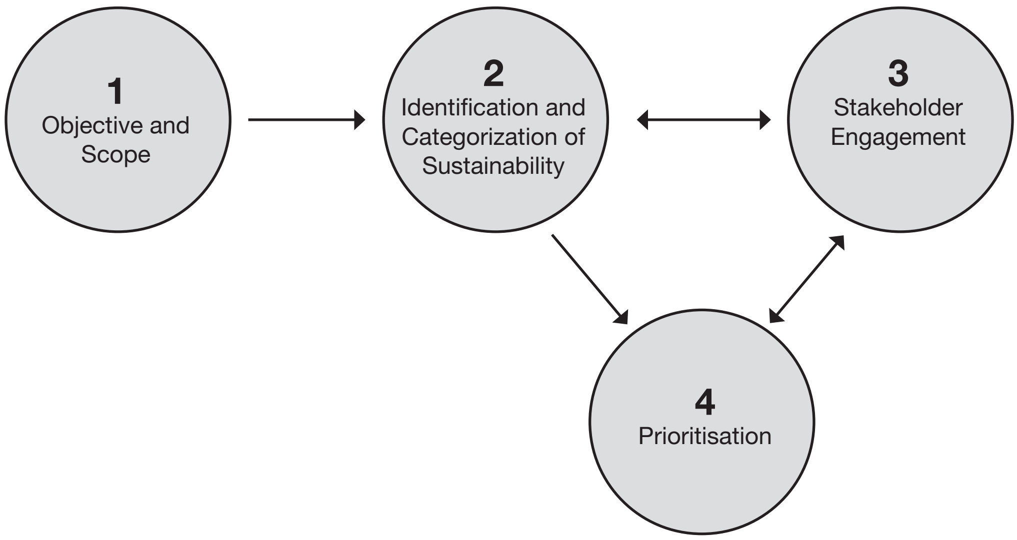
Currently, the Board consists of 6 members, comprising of One (1) Independent Non-Executive Chairman/Senior Independent Non-Executive Director, a Group Managing Director and two (2) other Executive Directors and two (2) Independent Non-Executive Directors.

The Board has taken steps to integrate sustainability issues as core of its strategic formulation. The Board is supported by general managers, which enables the Board to assess and ensure that sustainability governance is structured and functioning through the various levels of management. For more information on our corporate governance practices, please refer to our Annual Report 2018 (Corporate Governance Statement).

CORPORATE SUSTAINABILITY STATEMENT (Cont'd)

Materiality Process

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



Stakeholder Engagement

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

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

CORPORATE SUSTAINABILITY STATEMENT (Cont'd)

Materiality Assessment

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

1) the nature of Hiap Huat's business;
2) laws and regulations; and
3) global and industrial trends.

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

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

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

Environment

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

1) Process flows for Waste Petroleum;
2) Process flows for Waste Petrochemical;
3) Process flows for Contaminated Container; and
4) Process Flows for Recycled Contaminated Oil Filter.

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

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

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

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

CORPORATE SUSTAINABILITY STATEMENT (Cont'd)

- **Environmental Compliance**

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

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

  A subsidiary of Hiap Huat, Labmaster Sdn. Bhd. has been consistently monitoring the environment parameters in and around our plant by sampling of upstream river and industrial effluent regularly and has satisfactory analysis results.

- **Monitoring and Compliance**

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

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

- **Managing Environmental Emergencies**

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

Economic

- **Indirect Economic Impacts**

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

- **Financial Results and Export Market**

  We do export our products, currently consists of 6.20% or RM3.31 million of our total Turnover. Despite small in amount, it has positively contributed to foreign exchange inflows to our country.

  For detailed financial results, please refer to the following sections in the Annual Report 2018:

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

CORPORATE SUSTAINABILITY STATEMENT (Cont'd)

Social

- **Employment and Labour Practices**

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

- **Training and Education**

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

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

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

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

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

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

Sustainability in Practice

Our three-pronged approach in sustainability initiative therefore are:

- **Regulatory compliance and environmental management**

  We are part of the supply value chain which turn hazardous waste into re-reusable petroleum and petrochemical products. Waste of no value will be channel to appropriate authority for eventual disposal. Therefore, as far as practicable, majority of waste will be recycled and then re-used. This will play a part to reduce the impact of environmental issues to the society, especially to the local communities.

CORPORATE SUSTAINABILITY STATEMENT (Cont'd)

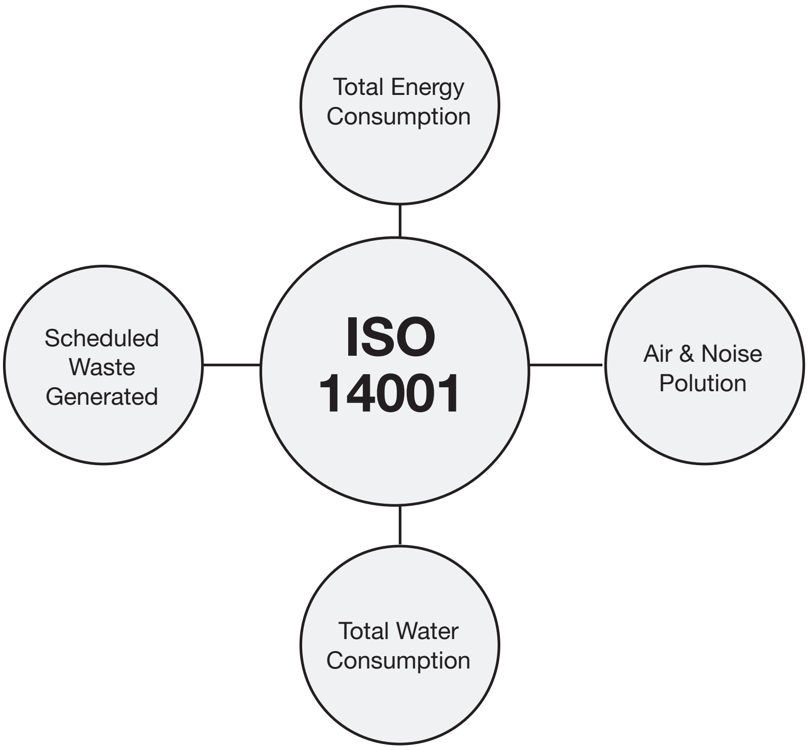
In addition, Hiap Huat has complied with Environment Quality Act (EQA) 1974.

- **Human resources development**

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

- **Certification and Best Practice**

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



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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

This statement sets out the commitment of the Board towards the MCCG and describes how the Group has applied the principles and complied with the best practice provisions as laid out in the MCCG throughout the financial year ended 31 December 2018 pursuant Rule 15.25 of the Ace Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements"). The CG Report is available on the Company's website www.hiaphuat.com as well as via an announcement on the website of Bursa Securities. This Statement should also be read in conjunction with the Statement on Risk Management and Internal Control ("SORMIC") and the respective Board Committee reports in the ensuing pages. Details of how the Company has applied the CG Code principles and complied with its practices, are set out in the CG Report. The explanation for departure is further disclosed in the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

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 Group Managing Director and Executive Directors of the Company, is responsible for managing the day-to-day operation of the business activities in accordance with the strategies direction and delegation by 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.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Board Leadership (Cont'd)

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 justifies measures to address principal risks</u>

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

- <u>To formulate and have in place an appropriate succession plan</u>

  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.

- <u>Developing and implementing an investor relations program or shareholder communications policy for the Group</u>

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

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

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

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

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

In order to ensure effective discharge of its functions and fiduciary duties, the Board has established and delegated specific tasks to four (4) Board Committees namely the Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee. All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as lay out in the terms of reference and to report to the Board with the necessary recommendation.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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

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

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

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

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

Board Committees

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

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Access to Information and Support for Directors

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant board papers shall be forwarded to each Director no later than seven (7) days before the date of the meeting. This is to ensure that board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the board paper and seek for any clarification as and when they may need advice or further explanation from management and/or Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries.

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.

The proceedings and relevant resolutions passed at the Board meeting are duly recorded by the Company Secretaries, and properly documented and filed in the Minutes Book maintained at the Registered Office of the Company.

Board Charter

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

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

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

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 at a general meeting, normally the annual general meeting of the Company. If the Board continues to retain the Independent Director after the twelfth (12) years, the Board will seek annual shareholders' approval through a two-tier voting process.

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 Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

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

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)

Boardroom Diversity (Cont'd)

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

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

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

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

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 and Attendance

There were five (5) Board of Directors' meetings held during the financial year ended 31 December 2018. Details of the attendance of the Directors at the Board of Directors' meetings are as follow:

Name of Director	**Total Meetings Attended**	**Percentage of** Attendance
Zulkifly Bin Zakaria	5/5	100%
Dato' Chan Say Hwa	5/5	100%
Datin Chow Pui Ling	5/5	100%
Soo Kit Lin	4/5	80%
Wong Kah Ming	5/5	100%
Woo Yew Tim	5/5	100%

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Board Meetings and Attendance (Cont'd)

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.

The Board has undertaken an assessment of the training needs 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	1. Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide 2. World Conference in Islamic Thoughts and Civilization
Dato’ Chan Say Hwa	1. Palm & Lauric oil price outlook conference & exhibition (POC2018) 2. Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide 3. IFAT, Munich, Germany 4. Acheme, Frankfurt, Germany 5. CIPPE, Shanghai, China 6. Offshore Technology Conference, Houston,USA 7. Asia Petrolchemical Industry Conference (APIC) 2018
Datin Chow Pui Ling	1. Sustainability Engagement Series for CFOS & CSOS 2. Rules & Regulations Compliance –Environmental Quality (Clean Air) Regulation 2014 3. Environmental Quality (Industrial Effluent) Regulation 2009 4. Turning By-Product Into Profit Through Innovative Waste Management 5. ISO 45001:2018 (Occupational Health & Safety Management system) Awareness and Internal Auditor Training
Soo Kit Lin	1. Power of Change
Wong Kah Ming	1. Palm & Lauric Oils Price Outlook Conference & exhibition (POC2018)
Woo Yew Tim	1. Malaysia Internet Business Summit 2018 2. The 4th Malaysia Oil & Gas Services Exhibition And Conference 2018

During the financial year ended 31 December 2018, 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.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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 Board has stipulated specific Terms of Reference for the Nomination Committee and copy of 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 Constitution.

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 2018, 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 Constitution. Pursuant to the Constitution, 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 Constitution 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. Any Director appointed during the year is required to retire and seek re-election by shareholders at the next Annual General Meeting following his appointment.

Upon the recommendation of the Nomination Committee and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming Annual General Meeting of the Company to be held in 2019 are as stated in the Notice of Annual General Meeting.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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 2018, 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

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

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

The summary of activities undertaken by the Remuneration Committe during the financial year included reviewed and recommended the payment of Directors' fees and other benefits payables to the Directors and Senior Management 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.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Directors' Remuneration

The remunerations of the Executive Directors were determined fairly based on the performance and the profitability of the Group as a whole. The Directors' remuneration is at the discretion of the Board, taking into account the comparative market rates that commensurate with the level of contribution, experience and participation of each Director. The overriding principle adopted in setting the remuneration packages for the Executive Directors by the Remuneration Committee is to ensure that the Company attracts and retains the appropriate Directors of the calibre needed to run the Group successfully.

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 2018 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	-	672,923	-	672,923
Datin Chow Pui Ling	-	323,484	-	323,484
Soo Kit Lin	-	191,393	-	191,393
Wong Kah Ming	36,000	-	36,000	-
Woo Yew Tim	36,000	-	36,000	-
Total	**132,000**	**1,187,800**	**132,000**	**1,187,800**

Remuneration of Senior Management

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

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Financial Reporting

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group, and for ensuring that the financial statements comply with the Companies Act, 2016 ("the Act") and applicable approved accounting standards in Malaysia.

The Board is assisted by the AC Committee in fulfilling the statutory and fiduciary responsibilities in the assessment and evaluation of the Group's management and financial reports of the performance of business, accounting policies, risk and internal controls.

The AC serves as an independent party in the review of the financial information presented by Management before distribution to all shareholders and stakeholders. It ensures that the financial statements comply with applicable accounting standards and also provide direction over the internal audit function and relationship with the external auditors to ensure independence from Management.

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 2018 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 35 of this Annual Report.

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 identify the risks to which the Group is exposed and mitigate the impacts thereof to meet the particular needs 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.

Information on the Group's internal control is presented in the Statement on Risk Management and Internal Control set out on page 36 in this Annual Report.

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

Communication with Stakeholders

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

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

The 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.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Communication with Stakeholders (Cont'd)

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

Leverage on Information Technology for Effective Dissemination of Information

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

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

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

Dialogue with Shareholders

The Company ensures that it maintains an open communications policy with its shareholders, individuals or institutional members and welcomes feedback from them. Whenever deemed appropriate, the Board or the relevant management personnel will respond to these queries or opinions on an individual level.

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 transparent, timely and quality disclosure of information 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 read 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 Chairman and 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.

The External Auditors are also present to provide their professional and independent clarification, if required, on issues highlighted by the shareholders. Status of all resolutions proposed at the AGM is submitted to Bursa Securities at the end of the meeting day.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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 Eight (8th) AGM of the Company held on 26 June 2018, 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.

Effective Communication and Proactive Engagement

In maintaining its commitment to effective communication with shareholders, the Group adopts 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 not established just to comply with the Listing Requirements, but also to adopt the best practices recommended in the MCCG with regard 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.

AUDIT COMMITTEE REPORT

The Board of Directors ("the Board") of Hiap Huat Holdings Berhad ("Hiap Huat" or "the Company") is pleased to present the Audit Committee ("AC") Report for the financial year ended 31 December 2018 ("FY2018").

AC Composition and Attendance

In line with the best practices of MCCG, the Board has set up the AC which comprising exclusively of Independent Non-Executive Directors. The present members of the AC 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

In FY2018, the AC held five meetings. The Group Managing Director, Executive Directors, Group Accountant, external auditors, internal auditors, other Board members and the Company Secretary will attend the AC meetings upon invitation, as and when necessary. The attendance record of AC members was as follows:

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

During the FY2018, the AC had engaged with the external auditors to keep abreast with the key audit issues and audit concerns affecting the Company. The Chairman of the AC will highlight the key issues discussed in the AC meeting at each Board meeting.

Terms of Reference

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

Independence of the Audit Committee

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

Training and Financial Literacy of the Audit Committee Members

Collectively, the members of the AC have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the AC. The qualification and experience of the individual AC members are disclosed in the Directors' Profiles on pages 3 to 5 of this Annual Report, at least one member of the AC fulfils the financial expertise requirement of the Listing Requirements.

During the financial year ended 31 December 2018, all members of the AC had undertaken the relevant training programmes to keep themselves abreast of the latest development in business environment, statutory laws, regulations and best practices to enable them to effectively discharge their duties. The list of trainings attended are disclosed in the Corporate Governance Statement in this Annual Report.

AUDIT COMMITTEE REPORT (Cont'd)

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 AC and Board of Directors on matters that require the Board's attention.

The AC is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the external auditors. The AC 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 AC prior to submission to the Board for approval. The effectiveness and performance of the external auditors are reviewed annually by the AC.

In assess or determine the suitability and independence of the external auditors, the AC 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 AC 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 AC are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the AC, 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.

In compliance with the Malaysian Institute of Accountants, the audit firm rotates its audit partners every five years to ensure objectivity, independence and integrity of the audit opinions.

The external auditors have provided the required independence declaration to the AC and the Board for the FY2018. The AC 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 AC'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 FY2019.

Summary Activities of the AC during the FY2018

During the FY2018, the summary of the activities carried out by the AC was as follow:

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 FY2018;

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;

AUDIT COMMITTEE REPORT (Cont'd)

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 FY2018 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.

Internal Audit Functions

The Group's internal audit function, which reports directly to the Audit Committee, is outsourced to the 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 the 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 ranging from 4 to 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.

AUDIT COMMITTEE REPORT (Cont'd)

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	Financial Statement Close Process • Monthly Accounts Closing • Corporate Reporting • Budgetary Control • Reconciliation for Key Accounts • Bank Reconciliation • Petty Cash Procedures, Disbursement • Accounts Receivables and Payables • Journal Entries
Hiap Huat Chemicals Sdn. Bhd.	Procurement • Pre-qualification and selection of vendors • Vendor performance evaluation • Procurement planning • Payment processing • Sourcing for competitive prices • Purchase processing to receiving • Procurement authority limits and operating procedure review Inventory Management • Inventory planning • Manage inventory levels • Receipt and inspection • Goods-in-transit • Assess the adequacy of existing policies and procedures • Storage and security • Physical verification

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 AC for their review and approval. The outsourced internal audit function also carries out follow up reviews and reports to the AC on the status of implementation of action plans committee by Management pursuant to the recommendations highlighted in the internal audit reports.

The total cost incurred for the outsourcing of the internal audit function for the FY2018 was RM44,725.71.

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

The AC and the Board are satisfied with the performance of the outsourced internal auditors and have in the interest of greater independence and continuity in the internal audit function, taken the decision to continue with the outsource of the internal audit function.

This AC Report is made in accordance with the resolution of the Board on 10 April 2019.

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 2018, 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.

BOARD RESPONSIBILITY

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

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

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

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

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

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

Key elements that have been established in the 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 2018.

The details of the principal risks faced by the Group is set out in the MD&A on pages 8 to 10 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.

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 in the Audit Committee Report on pages 33 to 34 of this Annual Report.

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

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 2018, 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 2019.

OTHER DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA SECURITIES

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

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

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

During the financial year, the amount of audit and non-audit fees paid or payable to the external auditors by the Company and the Group respectively for the financial year ended 31 December 2018 were as follows:

	Company (RM)	Group (RM)
Audit Services Rendered	30,000	99,000
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 30 to the audited consolidated financial statements on page 97 to 98 of this Annual Report, there were no material recurrent related party transactions of revenue nature during the financial year ended 31 December 2018.

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 2018.

Principal Activities

The principal activity of the Company is 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	1,564,293	3,908,982
Attributable to:		
Owners of the Parent	1,941,607	3,908,982
Non-controlling interests	(377,314)	-
	1,564,293	3,908,982

Reserves and Provisions

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

Dividends

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

Issue of Shares and Debentures

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

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 1.1.2018	**Acquired**	**Disposed**	**At 31.12.2018**
Interests in the Company				
Direct Interests				
Dato' Chan Say Hwa	66,105,460	2,921,000	-	69,026,460
Soo Kit Lin	66,608,460	-	-	66,608,460
Datin Chow Pui Ling	-	2,458,920	-	2,458,920
Indirect Interests				
Dato' Chan Say Hwa (#)	-	2,458,920	-	2,458,920
Datin Chow Pui Ling (#)	66,105,460	2,921,000	-	69,026,460

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

By virtue of their interests in the shares of the Company, Dato' Chan Say Hwa, Datin Chow Pui Ling and Soo Kit Lin are also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act, 2016.

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

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 25, 27 and 30 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business and allowance paid for advisory services provided to a close family which a Director is a member as disclosed in Note 30 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT (Cont'd)

Indemnity and Insurance Costs

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM3,000,000 and RM4,800 respectively. No indemnity was given to or insurance affected for auditors of the Company.

Other Statutory Information

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

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

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

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

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

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

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

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

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

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

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

(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.

DIRECTORS' REPORT (Cont'd)

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 25 to the financial statements.

Significant Events

The details of the significant events are disclosed in Note 36 to the financial statements.

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 2019.

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 40 to 110 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 2018 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 2019.

DATO' CHAN SAY HWA	DATIN CHOW PUI LING

KUALA LUMPUR

STATUTORY DECLARATION

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

I, Lau Tuck Wai (MIA Membership No: 15794), being the officer primarily responsible for the financial management of Hiap Huat Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 40 to 110 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 2019)

LAU TUCK WAI

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 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 40 to 110.

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 2018, 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 judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How we addressed the key audit matters
Inventory Net Realisable Value	
The Group estimates the net realisable value of the inventories based on an assessment of expected sales prices. The estimated net realisable value is involving significant judgement by management due to the nature of the inventories, which depending on the market condition of bunker oil price and 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.
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.

INDEPENDENT AUDITORS' REPORT

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

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

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

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

Other Matters

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

UHY
Firm Number: AF 1411
Chartered Accountants

NG LEONG TECK
Approved Number: 03168/12/2019 J
Chartered Accountant

KUALA LUMPUR

10 April 2019

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	46,795,062	50,001,288	6,595,114	6,479,762
Investment properties	5	3,744,962	3,825,644	3,744,962	3,825,644
Investment in subsidiary companies	6	-	-	34,226,030	34,226,030
		50,540,024	53,826,932	44,566,106	44,531,436
Current Assets					
Inventories	7	14,307,169	16,386,931	-	-
Trade receivables	8	5,516,654	4,619,708	-	-
Other receivables	9	2,078,812	1,295,552	66,540	72,378
Amount due from subsidiary companies	10	-	-	80,638	954,645
Tax recoverable		89,291	219,513	32,698	19,536
Fixed deposits with licensed banks	11	150,000	1,476,874	-	-
Short term investment	12	4,010,277	-	4,010,277	-
Cash and bank balances		4,189,227	1,505,803	406,244	203,530
		30,341,430	25,504,381	4,596,397	1,250,089
Total Assets		80,881,454	79,331,313	49,162,503	45,781,525
EQUITY					
Share capital	14	41,092,641	41,092,641	41,092,641	41,092,641
Merger deficit	16	(9,535,114)	(9,535,114)	-	-
Revaluation reserves	17	2,728,934	2,728,934	-	-
Retained earnings/(Accumulated losses)		23,447,377	21,687,008	(45,938)	(3,954,920)
Equity attributable to owners of the parent		57,733,838	55,973,469	41,046,703	37,137,721
Non-controlling interests		(358,376)	18,938	-	-
Total Equity		57,375,462	55,992,407	41,046,703	37,137,721
LIABILITIES					
Non-Current Liabilities					
Finance lease payables	18	903,346	122,487	373,671	122,487
Bank borrowings	19	14,138,526	12,403,264	5,015,862	5,874,652
Deferred tax liabilities	20	2,876,468	2,465,326	58,800	-
		17,918,340	14,991,077	5,448,333	5,997,139
Current Liabilities					
Trade payables	21	1,266,948	1,342,198	-	-
Other payables	22	2,033,845	1,605,767	124,376	163,226
Amount due to subsidiary companies	10	-	-	1,551,932	1,591,433
Finance lease payables	18	162,014	131,990	107,501	31,410
Bank borrowings	19	2,124,845	5,267,874	883,658	860,596
		5,587,652	8,347,829	2,667,467	2,646,665
Total Liabilities		23,505,992	23,338,906	8,115,800	8,643,804
Total Equity and Liabilities		80,881,454	79,331,313	49,162,503	45,781,525

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 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Revenue	23	53,323,447	41,551,436	7,600,000	4,251,232
Cost of sales		(44,212,667)	(31,659,713)	-	-
Gross profit		9,110,780	9,891,723	7,600,000	4,251,232
Other income		1,217,609	557,811	316,646	147,225
Administrative expenses		(7,236,505)	(6,648,728)	(3,603,388)	(3,655,045)
Net loss on impairment of financial instruments		(1,348)	(846,808)	(20,587)	(145,889)
Profit from operation		3,090,536	2,953,998	4,292,671	597,523
Finance costs	24	(859,679)	(1,069,477)	(317,947)	(335,480)
Profit before tax	25	2,230,857	1,884,521	3,974,724	262,043
Taxation	26	(666,564)	(1,116,206)	(65,742)	(1,400)
Net profit for the financial year, representing total comprehensive income for the financial year		1,564,293	768,315	3,908,982	260,643
Total comprehensive income attributable to:					
Owners of the parent		1,941,607	775,893	3,908,982	260,643
Non-controlling interests		(377,314)	(7,578)	-	-
		1,564,293	768,315	3,908,982	260,643
Earnings per share					
Basic earnings per share (sen)	28	0.58	0.23		
Diluted earnings per share (sen)	28	0.58	0.23		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (Cont'd)

		Attributable to Owners of the Parent							
		Non-distributable				Distributable			
	Note	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	14	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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (Cont'd)

		Non-distributable			
	Note	Share Capital RM	Share Premium RM	Accumulated Losses RM	Total Equity RM
Company					
At 1 January 2018		41,092,641	-	(3,954,920)	37,137,721
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	3,908,982	3,908,982
At 31 December 2018		41,092,641	-	(45,938)	41,046,703
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	14	7,762,508	(7,762,508)	-	-
At 31 December 2017		41,092,641	-	(3,954,920)	37,137,721

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash Flows From Operating Activities				
Profit before tax	2,230,857	1,884,521	3,974,724	262,043
Adjustments for:				
Depreciation of property, plant and equipment	4,467,132	4,568,818	362,131	286,216
Depreciation of investment properties	80,682	80,681	80,682	80,681
Dividend income	-	-	(4,000,000)	-
Fair value gain on short term investment	(3,954)	-	(3,954)	-
Gain on disposal of property, plant and equipment	(182,469)	(100,885)	-	-
Gain on disposal of non-current assets held for sale	-	(101,285)	-	-
Gain on disposal of a subsidiary company	-	(85,100)	-	-
Property, plant and equipment written off	54,731	130,438	3,681	5,341
Impairment loss on property, plant and equipment	755,214	-	-	-
Impairment loss on investment in subsidiary company	-	-	136,103	75,100
Net loss on impairment of financial instruments:				
- amount due from subsidiary companies	-	-	20,587	145,889
- trade receivables	1,348	846,808	-	-
Reversal of impairment loss on amount due from a subsidiary company	-	-	(142,361)	(468)
Reversal of impairment loss on trade receivables	(832,415)	-	-	-
Interest expenses	859,679	1,069,477	317,947	335,480
Interest income	(35,268)	(51,641)	(6,832)	(5,857)
Operating profit before working capital changes	7,395,537	8,241,832	742,708	1,184,425
Changes in working capital:				
Inventories	2,079,762	(2,032,234)	-	-
Trade receivables	(247,117)	(579,378)	-	-
Other receivables	(783,261)	(605,305)	5,838	(3,829)
Trade payables	(74,932)	(141,623)	-	-
Other payables	427,761	559,555	(38,850)	482
	1,402,213	(2,798,985)	(33,012)	(3,347)
Cash generated from operations	8,797,750	5,442,847	709,696	1,181,078
Interest received	28,945	51,641	509	5,857
Interest paid	(859,679)	(1,069,477)	(317,947)	(335,480)
Tax paid	(196,065)	(278,397)	(33,472)	(7,568)
Tax refund	70,865	223,475	13,368	23,600
	(955,934)	(1,072,758)	(337,542)	(313,591)
Net cash from operating activities	7,841,816	4,370,089	372,154	867,487

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (Cont'd)

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Cash Flows From Investing Activities					
Repayment from subsidiary companies		-	-	959,221	31,906
Dividend received		-	-	4,000,000	-
Purchase of property, plant and equipment	4(c)	(1,064,854)	(1,245,648)	(85,105)	(45,356)
Proceeds from disposal of non-current assets held for sale		-	647,715	-	-
Acquisition of investment in subsidiary company		-	-	(136,103)	-
Acquisition of short term investment		(4,000,000)	-	(4,000,000)	-
Net cash inflow from disposal of a subsidiary company		-	85,100	-	-
Proceeds from disposal of property, plant and equipment		182,472	126,226	-	-
Net cash (used in)/from investing activities		(4,882,382)	(386,607)	738,013	(13,450)
Cash Flows From Financing Activities					
Drawdown of borrowings		8,500,000	-	-	-
Repayment of bank borrowings		(6,925,708)	(3,439,255)	(835,728)	(805,851)
Repayment of finance lease payables		(195,117)	(513,264)	(71,725)	(15,103)
Decrease/(Increase) in fixed deposits pledged		1,476,874	(45,179)	-	-
Net cash from/(used in) financing activities		2,856,049	(3,997,698)	(907,453)	(820,954)
Net increase/(decrease) in cash and cash equivalents		5,815,483	(14,216)	202,714	33,083
Cash and cash equivalents at the beginning 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		3,425,485	(2,389,998)	406,244	203,530
Cash and cash equivalents at the end of the financial year comprises:					
Cash and bank balances		4,189,227	1,505,803	406,244	203,530
Fixed deposits with licensed banks		150,000	1,476,874	-	-
Bank overdrafts		(913,742)	(3,895,801)	-	-
		3,425,485	(913,124)	406,244	203,530
Less: Fixed deposits pledged with licensed banks		-	(1,476,874)	-	-
		3,425,485	(2,389,998)	406,244	203,530

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

1. Corporate Information

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

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

The registered office of the Company was located at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. With effect from 20 July 2018, the Company's registered office has been relocated to Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 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 amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*
Amendments to MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 140	Transfers of Investment Property

Annual Improvements to MFRSs 2014 – 2016 Cycle:
- Amendments to MFRS 1
- Amendments to MFRS 128

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

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

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to financial statements.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard.

The Group and the Company applied MFRS 9 retrospectively, and have elected not to restate the comparative periods in the financial year of initial adoption as permitted under MFRS 9 transitional provision. The impact arising from MFRS 9 adoption were included in the opening retained earnings at the date of initial application, 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

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

(a) Classification of financial assets and liabilities

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost ("AC"), fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL") and replaces the existing MFRS 139 *Financial Instruments: Recognition and Measurement categories* of loans and receivables, held-to-maturity and available-for-sale. Classification under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows characteristics.

Investments in unit trust fund are always measured at FVTPL with an irrevocable option at inception to present changes in OCI (provided the instruments is not held for trading).

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. There were no changes to the classification and measurements of financial liabilities to the Group and the Company.

(b) Impairment

MFRS 9 requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139. The new impairment model applies to financial assets measured at amortised cost, debt instruments at FVTOCI, contract assets and financial guarantee contracts. The Group has accounted for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

(c) Effect of changes in classification and measurement of financial assets on 1 January 2018

Group	As at 31.12.2017 RM	Remeasurement RM	Reclassification to MFRS 9 AC RM
Financial assets			
Loans and receivables			
Trade receivables	4,619,708	(181,238)	4,438,470
Other receivables	1,295,552	-	1,295,552
Fixed deposits with licensed banks	1,476,874	-	1,476,874
Cash and bank balances	1,505,803	-	1,505,803
	8,897,937	(181,238)	8,716,699
Company			
Financial assets			
Loans and receivables			
Other receivables	72,378	-	72,378
Amount due from subsidiary companies	954,645	-	954,645
Cash and bank balances	203,530	-	203,530
	1,230,553	-	1,230,553

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2018

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

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

(d) Effect on impairment allowances on 1 January 2018

	Group RM
Impairment of financial assets	
Balances under MFRS 139 as at 31 December 2017	846,808
Impairment loss on receivables	181,238
Balances under MFRS 9 as at 1 January 2018	1,028,046

(ii) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. 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.

The Group and the Company adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, MFRS 15 can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date.

The adoption of MFRS 15 has no material financial impact other than the disclosures made in the financial statements.

Impact arising from the adoption of MFRS 9 on the Group's financial statements:

Group	As at 31.12.2017 RM	MFRS 9 adjustment RM	As at 1.1.2018 RM
Trade receivables	4,619,708	(181,238)	4,438,470
Retained earnings	21,687,008	(181,238)	21,505,770

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

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 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 MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 101	Definition of Material	1 January 2020
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

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

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

2. Basis of Preparation (Cont'd)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Significant accounting judgements, estimates and assumptions

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

Judgements

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

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

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

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

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

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

Key sources of estimation uncertainty

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

<u>Useful lives of property, plant and equipment</u>

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. The carrying amount of the property, plant and equipment is disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

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.

Deferred tax assets

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

Inventories valuation

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

Determination of transaction prices

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

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

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

Impairment of receivables

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

The carrying amounts at the reporting date for receivables are disclosed in Note 8, 9 and 10 respectively.

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Income taxes

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

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2018, the Group and the Company have tax recoverable of RM89,291 (2017: RM219,513) and RM32,698 (2017: RM19,536) respectively.

3. Significant Accounting Policies

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

(a) Basis of consolidation

(i) Subsidiary companies

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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

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

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

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

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

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

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

(b) Foreign currency transactions and balances

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

3. Significant Accounting Policies (Cont'd)

(b) Foreign currency transactions and balances (Cont'd)

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

(c) Property, plant and equipment

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

(i) Recognition and measurement

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

3. Significant Accounting Policies (Cont'd)

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

(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 a straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

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

Buildings	50 years
Leasehold land and factory lots	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 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.

As lessee

(i) Finance lease

Leases in terms of which the Group or the Company 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 as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2018

3. Significant Accounting Policies (Cont'd)

(d) Leases (Cont'd)

As lessee (Cont'd)

(ii) Operating lease

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

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

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

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

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

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

Leasehold buildings	Over the remaining period of the lease

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

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

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

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

Transfers are made to (or from) investment property only when there is a change in use. Transfer between investment property, plant and equipment and inventories do not change the carrying amount and the cost of the property transferred.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

3. Significant Accounting Policies (Cont'd)

(f) Inventories

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

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

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

(g) Financial assets

Policy applicable from 1 January 2018

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

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

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

(a) Financial assets at amortised cost

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

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

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

(b) Fair value through other comprehensive income

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

3. Significant Accounting Policies (Cont'd)

(g) Financial assets (Cont'd)

Policy applicable from 1 January 2018 (Cont'd)

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

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

Policy applicable before 1 January 2018

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) Financial liabilities

Policy applicable from 1 January 2018

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

3. Significant Accounting Policies (Cont'd)

(h) Financial liabilities (Cont'd)

Policy applicable before 1 January 2018

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 and loans and borrowings.

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

(i) Financial guarantee contracts

Policy applicable from 1 January 2018

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

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

- the best estimate of the expenditure required to settle the present obligation at the reporting date; and
- the amount initially recognised less cumulative amortisation.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2018

3. Significant Accounting Policies (Cont'd)

(j) Impairment of assets

(i) Non-financial assets

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

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

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

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

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

(ii) Financial assets

Policy applicable from 1 January 2018

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

3. Significant Accounting Policies (Cont'd)

(j) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Policy applicable before 1 January 2018

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

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

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

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

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

(k) Offsetting of financial instruments

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

(l) Cash and cash equivalents

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

(m) Share capital

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2018

3. Significant Accounting Policies (Cont'd)

(n) Provisions

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

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

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

(o) Revenue recognition

(i) Revenue from contracts with customers

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

The Group recognises revenue from the following major sources:

(a) Sale of goods

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

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

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

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

(b) Rendering of services

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2018

3. Significant Accounting Policies (Cont'd)

(o) Revenue recognition (Cont'd)

(ii) Rental income

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

(iii) Dividend income

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

(iv) Interest income

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

(p) Employee benefits

(i) Short term employee benefits

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

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

(ii) Defined contribution plans

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

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for theirs intended use or sale, are capitalised as part of the cost of those assets. 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

3. Significant Accounting Policies (Cont'd)

(r) Income taxes

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

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

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

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

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

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

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

(s) Segment reporting

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

(t) Contingencies

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

4. Property, Plant and Equipment

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

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

	<------- At valuation -------	------->	<--------------	--------------	At cost	--------------	--------------	-------------->	
Group	**Leasehold land and factory lots RM**	**Buildings RM**	**Furniture and fittings and office equipment RM**	**Motor vehicles RM**	**Renovation RM**	**Plant and machinery RM**	**Laboratory equipment RM**	**Capital work-in-progress RM**	**Total RM**
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)
31 DECEMBER 2018

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						
2018						
Cost/Valuation						
At 1 January 2018	5,611,350	555,931	584,973	267,897	193,679	7,213,830
Additions	-	19,457	-	-	464,648	484,105
Written off	-	(4,759)	-	-	-	(4,759)
Transfer to subsidiary company	-	(4,057)	-	-	-	(4,057)
At 31 December 2018	5,611,350	566,572	584,973	267,897	658,327	7,689,119
Accumulated depreciation						
At 1 January 2018	289,921	248,320	140,385	35,477	19,965	734,068
Charge for the financial year	112,228	82,014	58,497	10,707	98,685	362,131
Written off	-	(1,078)	-	-	-	(1,078)
Transfer to subsidiary company	-	(1,116)	-	-	-	(1,116)
At 31 December 2018	402,149	328,140	198,882	46,184	118,650	1,094,005
Carrying amount						
At 31 December 2018	5,209,201	238,432	386,091	221,713	539,677	6,595,114
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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

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

(a) Assets held under finance leases

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

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Motor vehicles	1,252,164	177,138	528,685	167,858
Plant and machinery	1,033,650	1,240,380	-	-
	2,285,814	1,417,518	528,685	167,858

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

(b) Assets pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group and the Company pledged as securities for bank borrowings as disclosed in Note 18 to the financial statements are:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Leasehold land and factory lots	23,611,201	24,120,382	-	-
Buildings	5,209,201	5,321,429	5,209,201	5,321,429
	28,820,402	29,441,811	5,209,201	5,321,429

The remaining lease term of the leasehold land and factory lots of the Group ranges from 35 to 79 (2017: 36 to 80) years.

(c) Purchase of property, plant and equipment

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

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Aggregate costs	2,070,854	1,414,648	484,105	214,356
Less: Finance lease financing	(1,006,000)	(169,000)	(399,000)	(169,000)
Cash payments	1,064,854	1,245,648	85,105	45,356

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

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

(d) 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 2018 are as follows:

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

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 RM20,312,422 (2017: RM20,749,570).

(e) Impairment loss on property, plant and equipment

An impairment loss of RM755,214 (2017: Nil) was recognised during the financial year due to the capital work-in-progress not generate any future economic benefit.

5. Investment Properties

	Group and Company 2018 RM	 2017 RM
Cost		
A 1 January/31 December	4,034,070	4,034,070
Accumulated depreciation		
At 1 January	208,426	127,745
Charge for the financial year	80,682	80,681
At 31 December	289,108	208,426
Carrying amount		
At 31 December	3,744,962	3,825,644

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

5. Investment Properties (Cont'd)

(a) Investment properties under leases

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

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

(b) Fair value basis of investment properties

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 2018 are classified as level 3 of fair value hierarchy and determined to be approximately RM4,400,000 (2017: RM5,300,000).

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	
	2018	**2017**
	RM	**RM**
Rental income	163,500	140,900
Direct operating expenses	7,472	6,826

(d) Investment properties pledged as securities to financial institutions

Investment properties of the Group and of the Company amounting to RM3,744,962 (2017: RM3,825,644) have been pledged as security for banking facilities granted to the Company.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

6. Investment in Subsidiary Companies

	Company 2018 RM	Company 2017 RM
At cost		
Unquoted shares	35,682,133	35,546,030
Less: Accumulated impairment losses	(1,456,103)	(1,320,000)
	34,226,030	34,226,030

Movements in the allowance for impairment loss are as follows:

	Company 2018 RM	Company 2017 RM
At 1 January	1,320,000	1,330,000
Impairment losses recognised	136,103	75,100
Disposal	-	(85,100)
At 31 December	1,456,103	1,320,000

During the financial year, the Company carried out a review of the recoverable amounts due to declining business operations of certain subsidiary companies. The recoverable amounts are estimated based on fair value less costs of disposal of approximately Nil (2017: Nil). An impairment loss amounting to RM136,103 (2017: RM75,100) was recognised in administrative expenses in statements of profit or loss and other comprehensive income.

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	Place of business/ Country of Incorporation	Effective equity interest 2018 %	Effective equity interest 2017 %	Principal activities
Direct holding:				
Hiap Huat Chemicals Sdn. Bhd.	Malaysia	100	100	Manufacturing, recycling and refining all kinds of industrial paints, oils and solvent chemical products
Xia Fa Hardware Sdn. Bhd.	Malaysia	100	100	Distributor of paint, and related products
Topmark Petroleum Products Sdn. Bhd.	Malaysia	100	100	Manufacturing, recycling and refining all kinds of petroleum based products, industrial paints, oils and solvent chemical products and other related products
Hiap Huat Portal Solutions Sdn. Bhd.	Malaysia	100	100	Dormant

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

6. Investment in Subsidiary Companies (Cont'd)

Name of company	Place of business/ Country of Incorporation	Effective equity interest 2018 %	2017 %	Principal activities
Transada Chemicals Sdn. Bhd.	Malaysia	100	100	Dormant
Hiap Huat Services Sdn. Bhd.	Malaysia	51	51	Manufacturing and marketing of high grade or premium grease and related products
Lab Master Sdn. Bhd.	Malaysia	100	100	Provide laboratory services including provide the products and services which involve in numerous research projects, provision of scientific or clinical advice, diagnostic testing services, dealing in all substance, apparatus and related services

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

In previous financial year, a subsidiary company, Hiap Huat Loyalty Solutions Sdn. Bhd. completed its striking off process. As a result, the Group recognised a gain on disposal of RM85,100 in statements of profit or loss and other comprehensive income.

7. Inventories

	Group 2018 RM	Group 2017 RM
Raw materials	9,529,749	14,098,919
Packing materials	11,782	11,921
Finished goods	4,765,638	2,276,091
	14,307,169	16,386,931
Recognised in profit or loss:		
Inventories recognised as cost of sales	44,212,667	31,659,713

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

8. Trade Receivables

	Group 2018 RM	Group 2017 RM
Trade receivables	5,692,110	5,466,516
Less: Accumulated impairment losses	(175,456)	(846,808)
	5,516,654	4,619,708

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2017: 30 to 120 days) term. They are recognised at their original invoice amounts which represent their fair value on initial recognition.

Movement in the allowance for impairment losses are as follows:

	Group 2018 RM	Group 2017 RM
At 1 January	846,808	-
Effect of adopting MFRS 9	181,238	-
Impairment losses recognised	1,348	846,808
Reversal of impairment losses	(832,415)	-
Amount written off	(21,523)	-
At 31 December	175,456	846,808

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

8. Trade Receivables (Cont'd)

Group 2017	Gross amount RM	Loss allowance RM	Net amount RM
Neither past due nor impaired	3,932,331	-	3,932,331
Past due but not impaired:			
Less than 30 days	-	-	-
31 to 60 days	551,705	-	551,705
61 to 90 days	135,672	-	135,672
	687,377	-	687,377
	4,619,708	-	4,619,708
Credit impaired:			
More than 90 days past due	-	-	-
Individual impaired	846,808	(846,808)	-
	5,466,516	(846,808)	4,619,708

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

As at 31 December 2018, trade receivables of RM1,035,305 (2017: RM687,377) 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 RM175,456 (2017: RM846,808), related to customers that are in financial difficulties, have defaulted on payments and/or have disputed on the billings. These balances are expected to be recovered through the debt recovery process.

9. Other Receivables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables	109,084	221	4,950	221
Staff loans `	-	10,502	-	-
Deposits	814,187	117,617	29,412	26,912
Prepayments	477,204	845,630	30,301	45,245
GST receivables	678,337	321,582	1,877	-
	2,078,812	1,295,552	66,540	72,378

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

10. Amount Due from/(to) Subsidiary Companies

	Company 2018 RM	Company 2017 RM
Amount due from subsidiary companies		
Non-interest bearing	726,372	1,722,153
Less: Accumulated impairment losses	(645,734)	(767,508)
	80,638	954,645
Amount due to subsidiary companies		
Non-interest bearing	1,551,932	1,591,433

Movements in the allowance for impairment loss are as follows:

	Company 2018 RM	Company 2017 RM
At 1 January	767,508	622,087
Impairment losses recognised	20,587	145,889
Reversal of impairment losses	(142,361)	(468)
At 31 December	645,734	767,508

During the financial year, the Company has recognised an impairment loss of RM20,587 (2017: RM145,889) on amount due from certain subsidiary companies as the amount may not recoverable based on the fair value less cost of disposal approach, and this is derived using adjusted net assets of the respective subsidiary companies as at the end of the reporting period. The fair values are within level 3 of the hierarchy.

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

11. Fixed Deposits with Licensed Banks

The fixed deposits of the Group at amount of Nil (2017: RM1,476,874) have been pledged to licensed banks as securities for credit facilities granted to certain subsidiary companies as disclosed in Note 19.

The interest rate of fixed deposits is 3.95% (2017: 3.30%) per annum and the maturities of deposits is 90 (2017: 30) days.

12. Short Term Investment

	Group 2018 Carrying amount RM	Group 2018 Market value of investment RM	Group 2017 Carrying amount RM	Group 2017 Market value of investment RM
At fair value				
- Unit trust fund	4,010,277	4,010,277	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

13. Non-Current Assets Classified as Held for Sale

	Group 2018 RM	2017 RM
At beginning of the financial year	-	546,430
Disposal	-	(546,430)
At end of the financial year	-	-

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.

14. Share Capital

	Group and Company			
	Number of Shares		Amount	
	2018 Units	2017 Units	2018 RM	2017 RM
Ordinary shares with no par value				
Issued and fully paid				
At 1 January	333,301,330	333,301,330	41,092,641	33,330,133
Transition to no-par value regime on 31 January 2017 (Note 15)				
- Share premium	-	-	-	7,762,508
At 31 December	333,301,330	333,301,330	41,092,641	41,092,641

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

15. Share Premium

	Group and Company 2018 RM	2017 RM
At 1 January	-	7,762,508
Transition to no-par value regime on 31 January 2017 (Note 14)	-	(7,762,508)
At 31 December	-	-

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

16. Merger Deficit

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

17. 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.

18. Finance Lease Payables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Minimum lease payments				
Within one year	257,478	139,335	127,044	37,860
Later than one year and not later than two years	265,200	37,860	127,044	37,860
Later than two years and not later than five years	665,747	94,630	274,228	94,630
	1,188,425	271,825	528,316	170,350
Less: Future finance charges	(123,065)	(17,348)	(47,144)	(16,453)
Present value of minimum lease payments	1,065,360	254,477	481,172	153,897
Present value of minimum lease payments				
Within one year	162,014	131,990	107,501	31,410
Later than one year and not later than two years	250,941	33,007	112,785	33,006
Later than two years and not later than five years	652,405	89,480	260,886	89,481
	1,065,360	254,477	481,172	153,897
Analysed as:				
Repayable within twelve months	162,014	131,990	107,501	31,410
Repayables after twelve months	903,346	122,487	373,671	122,487
	1,065,360	254,477	481,172	153,897

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

The finance lease payables charged interest at rates ranging from 2.22% to 3.94% (2017: 2.31% to 3.31%) per annum.

19. Bank Borrowings

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Secured				
Floating rate				
Term loan I	810,832	931,296	810,832	931,296
Term loan II	863,170	984,492	863,170	984,492
Term loan III	863,170	984,492	863,170	984,492
Term loan IV	824,151	939,997	824,151	939,997
Term loan V	824,151	939,997	824,151	939,997
Term loan VI	857,023	977,486	857,023	977,486
Term loan VII	857,023	977,488	857,023	977,488
Term loan VIII	265,176	292,353	-	-
Term loan IX	689,283	724,552	-	-
Term loan X	8,495,650	-	-	-
Term loan XI	-	837,600	-	-
Term loan XII	-	5,172,803	-	-
Term loan XIII	-	12,781	-	-
Bank overdrafts	913,742	3,895,801	-	-
	16,263,371	17,671,138	5,899,520	6,735,248

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2018

19. Bank Borrowings (Cont'd)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-current				
Term loan I	687,448	811,334	687,448	811,334
Term loan II	734,214	858,867	734,214	858,867
Term loan III	734,214	858,867	734,214	858,867
Term loan IV	701,015	820,042	701,015	820,042
Term loan V	701,015	820,042	701,015	820,042
Term loan VI	728,978	852,749	728,978	852,749
Term loan VII	728,978	852,751	728,978	852,751
Term loan VIII	235,034	264,118	-	-
Term loan IX	646,233	683,178	-	-
Term loan X	8,241,397	-	-	-
Term loan XI	-	741,390	-	-
Term loan XII	-	4,839,926	-	-
	14,138,526	12,403,264	5,015,862	5,874,652
Current				
Term loan I	123,384	119,962	123,384	119,962
Term loan II	128,956	125,625	128,956	125,625
Term loan III	128,956	125,625	128,956	125,625
Term loan IV	123,136	119,955	123,136	119,955
Term loan V	123,136	119,955	123,136	119,955
Term loan VI	128,045	124,737	128,045	124,737
Term loan VII	128,045	124,737	128,045	124,737
Term loan VIII	30,142	28,235	-	-
Term loan IX	43,050	41,374	-	-
Term loan X	254,253	-	-	-
Term loan XI	-	96,210	-	-
Term loan XII	-	332,877	-	-
Term loan XIII	-	12,781	-	-
Bank overdrafts	913,742	3,895,801	-	-
	2,124,845	5,267,874	883,658	860,596
	16,263,371	17,671,138	5,899,520	6,735,248

Term Loan I, II, III, IV, V, VI and VII
The term loan bears interest at floating rate of 4.92% per annum.

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

The term loan is secured by the following:

(a) legal charge over buildings of the Company as disclosed in Note 4(b); and
(b) corporate guarantee by a related company.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

19. Bank Borrowings (Cont'd)

Term Loan VIII and IX
The term loan VIII and IX are secured by following:

(a) facility agreement;
(b) asset purchase agreement as subsidiary instruments;
(c) legal charge over leasehold land and factory lots of the Group as disclosed in Note 4(b);
(d) pledge of fixed deposit of the Group as disclosed in Note 11;
(e) corporate guarantee by the Company; and
(f) jointly and severally guaranteed by certain Directors of the Company.

The term loan are repayable by monthly installment over 10 to 15 years.

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

The term loan is secured by way of:

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

Term Loan XI and XII
Term loan is secured by the following:

(a) facility agreement;
(b) pledge of fixed deposits of the Group as disclosed in Note 11;
(c) corporate guarantee by a related company; and
(d) jointly and severally guaranteed by certain Directors of the Company.

Term loan XI and XII are repayable by monthly installment of RM11,513 and RM49,887 respectively over 168 months.

Term Loan XIII
Term loan is secured by the following:

(a) legal charge over leasehold land and factory lots of the Group as disclosed in Note 4(b);
(b) corporate guarantee by the Company; and
(c) jointly and severally guaranteed by certain Directors of the Company.

Term loan XIII is repayable by monthly installment of RM56,099 over 240 months.

Bank overdrafts
Bank overdraft is secured by the following:

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

19. Bank Borrowings (Cont'd)

Maturity of bank borrowings is as follows:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Within one year	2,124,845	5,267,874	883,658	860,596
Between one to two years	1,269,973	1,424,845	925,360	898,942
Between two to five years	4,192,156	4,700,575	3,047,104	2,944,378
After five years	8,676,397	6,277,844	1,043,398	2,031,332
	16,263,371	17,671,138	5,899,520	6,735,248

Ranges of interest rates of bank borrowings are as follows:

	Group		Company	
	2018 %	**2017 %**	**2018 %**	**2017 %**
Term loans	4.00-6.82	4.65 - 6.80	4.57	4.32
Bank overdrafts	4.95-8.41	4.85 - 8.41	-	-

20. Deferred Tax Liabilities

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
At 1 January	2,465,326	1,558,778	-	-
Recognised in profit or loss (Note 26)	691,703	450,215	58,800	-
(Over)/Under provision in prior year (Note 26)	(280,561)	456,333	-	-
At 31 December	2,876,468	2,465,326	58,800	-

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

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Deferred tax liabilities	4,678,413	4,905,166	93,598	107,400
Deferred tax assets	(1,801,945)	(2,439,840)	(34,798)	(107,400)
	2,876,468	2,465,326	58,800	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

20. Deferred Tax Liabilities (Cont'd)

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 2018	4,100,584	804,582	4,905,166
Recognised in profit or loss	74,294	(20,402)	53,892
Over provision in prior years	(280,645)	-	(280,645)
At 31 December 2018	3,894,233	784,180	4,678,413
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

Deferred tax liability	**Accelerated capital allowances RM**
Company	
At 1 January 2018	107,400
Recognised in profit or loss	(13,802)
At 31 December 2018	93,598
At 1 January 2017	123,336
Recognised in profit or loss	(15,936)
At 31 December 2017	107,400

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

20. Deferred Tax Liabilities (Cont'd)

Deferred tax assets	Unabsorbed capital allowances RM	Unutilised tax losses RM	Total RM
Group			
At 1 January 2018	(2,157,840)	(282,000)	(2,439,840)
Recognised in profit or loss	565,209	72,602	637,811
(Over)/Under provision in prior years	(778)	862	84
At 31 December 2018	(1,593,409)	(208,536)	(1,801,945)
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)
Company			
At 1 January 2018	-	(107,400)	(107,400)
Recognised in profit or loss	-	72,602	72,602
At 31 December 2018	-	(34,798)	(34,798)
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)

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unutilised tax losses	1,495,900	1,906,100	-	411,600
Unabsorbed capital allowances	33,800	33,800	-	-
	1,529,700	1,939,900	-	411,600

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

21. Trade Payables

The Group's normal trade credit terms range from 30 to 120 days (2017: 30 to 120 days). Other credit terms are assessed and approved on a case to case basis.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

22. Other Payables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other payables	487,140	419,112	20,462	26,889
Deposits received	41,850	33,548	41,850	33,548
Accruals	1,504,855	937,781	62,064	44,757
GST payables	-	215,326	-	58,032
	2,033,845	1,605,767	124,376	163,226

23. Revenue

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Revenue from contracts with customers:				
- Sale of goods	52,760,907	41,551,436	-	-
- Management fees received from subsidiary companies	-	-	3,600,000	4,251,232
- Services rendered	562,540	-	-	-
	53,323,447	41,551,436	3,600,000	4,251,232
Revenue from other sources:				
- Dividend income received from a subsidiary company	-	-	4,000,000	-
	53,323,447	41,551,436	7,600,000	4,251,232

The timing of revenue recognition is at a point in time.

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

	Trading and service	
	2018 RM	2017 RM
Major goods and services:		
Sale of goods	52,760,907	41,551,436
Services rendered	562,540	-
Total revenue from contracts with customers	53,323,447	41,551,436
Geographical market:		
Malaysia	50,016,550	39,517,275
Singapore	1,297,735	136,010
China	41,676	-
South Korea	-	179,655
Vietnam	1,967,486	1,718,496
Total revenue from contracts with customers	53,323,447	41,551,436

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2018

24. Finance Costs

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest expenses on:				
Finance lease payables	24,058	7,364	16,171	3,827
Term loans	781,406	752,130	301,776	331,653
Bank overdrafts	54,215	309,983	-	-
	859,679	1,069,477	317,947	335,480

25. Profit Before Tax

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Auditors' remuneration				
- statutory audit	99,000	89,000	30,000	28,000
- overprovision in prior year	-	(4,500)	-	-
- other service	5,000	5,000	5,000	5,000
Depreciation of investment properties	80,682	80,681	80,682	80,681
Depreciation of property, plant and equipment	4,467,132	4,568,818	362,131	286,216
Fair value gain on short term investment	(3,954)	-	(3,954)	-
Impairment loss on investment in subsidiary company	-	-	136,103	75,100
Net loss on impairment of financial instruments				
- amount due from subsidiary companies	-	-	20,587	145,889
- trade receivables	1,348	846,808	-	-
Impairment loss on property, plant and equipment	755,214	-	-	-
Non-executive Directors' remuneration				
- Fees	132,000	132,000	132,000	132,000
Property, plant and equipment written off	54,731	130,438	3,681	5,341
Rental of premises	76,860	70,870	-	-
Rental of machinery	-	16,500	-	-
Rental of warehouse	-	60,000	-	-
Realised loss on foreign exchange	8,767	39,412	-	-
Gain on disposal of property, plant and equipment	(182,469)	(100,885)	-	-
Gain on disposal of non-current assets held for sale	-	(101,285)	-	-
Gain on disposal of a subsidiary company	-	(85,100)	-	-
Dividend income	-	-	(4,000,000)	-
Interest income	(35,268)	(51,641)	(6,832)	(5,857)
Rental income	(163,500)	(140,900)	(163,500)	(140,900)
Reversal of impairment loss on amount due from a subsidiary company	-	-	(142,361)	(468)
Reversal of impairment loss on trade receivables	(832,415)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

26. Taxation

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Tax expenses recognised in profit or loss:				
Current tax provision	204,500	181,823	8,000	1,400
Under/(Over) provision in prior year	50,922	27,835	(1,058)	-
	255,422	209,658	6,942	1,400
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 20)	691,703	450,215	58,800	-
(Over)/Under provision in prior year (Note 20)	(280,561)	456,333	-	-
	411,142	906,548	58,800	-
Tax expenses for the financial year	666,564	1,116,206	65,742	1,400

Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax	2,230,857	1,884,521	3,974,724	262,043
At Malaysian statutory tax rate of 24% (2017: 24%)	535,406	452,285	953,934	62,890
Expenses not deductible for tax purposes	625,988	513,880	172,082	187,678
Income not subject to tax	(155,751)	(56,570)	(960,000)	-
Reinvestment allowance	(9,745)	(51,333)	-	-
Utilisation of previously unrecognised deferred tax assets	(102,541)	(249,168)	(99,216)	(249,168)
Deferred tax assets not recognised	2,846	22,944	-	-
Under/(Over) provision of income tax expense in prior year	50,922	27,835	(1,058)	-
(Over)/Under provision of deferred tax in prior year	(280,561)	456,333	-	-
Tax expenses for the financial year	666,564	1,116,206	65,742	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	
	2018 RM	2017 RM	2018 RM	2017 RM
Unutilised tax losses	2,362,800	3,078,200	142,800	859,100
Unabsorbed capital allowances	6,672,800	9,874,800	-	-
	9,035,600	12,953,000	142,800	859,100

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2018

27. Staff Costs

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, wages and other emoluments	4,459,128	4,483,170	1,660,380	1,734,412
Social security contributions	38,260	36,850	10,331	9,377
Defined contribution plans	409,206	425,603	194,337	195,659
Other benefits	530,305	389,927	238,745	112,358
	5,436,899	5,335,550	2,103,793	2,051,806

The 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Executive Directors				
Existing Directors of the Company				
Salaries, wages and other emoluments	1,068,000	1,068,000	1,068,000	1,068,000
Social security contributions	2,440	2,250	2,440	2,250
Defined contribution plans	117,360	117,360	117,360	117,360
	1,187,800	1,187,610	1,187,800	1,187,610

28. 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	
	2018 RM	2017 RM
Net profit for the financial year attributable to ordinary shareholders	1,941,607	775,893
Weighted average number of ordinary shares in issue	333,301,330	333,301,330
Basic earnings per ordinary share (in sen)	0.58	0.23

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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29. 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:

	At 1 January RM	New finance lease/ Drawdown of term loan RM	Financing cash flows RM	At 31 December RM
2018				
Group				
Finance lease payables	254,477	1,006,000	(195,117)	1,065,360
Term loans	13,775,337	8,500,000	(6,925,708)	15,349,629
	14,029,814	9,506,000	(7,120,825)	16,414,989
Company				
Finance lease payables	153,897	399,000	(71,725)	481,172
Term loans	6,735,248	-	(835,728)	5,899,520
	6,889,145	399,000	(907,453)	6,380,692
2017				
Group				
Finance lease payables	598,741	169,000	(513,264)	254,477
Term loans	17,214,592	-	(3,439,255)	13,775,337
	17,813,333	169,000	(3,952,519)	14,029,814
Company				
Finance lease payables	-	169,000	(15,103)	153,897
Term loans	7,541,099	-	(805,851)	6,735,248
	7,541,099	169,000	(820,954)	6,889,145

30. Related Party Disclosures

(a) Identifying related parties

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

30. Related Party Disclosures (Cont'd)

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

	Group	
	2018 RM	**2017 RM**
Transactions with close family members of the Directors/substantial shareholder		
Allowance paid for advisory services provided	67,200	67,200

	Company	
	2018 RM	**2017 RM**
Transactions with subsidiary companies		
- Management fee received	3,600,000	4,251,232
- Proceeds from disposal of property, plant and equipment	2,941	-
- Dividend income received	4,000,000	-

(c) Compensation of key management personnel

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

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Salaries, wages, fee and other emoluments	1,200,000	1,200,000	1,200,000	1,200,000
Social security contribution	2,440	2,250	2,440	2,250
Defined contribution plans	117,360	117,360	117,360	117,360
	1,319,800	1,319,610	1,319,800	1,319,610

31. Segmental Reporting

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

Geographic information

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

	Revenue	
	2018 RM	**2017 RM**
Group		
Malaysia	50,016,550	39,517,275
Singapore	1,297,735	136,010
China	41,676	-
South Korea	-	179,655
Vietnam	1,967,486	1,718,496
	53,323,447	41,551,436

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

31. Segmental Reporting (Cont'd)

Major customers

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

	Revenue	
	2018 RM	2017 RM
All common control companies of:		
- Customer A	8,770,446	9,604,642
- Customer B	18,038,461	5,148,510
	26,808,907	14,753,152

32. Financial Instruments

(a) Classification of financial instruments

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

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

	At Amortised Cost RM	At FVTPL RM	Total RM
Group			
2018			
Financial Assets			
Trade receivables	5,516,654	-	5,516,654
Other receivables	923,271	-	923,271
Fixed deposits with licensed banks	150,000	-	150,000
Short term investment	-	4,010,277	4,010,277
Cash and bank balances	4,189,227	-	4,189,227
	10,779,152	4,010,277	14,789,429
Financial Liabilities			
Trade payables	1,266,948	-	1,266,948
Other payables	2,033,845	-	2,033,845
Finance lease payables	1,065,360	-	1,065,360
Bank borrowings	16,263,371	-	16,263,371
	20,629,524	-	20,629,524

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

32. Financial Instruments (Cont'd)

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

	At Amortised Cost RM	At FVTPL RM	Total RM
Company			
Financial Assets			
Other receivables	34,362	-	34,362
Amount due from subsidiary companies	80,638	-	80,638
Short term investment	-	4,010,277	4,010,277
Cash and bank balances	406,244	-	406,244
	521,244	4,010,277	4,531,521
Financial Liabilities			
Other payables	124,376	-	124,376
Amount due to subsidiary companies	1,551,932	-	1,551,932
Bank borrowings	5,899,520	-	5,899,520
	7,575,828	-	7,575,828

	Loans and receivables RM	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	1,505,803	-	1,505,803
	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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

32. Financial Instruments (Cont'd)

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

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Company			
Financial Assets			
Other receivables	27,133	-	27,133
Amount due from 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
Amount due to subsidiary companies	-	1,591,433	1,591,433
Bank borrowings	-	6,735,248	6,735,248
	-	8,431,875	8,431,875

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

32. Financial Instruments (Cont'd)

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

(i) Credit risk (Cont'd)

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to certain subsidiary companies. The Group's and the Company's maximum exposure in this respect is RM16,263,371 (2017: RM17,671,138) and RM10,363,851 (2017: RM3,107,311) respectively, representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary companies would default on repayment as at the end of the reporting period.

As at 31 December 2018, the Group had 8 customers (2017: 7 customers) that owed the Company at total amount of approximately RM4,036,000 (2017: RM 2,923,000), which accounted for approximately 73% (2017: 63%) of all the receivables outstanding.

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

(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 DECEMBER 2018

32. 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						
2018						
Non-derivative financial liabilities						
Trade payables	1,266,948	-	-	-	1,266,948	1,266,948
Other payables	2,033,845	-	-	-	2,033,845	2,033,845
Finance lease payables	257,478	265,200	665,747	-	1,188,425	1,065,360
Bank borrowings	2,845,862	1,932,120	5,796,360	11,741,133	22,315,475	16,263,371
	6,404,133	2,197,320	6,462,107	11,741,133	26,804,693	20,629,524
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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2018

32. 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						
2018						
Non-derivative financial liabilities						
Other payables	124,376	-	-	-	124,376	124,376
Amount due to subsidiary companies	1,551,932	-	-	-	1,551,932	1,551,932
Bank borrowings	1,137,504	1,137,504	3,412,512	1,067,852	6,755,372	5,899,520
	2,813,812	1,137,504	3,412,512	1,067,852	8,431,680	7,575,828
2017						
Non-derivative financial liabilities						
Other payables	105,194	-	-	-	105,194	105,194
Amount due 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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

32. 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.

Foreign currency sensitivity analysis

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

(ii) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2018 RM	**2017 RM**
Group		
Floating rate instruments		
Financial liabilities	16,263,371	17,671,138
Fixed rate instruments		
Financial assets	(150,000)	(1,476,874)
Financial liabilities	1,065,360	254,477
	915,360	(1,222,397)
Company		
Floating rate instruments		
Financial liabilities	5,899,520	6,735,248
Fixed rate instruments		
Financial liabilities	481,172	153,897

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

32. Financial Instruments (Cont'd)

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

(iii) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for floating rate instruments

A change in 0.25% interest rate at the end of the reporting period would have increased/(decreased) the Group and the Company's profit before tax by RM40,658 and RM14,749 (2017: RM44,178 and RM16,838) 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2018

32. Financial Instruments (Cont'd)

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

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total	Carrying
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	fair value RM	amount RM
Group										
2018										
Financial Asset										
Short term investment	4,010,277	-	-	4,010,277	-	-	-	-	4,010,277	4,010,277
Financial Liability										
Finance lease payables	-	-	-	-	-	821,407	-	821,407	821,407	903,346
2017										
Financial Liability										
Finance lease payables	-	-	-	-	-	119,642	-	119,642	119,642	122,487
Company										
2018										
Financial Asset										
Short term investment	4,010,277	-	-	4,010,277	-	-	-	-	4,010,277	4,010,277
Financial Liability										
Finance lease payables	-	-	-	-	-	350,713	-	350,713	350,713	373,671
2017										
Financial Liability										
Finance lease payables	-	-	-	-	-	119,642	-	119,642	119,642	122,487

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
31 DECEMBER 2018

32. Financial Instruments (Cont'd)

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

(i) Policy on transfer between levels

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

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

(ii) Level 1 fair value

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

(iii) Level 2 fair value

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

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

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

(iv) Level 3 fair value

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

33. Capital Commitment

	Group	
	2018	**2017**
	RM	**RM**
Authorised and approved for:		
- Purchase of property, plant and equipment	1,599,360	-

34. Capital Management

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

34. Capital Management (Cont'd)

The gearing ratios are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Total loans and borrowings	17,328,731	17,925,615	6,380,692	6,889,145
Less: Deposits, bank and cash balances	(4,339,227)	(2,982,677)	(406,244)	(203,530)
Total net debts	12,989,504	14,942,938	5,974,448	6,685,615
Total equity	57,733,838	55,973,469	41,046,703	37,137,721
Gearing ratio (%)	22%	27%	15%	18%

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

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

35. Contingencies

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<u>Corporate guarantee</u>				
Corporate guarantee given to financial instituitions for banking facilities granted to subsidiary companies				
- Limit of guarantees	21,855,100	33,155,100	12,938,500	12,838,500
- Amount utilised	16,263,371	17,671,138	10,363,851	3,107,311

36. Significant Events

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").

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2018

36. Significant Events (Cont'd)

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.

The application for the Proposed Special Issue have been approved by SC Malaysia on 11 April 2018 and that the following has been submitted to Bursa Securities on 22 May 2018:

(i) the listing application for the listing of and quotation for 42,200,000 new share to be issued pursuant to the Proposed Special Issue on the ACE Market of Bursa Securities; and
(ii) the draft circular to shareholder of Company in relation to the Proposed Special issue

The approval by Bursa Securities for the listing of up to 42,200,000 new shares is subject to the following condition on 30 May 2018:

(i) the Company and Hong Leong Investment Bank Berhad (HLIB) must fully comply with the relevant provision under the Bursa Securities ACE Market Listing Requirements pertaining to the implementation of the Proposed Special Issue;
(ii) the Company and HLIB to inform Bursa Securities upon the completion of the Proposed Special Issue; and
(iii) the Company to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Prosed Special Issue is completed.

The shareholders of the Company had at its Extraordinary General meeting held on 26 June 2018 approved the Proposed Special Issue.

The Proposed Special Issue is not conditional upon any other corporate proposals undertaken or to be undertaken by Hiap Huat.

Barring any unforeseen circumstances, the Proposed Special Issue is expected to be completed by the second quarter of 2019.

37. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 10 April 2019.

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 31.12.2018 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	25 years	Leasehold for 66 years, expiring on 22.03.2053	904	10/12/2008
2.	Lot No. A-2, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang Darul Makmur. *Title identification:* PN11606 Lot 18212 (formerly held under HS(D) 12164, PT No. 15678), Mukim and District of Bentong, State of Pahang.	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse.	Land area: 1,864 Gross built-up area: 926.7	25 years	Leasehold for 66 years, expiring on 22.03.2053	831	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	25 years	Leasehold for 66 years, expiring on 22.03.2053	804	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	25 years	Leasehold for 66 years, expiring on 22.03.2053	770	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 31.12.2018 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	25 years	Leasehold for 66 years, expiring on 22.03.2053	711	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	25 years	Leasehold for 66 years, expiring on 22.03.2053	803	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	25 years	Leasehold for 66 years, expiring on 22.03.2053	716	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	25 years	Leasehold for 66 years, expiring on 22.03.2053	647	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 31.12.2018 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	25years	Leasehold for 66 years, expiring on 22.03.2053	666	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	25 years	Leasehold for 66 years, expiring on 22.03.2053	721	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	5 years	Leasehold for 99 years, expiring on 24.02.2097	16,020	07/07/2009
12.	D-22-01, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/M1-C/23/182, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 182, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan.	Soho Duplex Unit used as investment property.	Gross built-up area: 152.00	4 years	Leasehold for 99 years, expiring on 23.11.2100	1,248	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 31.12.2018 RM'000	Date of acquisition
13.	D-22-03, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/M1-C/23/184, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 184, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan.	Soho Duplex Unit used as office.	Gross built-up area: 157.00	4 years	Leasehold for 99 years, expiring on 23.11.2100	1,307	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	4 years	Leasehold for 99 years, expiring on 23.11.2100	1,307	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	4 years	Leasehold for 99 years, expiring on 23.11.2100	1,248	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	4 years	Leasehold for 99 years, expiring on 23.11.2100	1,248	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 31.12.2018 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	4 years	Leasehold for 99 years, expiring on 23.11.2100	1,298	10/05/2013
18.	D-22-08, Sunway Nexis, No. 1, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan. *Title identification:* Strata Title PN 94193/M1-C/23/189, Lot No. 65670, Bangunan No. M1-C, Tingkat No. 23, No. Petak 189, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan.	Soho Duplex Unit used as office.	Gross built-up area: 157.00	4 years	Leasehold for 99 years, expiring on 23.11.2100	1,298	10/05/2013

STATISTICS OF SHAREHOLDINGS

AS AT 29 MARCH 2019

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 29 MARCH 2019

Size of Holding	No. of shareholders	% of shareholders	No. of holdings	% of shares
1 – 99	40	2.59	1,133	0.00
100 - 1,000	119	7.71	58,600	0.02
1,001 - 10,000	330	21.39	2,275,298	0.68
10,001 - 100,000	785	50.87	37,137,700	11.14
100,001 to less than 5% of issued shares	266	17.24	140,239,579	42.08
5% and above of issued shares	3	0.19	153,589,020	46.08
Total	**1,543**	**100.00**	**333,301,330**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 29 MARCH 2019

No.	Name of Substantial Shareholder	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Dato' Chan Say Hwa	69,026,460	20.71	2,458,920[a]	0.74
2	Soo Kit Lin	66,608,460	19.98	-	-
3	Chan Ban Hin	8,384,310	2.52	66,608,460[b]	19.98
4	Datin Chow Pui Ling	2,458,920	0.74	69,026,460[c]	20.71
5	Bu Yaw Seng	28,454,100	8.54	-	-

(a) Deemed interested through direct holding of spouse, Datin Chow Pui Ling.
(b) Deemed interested through direct holding of spouse, Soo Kit Lin.
(c) Deemed interested through direct holding of spouse, Dato' Chan Say Hwa.

DIRECTORS' INTERESTS IN SHARES AS AT 29 MARCH 2019

No.	Name of Director	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Zulkifly Bin Zakaria	-	-	-	-
2	Dato' Chan Say Hwa	69,026,460	20.71	2,458,920[1]	0.74
3	Datin Chow Pui Ling	2,458,920	0.74	69,026,460[2]	20.71
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, Datin Chow Pui Ling.
(2) Deemed interested through direct holding of spouse, Dato' Chan Say Hwa.

STATISTICS OF SHAREHOLDINGS

AS AT 29 MARCH 2019 (Cont'd)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 29 MARCH 2019)

No.	Name of Shareholders	No. of Shares	%
1	DATO' CHAN SAY HWA	69,026,460	20.71
2	SOO KIT LIN	66,608,460	19.98
3	BU YAW SENG	17,954,100	5.39
4	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR BU YAW SENG (MY3086)	10,500,000	3.15
5	LIM KIAN SIONG	9,408,600	2.82
6	CHOW CHIAT WEE	7,920,900	2.38
7	CHOW HOW FAI	7,798,600	2.34
8	TEO KWEE HOCK	3,524,300	1.06
9	DATIN CHOW PUI LING	2,458,920	0.74
10	CHONG KIM LIAN	2,277,700	0.68
11	ONG SOI TAT	2,247,000	0.67
12	LAU KIM SAN	2,230,000	0.67
13	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN ENG HOO	2,200,000	0.66
14	CHONG THO CHIN @ CHONG JHO CHIN	2,000,000	0.60
15	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO SIEW LAI	2,000,000	0.60
16	TAN MENG HOOI	1,950,000	0.59
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIENG TIONG CHIN (8071004)	1,720,000	0.52
18	LAI THIAM POH	1,511,000	0.45
19	LIEW SWEE MIN	1,500,000	0.45
20	AW KWOK CHING	1,300,000	0.39
21	LEONG CHEE WAI	1,300,000	0.39
22	AFFIN HWANG NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)	1,200,000	0.36
23	LAI NYUN TAI	1,197,100	0.36
24	HA TUNG HUA	1,150,500	0.35
25	CHAN MENG HWEE	1,148,059	0.34
26	ONG BOK LIM	1,015,200	0.30
27	HING WAI KEONG	1,000,000	0.30
28	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR HONG CHOOI KIM	1,000,000	0.30
29	LO KWAI LEE	1,000,000	0.30
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD SURYATI BINTI SUPAR	1,000,000	0.30
	Total	**227,146,899**	**68.15**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THAT the Ninth ("9th") Annual General Meeting ("AGM") of Hiap Huat Holdings Berhad ("Hiap Huat" or "the Company") will be held at Room Green III, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 24 May 2019 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 2018 together with the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note 1)

2. To approve the payment of Directors' fees of up to RM170,000.00 for the financial year ending 31 December 2019 to be divided amongst the Directors of the Company and other benefits payable up to RM50,000.00 for the period commencing from 24 May 2019 up to the next AGM of the Company. Ordinary Resolution 1

3. To re-elect the following Directors who retire in accordance with Clause 105 of the Company's Constitution and who being eligible offer themselves for re-election:

   i) Datin Chow Pui Ling Ordinary Resolution 2
   ii) Mr Woo Yew Tim 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 Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016** Ordinary Resolution 5

   "THAT pursuant to Section 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 issued shares in the capital of the Company from time to time and upon such terms and conditions and for such purposed as the Directors, may in their absolute discretion deemed fit, provided that the aggregate numbers 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 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 AGM of the Company.

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

   "THAT subject 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 Statement to Shareholders dated 25 April 2019.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

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.

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. 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)
Thien Lee Mee (LS 0009760)
Company Secretaries

Kuala Lumpur
25 April 2019

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 Share Registrar Office of the Company at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

6. For the purpose of determining a member who shall be entitled to attend the Ninth (9th) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 17 May 2019. Only members whose name appears on the Record of Depositors as at 17 May 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

EXPLANATORY NOTES TO ORDINARY AND SPECIAL BUSINESS:

1. **Audited Financial Statements for the Financial Year Ended 31 December 2018**

   The Agenda No.1 is meant for discussion only as the provisions of Sections 248(2) and 340(1)(a) of the Act do not require a formal approval of the shareholders for the audited financial statements. Hence, this Agenda item is not put forward to the shareholders for voting.

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

   Pursuant to Section 230(1) of the Act, fees and benefits payable to the Directors of a listed company and its subsidiaries shall be approved by shareholders at a general meeting. The Directors' benefits payable comprises of meeting attendance allowances and other claimable benefits.

   In determining the estimated total amount of Directors' benefits, the Board has considered various factors, among others, the estimated claimable benefits and estimated number of meetings for the Board and Board Committees held for the period commencing from 24 May 2019 until the next AGM of the Company.

3. **Ordinary Resolution 2 & 3: Re-election of Directors who retires in accordance with Clause 105 of the Company's Constitution**

   Clause 105 of the Company's Constitution states that an election of Directors shall take place each year at the annual general meeting of the Company, where one-third of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election, PROVIDED ALWAYS that Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

   Datin Chow Pui Ling and Mr Woo Yew Tim are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election.

4. **Ordinary Resolution 5: Authority to Issue and 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 AGM.

   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 Eight (8th) AGM held on 26 June 2018 and which will lapse at the conclusion of the Ninth (9th) AGM.

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

   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

   Further information on the Proposed Renewal Share Buy-Back Authority is set out in the Share Buy-Back Statement to Shareholders dated 25 April 2019 which is dispatched together with the Company's Annual Report 2018.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO RULE 8.29(2) OF ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

The profiles of the Directors who are standing for re-election and re-appointment at the Ninth (9th) AGM are set out in the Directors' Profile of the Annual Report 2018.

There is no Director standing for election other than the retiring Directors who are seeking re-election and retention as Directors at the Ninth (9th) AGM.

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Hiap Huat Holdings Berhad (881993-M)

Number of shares held	CDS Account No.

Form of Proxy

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

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

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

of ______________________________

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

______________________________ NRIC No. / Passport ______________________________

of ______________________________

and/or ______________________________ NRIC No. / Passport ______________________________

of ______________________________

or failing him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us and on my/our behalf at the Ninth (9^{th}) Annual General Meeting of the Company to be held at at Room Green III, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 24 May 2019 at 9.00 a.m. and at any adjournment thereof in the manner as indicate below:

NO.	RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of Directors' fees and other benefits payable for the financial year ending 31 December 2019.	**Ordinary Resolution 1**		
2.	To re-elect Datin Chow Pui Ling as Director.	**Ordinary Resolution 2**		
3.	To re-elect Mr Woo Yew Tim 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 Section 75 and 76 of the Companies Act, 2016	**Ordinary Resolution 5**		
6.	To approve the Proposed Renewal of Share Buy-Back Authority.	**Ordinary Resolution 6**		

(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 ____________________, 2019.

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.
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Fold this flap for sealing

Affix Stamp

THE SHARE REGISTRAR
HIAP HUAT HOLDINGS BERHAD (881993-M)
Boardroom.com Sdn Bhd
Suite 10.02, Level 10,
The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur.

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1st fold here

Hiap Huat
Holdings Berhad
(881993-M)

Main office:

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