HWA TAI
Since 1962

Hwa Tai Industries Berhad

华大工业有限公司

Company No.: 19688-V (New Reg. No.: 197401002656)

ANNUAL REPORT 2021

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Seventh Annual General Meeting of the Company will be held at ** The Katerina Hotel, Opal Room, Level M, No. 8 Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim, Malaysia on Thursday, 9 June 2022 at 11.30 a.m.

	AGENDA	RESOLUTION NO.
1.	To present the Audited Financial Statements for the financial year ended 31 December 2021 together with the Directors' and Auditors' Reports thereon.	–
2.	To approve payment of an increased amount of Directors' fee of RM125,000.00 for the financial year ended 31 December 2021.	**Ordinary Resolution 1**
3.	To approve an amount of RM10,000.00 per month as allowance to the Non-Executive Chairman from the Forty-Seventh Annual General Meeting to the next Annual General Meeting of the Company thereafter.	**Ordinary Resolution 2**
4.	To re-elect Soo Thien Ming @ Soo Thien See who retires in accordance with the Company's Constitution.	**Ordinary Resolution 3**
5.	To appoint Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company for the financial year ending 31 December 2022 and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 4**
6.	To transact any other business appropriate to an Annual General Meeting, for which due notice shall have been given in accordance with the Company's Constitution and/or the Companies Act, 2016.	–
7.	As SPECIAL BUSINESS, to consider and, if thought fit, pass the following resolutions:-	
	ORDINARY RESOLUTION - AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016	**Ordinary Resolution 5**
	"That, subject to the Companies Act, 2016 and approvals from the relevant governmental or regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act, 2016 to allot and issue shares in the Company from time to time upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 20% of the issued shares (excluding treasury shares) of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, subject to any allotment and issuance of shares up to 20% of the issued shares of the Company shall be concluded by 31 December 2022, and any allotment and issuance of shares after 31 December 2022 up to the conclusion of the next Annual General Meeting of the Company shall be limited to 10% of the issued shares of the Company calculated on a cumulative basis of all shares allotted and issued under this mandate."	
	SPECIAL RESOLUTION – PROPOSED AMENDMENTS TO THE COMPANY'S CONSTITUTION	**Special Resolution**
	"That the alterations, modification, additions or deletions to the Constitution of the Company as set out in Appendix I enclosed with the Company's Annual Report 2021, be and are hereby approved."	

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

By Order of the Board
JESSICA CHIN TENG LI
(MAICSA 7003181) (SSM PC No.: 202008002790)
Company Secretary

Johor Darul Takzim, Malaysia
27 April 2022

NOTES:

Entitlement to Attend and Proxy

A member entitled to attend and vote at the Meeting is entitled to appoint at least 1 proxy to attend and vote instead of him/her. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim, Malaysia, not less than 48 hours before the time appointed for holding the Meeting.

For the purpose of determining a member who shall be entitled to attend the Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 57(B) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a Record of Depositors as at 2 June 2022. Only a depositor whose name appears on the Record of Depositors as at 2 June 2022 shall be entitled to attend the Meeting or appoint proxies to attend and vote on his/her behalf.

Pre-Registration to Attend

1. Members are required to register ahead of the Meeting to allow the Company to make the necessary arrangements in relation to the Meeting i.e. infrastructure, logistics and meeting venue(s) to accommodate the Meeting participants.

2. Please do read and follow the following procedures to pre-register your physical attendance at the Meeting via the TIIH Online website at https://tiih.online :

    - Login in to TIIH Online website with your user name (i.e. e-mail address) and password under the "e-Services". If you have not registered as a user of TIIH Online, please refer to the tutorial guide posted on the homepage for assistance to sign up.
    - Select the corporate event: "(REGISTRATION) HWA TAI INDUSTRIES BERHAD 47th AGM".
    - Read and agree to the Terms & Conditions and confirm the Declaration.
    - Select "Register for Physical Attendance at Meeting Venue".
    - Review your registration and proceed to register.
    - System will send an e-mail to notify that your registration for Physical Attendance at Meeting Venue is received and will be verified.
    - After verification of your registration against the General Meeting Record of Depositors, the system will send you an e-mail after 7 June 2022 to approve or reject your registration to attend physically at the Meeting Venue.

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

3. If you have any enquiry prior to the Meeting, you may contact the Share Registrar at:

Tricor Investor & Issuing House Services Sdn Bhd *Registration No. 197101000970 (11324-H)* Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia		***Telephone Number***
	General Line	*603-2783 9299*
	Fax Number	*603-2783 9222*
	Email	*Is.enquiry@my.tricorglobal.com*

Audited Financial Statements (Agenda No. 1)

Item 1 of the Agenda is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act, 2016 requires the Directors to only lay before the Company at its annual general meeting its audited financial statements and thus, does not require a formal approval of the members for the audited financial statements. Hence, this item of the Agenda is not put forward for voting.

Directors' Fee (Agenda No. 2)

Based on the annual review of Directors' remuneration conducted by the Remuneration Committee, the Board had, at the Directors' Meeting held on 24 February 2022, agreed to propose for members' approval an increase in Directors' Fee for Executive Directors by RM10,000.00 to RM20,000.00 for the financial year ended 31 December 2021 in the following manner:-

Position in the Board	Fees per Director for Financial Year 2020 (RM) A	Proposed Increment (RM) B	Proposed Fee per Director for Financial Year 2021 (RM) C = A + B
Chairman of the Board	30,000	0	30,000
Executive Director	10,000	10,000	20,000
Non-Executive Director (Senior)	30,000	0	30,000
Non-Executive Director (Junior)	20,000	0	20,000

Name	Designation	Proposed Directors' Fee for Financial Year 2021 (RM) (proportioned to number of months in service)
Mr. Soo Thien Ming @ Soo Thien See	Chairman of the Board	30,000
YBhg. Datuk Soo Chung Yee J.P.	Group Chief Executive Director	20,000
En. Kamal Bin Abd Karim	Non-Executive Director (Junior)	20,000
Puan Aisyah Kamaliah Binti Abu Bakar	Non-Executive Director (Junior)	20,000
Mdm. Fong May Khuan	Non-Executive Director (Junior)	20,000
Mr. Yee Fook Loong ** (resigned on 30 June 2021)*	Non-Executive Director (Senior)	*15,000
		125,000

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

Auditors (Agenda No. 5)

The Auditors, Messrs. Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

Ordinary Resolution – Authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act, 2016 (Agenda No. 7)

The proposed Ordinary Resolution on Authority to the Directors to allot and issue shares, if passed, will give full power to the Directors of the Company to issue shares in the Company up to an amount not exceeding in total 20% of the issued shares of the Company for such purposes as the Directors consider would be in the interest of the Company. The Company had at the last Annual General Meeting held on 2 June 2021 obtained the mandate from members to allot up to a maximum of 10% of the total issued shares of the Company. Amid the unprecedented uncertainty surrounding the recovery of the coronavirus Covid-19 outbreak, Bursa Malaysia Securities Berhad had, as an interim measure, allow listed issuers to seek a higher general mandate of not more than 20% of the total issued shares (excluding treasury shares) for issue of new securities up to 31 December 2022 and after 31 December 2022 the general mandate of 10% of the total issued shares will be reinstated. The Directors is desirous to seek members' approval for this higher general mandate in order to raise funds expeditiously and efficiently during this challenging time. This would enable the Directors to take swift action in case of a need to meet funding requirements including but not limited to working capital, operational expenditure or in the event of business opportunities arise which involve the issuance of new shares, thus avoiding any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This renewed mandate, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares of the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 2 June 2021, which mandate will lapse at the conclusion of the forthcoming Annual General Meeting.

Special Resolution – Proposed Amendments to the Company's Constitution (Agenda No. 7)

The proposed Special Resolution on the proposed amendments to the Company's Constitution is with the purpose to align the Constitution with the prevailing statutory and regulatory requirements and to render clarity in the Constitution. The proposed amendments shall take effect immediately once the Special Resolution is passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the Forty-Seventh Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

No individual other than the retiring Director is seeking election as a Director at the forthcoming Forty-Seventh Annual General Meeting of the Company. The details of the retiring Director standing for re-election are set out in the Directors' Profile appearing on pages 9 and 10 of this Annual Report. An assessment on all the retiring Directors had been conducted by the Nomination Committee.

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

ADMINISTRATIVE NOTES – COVID-19 OUTBREAK SAFETY MEASURES

Health Check and Declaration

In view of the Covid-19 outbreak, your safety is our priority. As a precautionary measure, you are strongly advised not to attend the Meeting and to appoint proxy(ies) or the Chairman of the Meeting to attend and vote in your stead, if:-

i. you are unwell with sore throat, flu, cough, fever, diarrhea, shortness of breath or any symptoms of Covid-19; or
ii. you have travel history to high-risk countries affected by Covid-19 in the past 14 days; or
iii. you have contact with a person who is confirmed with Covid-19 infection in the past 14 days.

No Refreshment and No Door Gifts/Goody-bags

To ensure physical distancing and to reduce the number of crowd at the Meeting, there will be no refreshment served nor distribution of door gifts/goody-bags to all attendees of the Meeting.

ANNUAL REPORT 2021

Please scan this QR code to access the digital Annual Report 2021.

The Annual Report 2021 may also be downloaded from the Company's website www.hwatai.com. Members may contact the Company or the Share Registrar to receive a printed copy of the Annual Report 2021:-

Company
By mail : Hwa Tai Industries Berhad, No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor, Malaysia
By e-mail : ir@hwatai.com.my

Share Registrar
By mail : Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia
By e-mail /electronically: Is.enquiry@my.tricorglobal.com or request via **https://tiih.online** by selecting "Request for Annual Report/Circulars" under the "Investor Services",
By Phone or Fax : (Tel) 03-2783 9299 (Fax) 03-2783 9222

Note: ***** As the COVID-19 outbreak is an ever evolving situation, the venue, date and mode of the Meeting may be changed according to the circumstances then and any such changes will be publicly announced through Bursa Malaysia Securities Berhad.***

CORPORATE INFORMATION

BOARD OF DIRECTORS

Soo Thien Ming @ Soo Thien See
(Chairman)

Datuk Soo Chung Yee J.P.
(Group Chief Executive Director)

Kamal Bin Abd Karim

Aisyah Kamaliah Binti Abu Bakar

Fong May Khuan

COMPANY SECRETARY

Jessica Chin Teng Li
(MAICSA 7003181)
(SSM PC No.: 202008002790)

REGISTERED OFFICE & PRINCIPAL BUSINESS ADDRESS

No. 12, Jalan Jorak
Kawasan Perindustrian Tongkang Pecah
83010 Batu Pahat
Johor Darul Takzim
Malaysia
Tel. No.: 607-415 1688
Fax No.: 607-415 1135

CORPORATE OFFICE

No. L9, Jalan ML 16
ML-16 Industrial Park
43300 Seri Kembangan
Selangor Darul Eshan
Malaysia
Tel. No.: 603-8964 5600
Fax No.: 603-8964 5400

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel. No.: 603-2783 9299
Fax No.: 603-2783 9222

AUDITORS

Baker Tilly Monteiro Heng PLT
Chartered Accountants
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia
Tel. No.: 603-2297 1000
Fax No.: 603-2282 9980

PRINCIPAL BANKERS

RHB Bank Berhad
Bank Muamalat Malaysia Berhad
AmBank (M) Berhad
Bangkok Bank Berhad
Affin Islamic Bank Berhad

LISTING

Bursa Malaysia Securities Berhad,
Main Market – Listed since 1992

WEBSITE

www.hwatai.com

PROFILE OF THE BOARD OF DIRECTORS

MR. SOO THIEN MING @ SOO THIEN SEE

Non-Independent Non-Executive Director

Mr. Soo Thien Ming, Malaysian, male, aged 74, is the Chairman on the Board of the Company. He was appointed to the Board on 26 April 1996. Mr. Soo is a Barrister-At-Law of Lincoln's Inn, London. He is an advocate and solicitor by profession and has been in practice for 47 years. He is also a Notary Public. He holds several directorships in private companies in Malaysia and abroad.

He is the Chairman of the Nomination Committee and Remuneration Committee.

Mr. Soo has a direct shareholding of 30,949,567 ordinary shares in the Company as at 31 March 2022 representing 41.36% of the Company's total issued shares. He is deemed to have an interest in the equity holdings held by the Company in its subsidiaries by virtue of his interest in the Company.

He is the father of YBhg. Datuk Soo Chung Yee J.P., the Group Chief Executive Director of the Company.

Mr. Soo does not have any conflict of interest with the Company nor any conviction for any offence, public sanction or penalty imposed by any relevant regulatory bodies.

YBHG. DATUK SOO CHUNG YEE J.P.

Non-Independent Executive Director

YBhg. Datuk Soo Chung Yee J.P., Malaysian, male, aged 43, is the Group Chief Executive Director. He was appointed to the Board on 16 August 2004. YBhg. Datuk Soo holds a Bachelor of Arts from the University of Derby, United Kingdom. He was awarded the Asia Pacific Entrepreneurship Award (Emerging Entrepreneur – Malaysia) in 2007 and the JCI Creative Young Entrepreneur Award (Junior Chamber International – Malaysia) in 2008. He also holds several directorships in private companies in Malaysia and abroad.

He is a member of the Risk Management Committee.

He is the son of Mr. Soo Thien Ming, the Chairman of the Company.

YBhg. Datuk Soo has a direct shareholding of 1,315,500 ordinary shares in the Company as at 31 March 2022 representing 1.76% of the Company's total issued shares.

YBhg. Datuk Soo does not have any interest in the securities of the Company's subsidiaries. He also does not have any conflict of interest with the Company nor any conviction for any offence, public sanction or penalty imposed by any relevant regulatory bodies.

PROFILE OF THE BOARD OF DIRECTORS (CONTINUED)

ENCIK KAMAL BIN ABD KARIM

Independent Non-Executive Director

Encik Kamal Bin Abd Karim, Malaysian, male, aged 43, was appointed to the Board on 27 June 2016. He holds a Bachelor of Laws LLB (Hons) from International Islamic University Malaysia. Encik Kamal, an advocate & solicitor, was admitted to the Malaysian Bar in year 2003 and has been practicing at Messrs. Soo Thien Ming & Nashrah ever since. He is also a partner of the said firm.

Encik Kamal is the Chairman of the Audit Committee. He also sits in the Nomination Committee, Remuneration Committee and Risk Management Committee.

He does not have any family relationship with any directors and/or major shareholders of the Company. He does not have any interest in the securities of the Company or its subsidiaries. He does not have any conflict of interest with the Company nor any conviction for any offence, public sanction or penalty imposed by any relevant regulatory bodies.

PUAN AISYAH KAMALIAH BINTI ABU BAKAR

Independent Non-Executive Director

Puan Aisyah Kamaliah Binti Abu Bakar, female, aged 33, was appointed to the Board on 27 June 2016. She holds a Bachelor of Laws LLB (Hons) from International Islamic University Malaysia. Puan Aisyah Kamaliah is an advocate & solicitor practicing at Messrs. Ang & Koh.

Puan Aisyah Kamaliah sits in the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee.

She does not have any family relationship with any directors and/or major shareholders of the Company. She does not have any interest in the securities of the Company or its subsidiaries. She does not have any conflict of interest with the Company nor any conviction for any offence, public sanction or penalty imposed by any relevant regulatory bodies.

PROFILE OF THE BOARD OF DIRECTORS
(CONTINUED)

MADAM FONG MAY KHUAN

Independent Non-Executive Director

Madam Fong May Khuan, female, aged 39, was appointed to the Board on 1 August 2018. She is a member of CPA Australia and the Malaysian Institute of Accountants. Madam Fong worked with TAMS Management Services Sdn. Bhd. as an accounts manager. She was also involved in organising annual seminars for analysing the Malaysian National Budget.

Madam Fong May Khuan is a member of the Audit Committee.

She does not have any family relationship with any directors and/or major shareholders of the Company. She does not have any interest in the securities of the Company or its subsidiaries. She does not have any conflict of interest with the Company nor any conviction for any offence, public sanction or penalty imposed by any relevant regulatory bodies.

AUDIT COMMITTEE REPORT

1. COMPOSITION OF AUDIT COMMITTEE

Kamal Bin Abd Karim (Chairman)	Independent Non-Executive Director
Aisyah Kamaliah Binti Abu Bakar	Independent Non-Executive Director
Fong May Khuan *	Independent Non-Executive Director

* *A member of the Malaysian Institute of Accountants*

2. TERMS OF REFERENCE OF AUDIT COMMITTEE

The Terms of Reference of the Audit Committee which had been reviewed and revised on 24 November 2021 to be consistent with the latest Malaysian Code on Corporate Governance is available in the Company's website www.hwatai.com.

3. AUDIT COMMITTEE MEETING

During the financial year ended 31 December 2021, a total of four (4) Audit Committee Meetings were held. Details of the attendance of each Committee Member are as follows:-

Name of Audit Committee Member	Attendance
Kamal Bin Abd Karim	5 of 5
Aisyah Kamaliah Binti Abu Bakar	4 of 5
Fong May Khuan	5 of 5
Yee Fook Loong (resigned on 30 June 2021)	3 of 3

4. ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2021, the activities of the Audit Committee included the following:

a. Reviewed the quarterly unaudited financial results before recommending them for the Board's approval for public announcement. The reviews were conducted through discussions with the Financial Controller.

b. Reviewed and discussed with the External Auditors their audit plan for the financial year ended 31 December 2021 before commencement of the financial year end audit. The matters reviewed and discussed in the audit plan included the independence of the External Auditors, consideration of fraud, related party disclosures & procedures, statutory timeline & audit activities, audit & financial reporting considerations and audit approach towards the impact of coronavirus Covid-19 pandemic outbreak, risk assessment & audit approach, focus areas of the audit & key audit matters, accounting developments, introduction of the External Auditors' engagement team and responsibilities of the Board of Directors and External Auditors.

AUDIT COMMITTEE REPORT
(CONTINUED)

4. ACTIVITIES OF THE AUDIT COMMITTEE (CONTINUED)

c. Reviewed and discussed with the External Auditors their audit review, significant findings and the management's responses in respect of the audit for the financial year ended 31 December 2021. The matters reviewed and discussed in the audit review included the External Auditors terms of engagement, independence of the External Auditors, status of the audit and also focus areas of the audit such as risk management & internal controls, any fraud related matters, related party transactions, significant audit findings, audit & financial reporting considerations arising from the impact of coronavirus Covid-19 pandemic, matters for control improvements, significant outstanding matters and accounting developments. The significant audit findings reviewed and discussed included recoverability of overdue trade receivables and impairment review on investment in subsidiaries, and potential key audit matters comprising trade receivables and investment in a subsidiary.

d. Reviewed and discussed with the External Auditors the Group's audited financial year end statements together with the Directors' and Auditors' Reports before recommending them for the Board's approval for public announcement. The review and discussion also included the potential key audit matters and the management representation letter. The review and discussion were conducted to ensure that the audited financial year end statements are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016, and give a true and fair view of the financial position of the Company and of the Group and of their financial performance and cash flows.

e. Reviewed the related party transactions that had arisen within the Company and Group. The Audit Committee is satisfied that the transactions with directors, substantial shareholders and persons connected are duly disclosed.

f. Reviewed with the Internal Auditor the internal audit reports, findings and recommendations and management's responses, and discussed actions taken by the management to improve the internal control system in various divisions in the Group.

g. Convened meetings with the External Auditors without the attendance of the management. One (1) of such meetings was held during the financial year.

h. Reviewed the suitability in terms of performance, competency and professionalism of the External Auditors to be recommended for re-appointment, and secured the assurance on independence from the External Auditors.

5. INTERNAL AUDIT

The Internal Audit function involves the implementation of independent and systematic reviews of the processes and guidelines of the Group and the reporting of their application and compliance to the Audit Committee and Board of Directors. The Internal Audit function also involves the reporting of the state of internal control of the various operations within the Group and the extent of compliance with the established policies and procedures and the suggestion of any additional improvement opportunities in the areas of internal control, systems and efficiency improvement.

AUDIT COMMITTEE REPORT
(CONTINUED)

5. INTERNAL AUDIT (CONTINUED)

During the financial year ended 31 December 2021, the following Internal Audit activities which were performed in-house, were carried out:-

a. Mapping of the current state of procedures and process.

b. Testing, evaluating and identifying potential areas that lack internal control.

c. Analysing and assessing certain key operation processes, report findings and make recommendation for improvements.

d. Reviewing compliance with established policies and procedures, as well as assessing the adequacy and effectiveness of the Group's internal control.

The specific divisions in which Internal Audit was carried out during the financial year are as follows:-

Human Resources (Johor) – Human Resources (Workers under Grades C & D) Department Audit. The Internal Audit conducted included recruitment procedure, annual manpower turnover rates, breakdown of number of local & foreign workers, human resources functions, total gross remuneration payout inclusive of overtime pay & allowances, procedure for applying approval for foreign workers, calculation of salaries of production shift workers, human resources development funds (HRDF) contributions & claims, training costs per head & per man hour, number of cases of staff injury arising from industrial accidents, safety & health procedure and accident & incident investigation & reporting procedure.

Finance (Johor) – Petty Cash Audit. The Internal Audit conducted included approval matrix for authorising petty cash vouchers, safe-keeping of petty cash, types of petty cash payments, system for petty cash control, method of petty cash withdrawals, petty cash request procedure, amount of monthly petty cash reimbursements and details of petty cash reimbursements.

Finance (Johor) – Accounts Payable Audit. The Internal Audit conducted included approval matrix for payment requisitions, internal control of accounts payable procedure, supplier statement reconciliations procedure, analysis of accounts payable in trade and non-trade creditors, lists of top 10 trade creditors & non-trade creditors with types of supplies, accounts payable to top 10 creditors.

Logistic & Warehouse (Johor) – Inventory Audit for Finished Goods, Raw Materials & Pack Materials. The Internal Audit conducted included breakdown of closing inventories, the enterprise resource planning system (ERP system) used for inventory management, inventory control measures & exercises implemented, stock-take procedure & inventory-take procedure, daily materials ordering, receiving & returning procedures, internal control of incoming materials from warehouse to production, variance between physical stock count & system record, top 5 materials & top 5 finished goods, list of allergen materials, inventory turnover ratio & inventory holding period, daily finished goods from production to warehouse procedure and goods returned note from distributors/wholesalers to warehouse procedure.

Finance (Sabah) – Account Receivable & Account Payable Audit. The Internal Audit conducted included approval matrix on order release form, order release form to customers procedure, promotional application form procedure, credit sales and receipt cycle, trade debtor ageing, approval matrix for accounts payable, supplier statement reconciliation process, authorisation for payment procedure, purchase & payment cycle, major trade creditors with types of suppliers and trade creditors & non-trade creditors ageing.

The internal audit department consists of one personnel who holds a Bachelor degree and who is free from any relationships or conflicts of interest to carry out the Internal Audit function independently. The current number of resources in the internal audit department is sufficient to carry out all Internal Audit activities as the Group is a mid-size organisation. The Group incurred approximately RM70,000/- for the Internal Audit function during the financial year ended 31 December 2021.

OVERVIEW STATEMENT OF CORPORATE GOVERNANCE

BOARD RESPONSIBILITY

The Board of Directors is committed and continues to ensure the compliance with the principles and best practices as set out in the Malaysian Code on Corporate Governance 2021 ("Code") to ensure high standards of corporate governance are practiced in the Group. The Board is pleased to provide the following overview statement on how the Group has applied the principles and best practices as set out in the Code. The details of the Group's application of each practice of the Code during the financial year may be downloaded from the Company's website www.hwatai.com.

BOARD OF DIRECTORS

A. The Board.

The Board leads and controls the Group. The Board is bestowed with the duty and responsibility to ensure the interests of the shareholders are protected. The duties and responsibilities of the Board which are separated from that of the management, are spelt out in the Board Charter which is available in the Company's website.

Where appropriate, formal structures and committees are in place to facilitate the Board in carrying out its duties. All Board committees report to the Board.

The Board meets on a regular and scheduled basis, at least 4 times a year.

B. Composition and Board Balance.

The Board comprises 5 members to reflect the interests of the major shareholder, management, and minority shareholders.

The Chairman, who is a Non-Independent Non-Executive Director, heads the Board with an Executive Director and 3 Independent Non-Executive Directors.

The Directors together bring a wide range of business, financial, industrial and legal experience to lead the Group in the area of business strategies, performance, utilization of resources, sustainability initiatives and standards of conduct.

Generally, the Executive Director is responsible for carrying out the day to day operational functions while the Non-Executive Directors will play the supporting role by contributing their knowledge and experience in the business strategic plans.

Where areas of conflict of interest arise, the Director concerned will have to declare his/her interest and abstain from participating in the decision making process.

C. Board Meetings and Supply of Information.

A Board report is prepared prior to the Board meeting and sufficient notice is given to the Directors to review the papers and agenda for the meeting.

Generally, the Board papers provide information on the operating results, financial, corporate development, minutes of Board Committees and acquisitions and disposals proposals, if any.

In furtherance of the Directors' duties, all members, either as full Board or in their individual capacities, will have access to all information of the Group.

Directors are also free to seek independent advice should the need arise and have direct access to the advice and services of the Company Secretary.

OVERVIEW STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

C. Board Meetings and Supply of Information. (Continued)

During the financial year ended 31 December 2021, the total number of Directors' Meetings convened was 5. The details of attendance of Directors at these Meetings are as follows:

Name of Director	Number of Meetings Attended
Soo Thien Ming @ Soo Thien See	5 of 5
Datuk Soo Chung Yee J.P.	5 of 5
Kamal Bin Abd Karim	5 of 5
Aisyah Kamaliah Binti Abu Bakar	4 of 5
Fong May Khuan	5 of 5
Yee Fook Loong (resigned on 30 June 2021)	3 of 3

D. Appointments to the Board.

In compliance with the Code on the appointment of Directors, the Board had set up a Nomination Committee to advise the Board on the nomination of new Board members and assess Directors on an ongoing basis.

The duties and responsibilities are spelt out in the Terms of Reference of the Nomination Committee which had been reviewed and revised on 24 November 2021 and is available in the Company's website.

The Nomination Committee comprises Mr. Soo Thien Ming, En. Kamal Bin Abd Karim and Puan Aisyah Kamaliah Binti Abu Bakar, all of whom are Non-Executive Directors and a majority of whom are independent. Mr. Soo Thien Ming, who is a Non-Independent Director and Chairman of the Board holds the Chair of the Nomination Committee as the Board opines that his extensive chairmanship experience will assist in leading the Nomination Committee with greater professionalism and effectiveness.

The Committee shall make recommendations to the Board on the appropriate appointments of new Directors and also to fill seats on committees of the Board. In making recommendation to the Board on the candidate for appointment, the Committee shall determine various criteria objectively including qualities, experience, skills, level of commitment and time that the candidate can contribute and shall also take into consideration the composition and mix skills of the existing Board.

Whilst the Committee respects the requirement for gender diversity, emphasis shall first be placed on the qualities, experience and skills of a candidate irrespective of gender, which would best correspond to the composition of the Board so as to function effectively and efficiently. Nevertheless, with 2 female Board members, Puan Aisyah Kamaliah Binti Abu Bakar and Madam Fong May Khuan, the Company fulfilled the 30% female representation on the Board and this is a testament of the Company's support for gender diversity. The Diversity, Equity and Inclusion Policy had been established on 24 November 2021 and is set out on page 20 of this Annual Report and also available in the Company's website.

In addition, the Nomination Committee assesses the contribution of individual Board members, the effectiveness of the Board and the committees of the Board on an annual basis.

During the financial year, the Committee had carried out an evaluation of each Director's ability to contribute to the effectiveness of the Board and its committees, including an assessment of the independent directors on their independence through a formal and objective process. It also evaluated the Directors who were due for retiring and proposed these retiring Directors to the Board to be put forward for re-election by the shareholders.

OVERVIEW STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

E. Re-election.

In accordance to the Company's Constitution, an election of Directors shall take place each year at an Annual General Meeting and all Directors shall retire from office at least once in every 3 years. Directors appointed by the Board are subject to retirement at the next Annual General Meeting held following their appointments in accordance with the Company's Constitution. All retiring Directors are eligible for re-election.

The tenure of an Independent Director should not exceed a cumulative term of 9 years. Upon completion of the 9 years, the Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. The Board must justify and seek shareholders' approval in the event it retains, as an Independent Director, a person who has served in that capacity for more than 9 years.

In addition, if the Board continues to retain an Independent Director after the 9th year, the Board should seek annual shareholders' approval through a 2-tier voting process. Under the 2-tier voting process, shareholders' votes will be cast in the following manner whereby the resolution is deemed successful if both Tier 1 and Tier 2 votes support the resolution:-

- Tier 1 : Only the *Large Shareholders of the Company vote; and
- Tier 2 : Shareholders other than *Large Shareholders vote.

* *Large Shareholders means a person who:-*
- *is entitled to exercise, or control the exercise of, not less than 33% of the voting shares in the Company;*
- *is the largest shareholder of voting shares in the Company;*
- *has the power to appoint or cause to be appointed a majority of the Directors of the Company;*
- *has the power to make or cause to be made, decisions in respect of the business or administration of the Company, and to give effect to such decisions or cause them to be given effect to.*

DIRECTORS' TRAINING

The Nomination Committee is tasked to facilitate Board induction and training programmes.

All the Directors had attended the Mandatory Accreditation Programme within 4 months from their respective dates of appointment.

During the financial year, the Directors were unable to attend any formal training due to their demanding work schedules and commitments. Nevertheless, the Directors, all being professionals in their respective fields, are well-informed of new corporate developments especially in their individual areas of expertise. In addition, the Directors were also updated by the Management and the External Auditors on any latest material development on various relevant rules and regulations.

OVERVIEW STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The Board set up the Remuneration Committee to review the policy and make recommendations to the Board on the remuneration package and benefits annually as accorded to the Executive Directors. The Executive Directors shall not participate in the decision makings relating to their own remunerations. The Executive Directors are delegated to determine the remuneration package of senior management of the Group.

The Terms of Reference of the Remuneration Committee had been reviewed and revised on 24 November 2021. The Remuneration Policy had also been established on the same day. Both documents are available in the Company's website.

The members of the Remuneration Committee comprise Mr. Soo Thien Ming, En. Kamal Bin Abd Karim and Puan Aisyah Kamaliah Binti Abu Bakar, all of whom are Non-Executive Directors. Mr. Soo Thien Ming, who is the Chairman of the Board holds the Chair of the Remuneration Committee as the Board opines that his extensive chairmanship experience will assist in leading the Remuneration Committee with greater professionalism and effectiveness.

Fees payable to the Directors are proposed by the Remuneration Committee to the Board who will then recommend for shareholders' approval at the Annual General Meeting.

Generally, the remuneration package will be structured according to the skills, experience and performance of the Executive Directors to ensure the Group attracts and retains the Directors needed to run the Group successfully, whereas the remuneration package for the Non-Executive Directors will hinge on their contribution to the Group in terms of their knowledge and experience.

The breakdown of the Directors' remuneration including the estimated monetary value of benefit in kind during the financial year ended 31 December 2021 is disclosed below:-

Name of Director	Position	Directors' Fees	Salaries	Allowance	Bonus	Other emoluments *
Soo Thien Ming @ Soo Thien See	Chairman	RM30,000	–	RM120,000	–	–
Datuk Soo Chung Yee J.P.	Group Chief Executive Director	RM20,000	RM1,415,616		RM121,655	RM185,449
Kamal Bin Abd Karim	Independent Director	RM20,000	–		–	–
Aisyah Kamaliah Binti Abu Bakar	Independent Director	RM20,000	–		–	–
Fong May Khuan	Independent Director	RM20,000	–		–	–
Yee Fook Loong (resigned on 30 June 2021)	Independent Director	RM15,000	–		–	–

* *Note: Other emoluments refer to employer's statutory contributions.*

OVERVIEW STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (CONTINUED)

The Company has a total of 4 personnel in positions of senior manager and above. The breakdown of the remuneration including the estimated monetary value of benefit in kind of these top 4 senior management during the financial year ended 31 December 2021 in bands of RM50,000 is disclosed below. The disclosure below is not on a named basis as it is imperative for the Company to maintain employees' remuneration private and confidential to avoid unhealthy comparison which might lead to discontentment among employees and an unharmonious working environment:-

	Number of Senior Management			
Ranges of Remuneration	**Salaries**	**Bonus**	**Allowances**	**Other emoluments ***
RM0 – RM50,000	–	3	4	4
RM50,001 – RM100,000	1	1	–	–
RM100,001 – RM150,000	1	–	–	–
RM150,001 – RM200,000	1	–	–	–
RM200,001 – RM250,000	1	–	–	–

* *Note: Other emoluments refer to employer's statutory contributions.*

SHAREHOLDERS

Dialogue between the Group and Investors

The Group recognizes the importance of accountability to the shareholders and as such, conveys information on the Group's performance, directions, other matters of interest to the shareholders by way of annual reports, relevant circulars, public announcements, the Company's website and the issuance of press releases.

Annual General Meeting

Annual General Meeting is used as a primary mode of communication to report on the Group's performance. Notice of Annual General Meeting is issued at least 28 days before the date of meeting.

At the Annual General Meeting, shareholders are encouraged to raise any questions pertaining to any issues regarding the Group.

The Chairman, assisted by the Directors are available to answer any queries and discuss matters pertaining to the business activities of the Group.

All resolutions in the Agenda of Annual General Meeting shall be put to vote by poll, and the results of such votes shall be announced to the public detailing the number of votes cast for and against.

OVERVIEW STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

ACCOUNTABILITY AND AUDIT

Financial Reporting

In preparing the annual financial statements and quarterly financial results, the Directors take steps to ensure a clear, balanced and understandable assessment of the Group's positions and prospects.

The Audit Committee is tasked to review and recommend for Board approval the Group's annual financial statements and quarterly financial results.

The Statement by Directors pursuant to section 251(2) of the Companies Act 2016 is set out on page 115 of this Annual Report.

Risk Management and Internal Controls

The Board recognizes its responsibilities to maintain a sound system of risk management and internal controls to safeguard shareholders' investment and Group's assets. The Risk Management Committee is established to oversee the Group's risk management framework and policies. The Risk Management Committee comprises a majority of independent directors, namely, YBhg. Datuk Soo Chung Yee J.P., En. Kamal Bin Abd Karim and Puan Aisyah Kamaliah Binti Abu Bakar.

The review of the system of risk management and internal controls is set out under the Statement of Risk Management and Internal Controls set out on pages 21 and 22 of this Annual Report. The Statement on Risk Management and Internal Controls had been reviewed by the external auditors.

Audit Committee / Relationship with Auditors

The Audit Committee works closely with the external auditors and maintains a transparent professional relationship with them.

A summary of the activities of the Audit Committee during the year are set out in the Audit Committee Report on pages 11 to 13 of this Annual Report.

Ethical Conduct and Sustainability

Employees are introduced to the ethical corporate culture of the Group during employee induction and thereafter, employees are constantly monitored to ensure the culture is upheld in their dealings within the Group and also in their association with our customers, distributors, suppliers, governmental and regulatory authorities and other business associates. Any employee may report directly to the Chairman of any ethical misconduct discovered within the Group. A written Code of Ethics and Business Conduct, a written Whistleblowing Policy and a written Anti-Corruption Policy are established to form a guide to all employees. These said code and policies are available in the Company's website.

The Group consistently conducts its business in a manner which underpins sustainability. The Sustainability Report is set out on pages 24 to 30 of this Annual Report.

Corporate Social Responsibility

The Company continued with its tradition of contributing annually to various schools and non-profit organisations such as associations of the handicapped and disabled persons and homes for the aged, both monetarily and in-kind.

DIVERSITY, EQUITY AND INCLUSION POLICY

POLICY

Hwa Tai Industries Berhad is committed to promoting, nurturing and preserving a culture of diversity, equity and inclusion within the Group.

Our human capital is the Group's most treasured asset. The summation of the individual differences, experiences, knowledge, resourcefulness, expressiveness, unique skills and talent that our employees contribute in their work represents a significant part the Group's culture, reputation and achievement.

We embrace and foster our employees' differences in age, colour, disability, ethnicity, marital status, gender identity, language, national origin, physical and mental ability, political affiliation, race, religion, sexual orientation, socio-economic status, seniority, and other characteristics that make our employees unique.

Hwa Tai Group's diversity initiatives are applicable but not limited to our practices and policies on recruitment, remuneration, benefits, compensation, training, promotions, transfers, social programs, layoffs, terminations, and the ongoing development of a work environment built on the premise of diversity, equity and inclusion that promotes and enforces:

- Respectful communication and cooperation between all employees.
- Teamwork and employee participation, permitting the representation of all groups and employee perspectives.
- Employer and employee contributions to the communities we serve to promote a greater understanding and respect for the diversity and equity.

All employees of Hwa Tai Group have a responsibility to treat each other with dignity and respect at all times. All employees are expected to exhibit conduct that reflects inclusion during work, at work functions on or off the work site and at all other company-sponsored events.

Any employee found to have exhibited any inappropriate conduct or behaviour against others may be subject to disciplinary action.

Employees who believe they have been subjected to any kind of discrimination that conflicts with the Group's Diversity, Equity and Inclusion policy should seek assistance from his / her supervisor. However, if the complainant is not comfortable speaking to the supervisor or not satisfied with the supervisor's response, the complainant is encouraged to speak to the Head of Human Resources Department or anyone in management whom the complainant feels comfortable with.

The supervisor / Head of Human Resources Department / manager must then assist the complainant to submit a written complaint to the Group Chief Executive Director or the Chairman who will, as soon as reasonably possible, nominate an appropriate investigation officer who is without any conflict of interest. The investigation office shall with the assistance, where appropriate, of other individuals in the organisation, investigate the complaint and prepare a written report containing the findings of the investigation and reasons for the judgement. The report will be passed to the Group Chief Executive Director and the Chairman. The Group Chief Executive Director / the Chairman will decide what action to take and ensure the management takes into account recommendations contain in the investigation report to prevent the conduct from continuing or occurring in the future and takes appropriate actions to remedy any harm or loss arising from the conduct.

REVIEW

The Board of Directors can modify this Diversity, Equity and Inclusion Policy at any time without notice. Modification may be necessary, among other reasons, to maintain compliance with laws and regulation and / or accommodate organisational changes within Hwa Tai Group. This Diversity, Equity and Inclusion Policy was approved by the Board of Directors on 24 November 2021.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROLS

INTRODUCTION

The Board of Directors of Hwa Tai Industries Berhad ("HTIB") is pleased to present its Statement of Risk Management and Internal Controls for the financial year ended 31 December 2021, which has been prepared pursuant to paragraph 15.26(b) of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and guided by the Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issues.

BOARD RESPONSIBILITY

The Board of Directors recognises its overall responsibility for maintaining the Group's system of Risk Management and Internal Controls to safeguard shareholders' investment and the Group's assets, as well as for regularly reviewing the adequacy and integrity of the internal control system. Due to limitations inherent in any system of internal control, it is important to note that the system is designed to manage rather than eliminate risk of failure to achieve corporate objectives. Therefore, the system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group Chief Executive Director, the General Manager and the Financial Controller had given their verbal assurance that, to their best knowledge and belief, the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

RISK MANAGEMENT

The Board also recognises that risk management should be an integral part of the Group culture and is a continuous on going process of identifying, evaluating, minimising and managing of significant risk faced by the Group. The management is responsible for creating risk awareness culture and to build the necessary environment for effective risk management. In addition, the Heads of Department are responsible for managing the risk of their department on a day to day basis. Significant issues related to risk management and internal controls are highlighted to the Board. If deemed necessary, assistance from external parties shall be consulted on issues in which the Board needs to seek an opinion.

KEY ELEMENTS OF INTERNAL CONTROLS

Key elements of the Group's internal controls that have been in place for the financial year which include the following:

1. The Group has a well defined organisation structure with clear lines of reporting, responsibilities and level of authority.

2. There are clear definition of authorisation procedures for major operating functions including purchases, capital expenditures, payments, credit control and stock control. Authority of the Directors is required for key treasury matters which include loan and trade financing, cheque signatories and opening of bank accounts.

3. There is a budgeting and business planning process in each financial year to establish plans and targets for each operating units. The performance of each operating unit is monitored through monthly reports.

4. The Group's management team meets at least once a month to review and monitor the business development, discuss and resolve key operational and management issues and review the performance against the business plan and budget for each operating units within the Group.

   The management also highlights any significant issues and changes in the business, major policy matters, external environment affecting the Group and financial performance of each operating unit to the Board of Directors and Audit Committee when the Board and Committee meet quarterly.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

KEY ELEMENTS OF INTERNAL CONTROLS (CONTINUED)

5. Adequate financial and operational information systems are in place to capture and present timely and pertinent business information.

6. The Audit Committee reviews the quarterly financial results and yearly audited financial statements prior to the approval by the Board of Directors.

7. The Audit Committee also reviews the internal auditor's reports and monitors the status of the implementation of corrective actions to address internal control weaknesses.

8. In addition to the internal controls, the Board of Directors and management have ensured that safety and health regulations have been considered and complied with.

9. The Company was accredited ISO 9002 since 1996 and upgraded to ISO 9001 Quality Management Systems since year 2002. Documented internal procedures and standard operating procedures have been put in place and surveillance audits are conducted by the assessors of the ISO certification body to ensure that the system is adequately implemented.

10. Emphasis is given to food safety. The Company was accredited the Hazard Analysis Critical Control Point (HACCP) system certification since year 2000. The Company continually implements and intergrades more food safety systems and was certified with ISO 22000 in year 2018. Good Manufacturing Practice is documented and practiced to ensure food safety.

11. Ecosystem and environmental health are also concerns of the Company. Necessary actions and plans have been put in place to ensure compliance of company products, activities and services with legal environmental laws and regulations.

12. In ensuring each operating unit is functioning efficiently, much emphasis is placed on personnel employed. The professionalism and competence of the staff are maintained through a structural recruitment process, performance appraisal system and wide variety of training and development programs.

As required by Paragraph 15.23 of Bursa Securities Listing Requirements, the External Auditors have conducted a limited assurance engagement on this Statement of Risk Management and Internal Controls. Their limited assurance engagement was performed in accordance with ISAE3000, *Assurance Engagement other than Audits or Review of Historical Financial Information* and Audit Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on the Review of Directors' Statement on Internal Control included in the Annual Report.*

Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material aspects, in accordance with disclosure required by paragraphs 41 and 42 of the Statement of Risk Management and Internal Controls: Guidance for Directors of Listed Issuers to be set out, nor is factually inaccurate. AAPG 3 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control system.

DIRECTORS' RESPONSIBILITY STATEMENT AND OTHER INFORMATION

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is required under Paragraph 15.26(a) of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") to issue a statement explaining their responsibility for preparing the annual audited financial statements.

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and of the Group as at the financial year end and of the financial performance and cashflows of the Company and of the Group for the financial year then ended.

The Directors consider that, in preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2021 as set out herein on pages 40 to 114 of this Annual Report, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable approved accounting standards have been followed in respect of the preparation of the financial statements.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 2016.

The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

OTHER INFORMATION

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving the interests of the Directors and chief executive who is not a director or major shareholder, either still subsisting at the end of the financial year or entered into since the end of the previous financial year. The Company and its subsidiaries do not have any such chief executive.

Audit Fees

The amount of audit fees incurred for services rendered to the Company and the Group by the Auditors, Messrs. Baker Tilly Monteiro Heng PLT, during the financial year totalled approximately RM97,500/- and RM138,200/- respectively.

Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Company and the Group by the Auditors, Messrs. Baker Tilly Monteiro Heng PLT, or a firm or corporation affiliated to them during the financial year totalled approximately RM16,500/- and RM31,550/- respectively. These services comprised the computation and submission of tax and also review of certain statements and information as required by Bursa Malaysia.

Utilisation of Proceeds raised from Corporate Proposals

The Company did not implement any fund raising exercise during the financial year.

Recurrent Related Party Transaction of a Revenue Nature

There was no recurrent related party transaction of a revenue nature which requires Shareholders' mandate during the financial year.

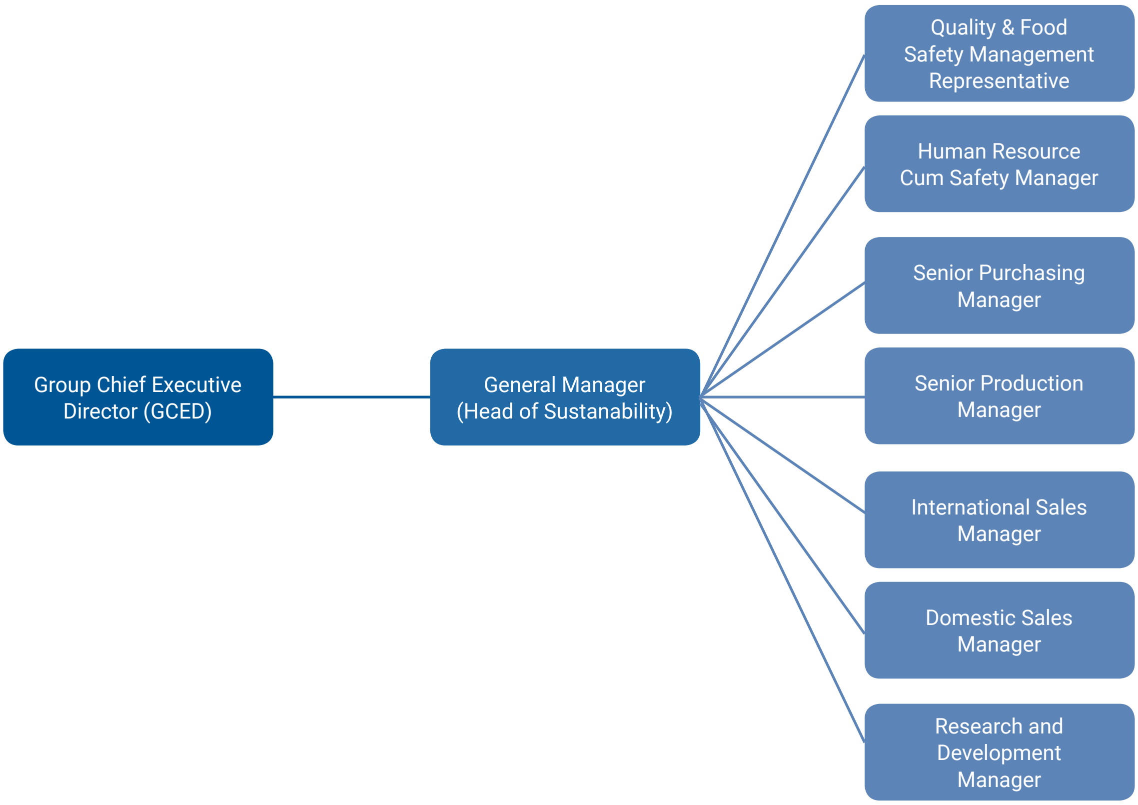
SUSTAINABILITY REPORT

SUSTAINABILITY GOVERNANCE

Hwa Tai Group's sustainability goal is driven by the Board of Directors.

A working group has been set up to assist the Board in embedding sustainability in Hwa Tai Group's business approach. The working group is responsible in determining strategies, policies and objectives on sustainability matters taking into consideration economic, environmental and social impacts, and also in sustainability management.

All possible impacts will be evaluated and recommendations will be made in order to have better control on sustainability matters and also increase efficiency in use of resources.



This working group is headed by the General Manager and assisted by various operating units. Each operating unit is delegated the responsibility of managing its respective day-to-day operations by integrating sustainability in the unit's processes and procedures. All sustainability practice will be monitored by the General Manager who reports to Group Chief Executive Director (GCED).

RISK

As Hwa Tai Group is a confectionery manufacturer, the main risk area which the working group identified that may bring impact is food safety issues. We have in placed a product quality and food safety system to mitigate risks concerning food safety, which is elaborated in the following paragraphs.

SUSTAINABILITY REPORT
(CONTINUED)

SCOPE

This Statement covers the Group's operations in Malaysia with main emphasis on quality and food safety control processes.

CORPORATE RESPONSIBILITY TOWARDS KEY SECTORS

1. Marketplace

Product Quality & Food Safety System

From data of World Health Organization (WHO), an estimation of 600 million, about 1 in 10 people in the world fall ill after eating contaminated food and 420,000 die every year, resulting in the loss of 33 million healthy life years (DALYs). Unsafe food creates a vicious cycle of disease and malnutrition, particularly affecting infants, young children, elderly and the sick.

As a responsible food manufacturer, we do take seriously in this part by understanding our role in manufacture of high quality, delicious and reliable products in hygienic conditions in compliance with relevant legislations and directives. There are several food safety and quality systems in place to ensure our role is achieved and maintained effectively.

We are successfully certified by SIRIM with ISO 22000 in year 2018 which is a food safety management system that would provide customer confidence in our products. This is becoming more and more important as nowadays customers demand safe food. By implementing and practicing ISO 22000 food safety management system, we managed to ensure and maintain food safety and quality before delivering our products to the market. Social responsibility is always a part of our business philosophy and we work towards continuous improvement in our processing line in order to provide safe and healthy food consistently to customers.

i. Hazard Analysis and Critical Control Point (HACCP)

A management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

Through the Critical Control Points system, we identify and analyse elements that may pose any quality and food safety risk to our products. The control system is developed to bring all possible risk elements under control. Continuous monitoring on those elements through HACCP procedures, work instruction and records helps to ensure our products are safe and in good quality to be consumed.

ii. International Organization for Standardization Quality Management System (ISO 9001:2015)

A set of policies, processes and procedures is required for planning and execution (production/development/service) in the core business area of the organization. The system ensures our products are produced and monitored using zero defect principle in compliance with necessary parameters for food safety such as colour, odour, textures and etc.

To have a better management of quality system, we are now accredited to ISO 9001:2015. This standard is 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. By implement ISO 9001:2015, we can enhance our assurance in providing our valued customers consistent, good quality products and services.

SUSTAINABILITY REPORT
(CONTINUED)

CORPORATE RESPONSIBILITY TOWARDS KEY SECTORS (CONTINUED)

1. Marketplace (Continued)

Product Quality & Food Safety System (Continued)

iii. Halal Assurance Management System

Quoted from Manual Procedure for Malaysia Halal Certification (2014), the definition of halal according to Trade Descriptions (Definition of Halal) Order 2011 and Trade Descriptions (Definition of Halal) (Amendment) Order 2012 is as follows:

a. When food or goods are described as halal or are described in any other expression to indicate that the food or goods can be consumed or used by a Muslim, such expression means that the food or goods are:
   i. neither is nor consist of or contains any part or matter of an animal that is prohibited by Shariah law for a Muslim to consume or that has not been slaughtered in accordance with Shariah law and Fatwa;
   ii. does not contain anything which is impure/ najs according to Shariah law and Fatwa;
   iii. does not intoxicate according to Shariah law and Fatwa;
   iv. does not contain any part of a human being or its yield which are not allowed by Shariah law and Fatwa;
   v. is not poisonous or hazardous to health;
   vi. has not been prepared, processed or manufactured using any instrument that is contaminated with najs according to Shariah Law and Fatwa; and
   vii. has not in the course of preparing, processing or storage been in contact with, mixed, or in close proximity to any food that fails to satisfy paragraph (i) and (ii).

b. When services in relation to the food or goods are described in any other expression to indicate that the services can be used by a Muslim, such expression means that the services in relation to the food or goods are carried out in accordance with Shariah law.

   We are proud to claim that all our products are Halal certified and comply with MS 1500:2019. Thus, our products are safe to be consumed by Muslim.

iv. Internal Management System

In order to ensure completeness and integrity of our food safety and quality system including HACCP and ISO system, we will conduct internal audit annually. This audit is inter-department oriented to ensure the entire audit is conducted without any bias and all of our auditors are well trained.

We have conducted our internal audit in September, 2020 and below are the scope we covered;
a. ISO standard MS 9001 : 2015
b. HACCP standard MS 1480 : 2019
c. ISO 22000 : 2018

Besides, our company has also assigned an internal auditor to have counter audit on various functions in the organization and all the outcomes will be directly reported to Audit Committee.

SUSTAINABILITY REPORT
(CONTINUED)

CORPORATE RESPONSIBILITY TOWARDS KEY SECTORS (CONTINUED)

2. Workplace

Employees are the backbones of the business. Essentially employees are central to the smooth functioning of business operations and play a vital role in the success and sustainability of the Group.

Equal opportunity for employment are provided within the Group. The Group, in fulfiling its corporate responsibility as a caring employer places emphasis on building long lasting relationships with its employees.

The efforts towards achieving the above objectives are carried out in various aspects:

i. Employees Welfare and Well-being

The success of the Group depends on its employees hard work, loyalty, strong leadership, integrity and devotion of theirs strengths to help the Group achieves its objectives.

The Group aims to enhance the employees welfare and well-being to build an engaged workforce that stay focus and grow within the Group.

In pursuing this objective we provide the following:

a) Medical benefits, hospitalisation and Group insurance coverage.
b) Present Long Service Awards in recognition of loyalty, dedication and commitment.
c) Recognition of employees achievement in accomplishing the Company goals by rewarding bonus and incentives to maintain a high performance work environment.

ii. Safe, Healthy and Conducive Environment

The Group strives to provide a safe, healthy, comfortable and conducive work environment for its employees through the following initiatives:

a) Ensuring a safe workplace with 24 hours security surveillance.
b) The Group Occupational Safety and Health Committee initiates various health and safety programs such safe practices in production, forklift safety operating procedure training, fire drills, fire extinguisher training, as well as safe handling of chemicals.
c) Enforcement and enhancement of safe practices in all aspects at all times.
d) Constantly updating and promoting the awareness of safety precaution and health issues.
e) Safety gears like personal protective equipment i.e. ear plugs, safety shoes, masks, helmets and others are provided to relevant employees to prevent the consequences of serious injuries. Employees are required to wear the equipment at all times during work to minimise the effects of workplace hazards.
f) Maintaining a workplace free of any form of abuse be it physical or verbal harassment and discrimination on the basis of nationality, race, religion, gender, age or disability by encouraging employees to report to the management if they have come to know of any such incidents.

iii. Training and Development

a) The Group seeks to promote and develop its human assets to be competent, multi-skilled and well motivated to increase their career advancement opportunities.
b) To build a more effective workforce, the Human Resources Department develops the Annual Training Plan, taking into consideration feedback from employees who can suggest the types of training courses, continuous and structured job related trainings, seminars and workshops to regularly enhance theirs technical skills and knowledge as well as soft management skills.
c) Requiring all new employees to participate in new employees orientation to get clear insights into the Group's operation.
d) Our training programmes are constantly revised and improved based on changing business needs, and are delivered by internal and external training provider.

SUSTAINABILITY REPORT
(CONTINUED)

CORPORATE RESPONSIBILITY TOWARDS KEY SECTORS (CONTINUED)

3. Environment

We take a serious view of impacts on the environments caused by our operations. To ensure our operations are environmentally responsible, we actively participate and cooperate with local authorities to manage our waste and energy. Several steps are taken to govern and reduce impacts to the environment.

a. Waste Water Treatment System

Since year 2014 our waste water treatment system has been upgraded to hybrid treatment plant which consists of chemical treatment and biological treatment process. Due to our manufacturing operations expanded over the years; the increased wastewater flow gradually exceeded the capacity of our previous wastewater plant. The difficulty was that we have space constraint which does not allow us to accommodate massive wastewater treatment solution, thus we needed a hybrid plant that can effectively treat the effluent.

One of the largest concerns facing is wastewater management. Our effluents are hard to be treated as it comes with organic matters like fats and oils. Furthermore, inconsistent of influent conditions brought on by factors such as load shocks, changes in temperature and production will also bring more challenges in treatment. We need to incorporate a solution that could handle the plant's peak-load and fluctuations in wastewater processing.

To optimise the land area, hybrid waste water treatment plant has been designed by our consultant, which allowed us to achieve wastewater objective without having to compromise on the parameters.

We are firm about maximizing wastewater treatment flow to allow additional capacity for greater flow treatment requirement. To address that, we implemented a design flow of $50m^3$/day although the current capacity required is about $20m^3$/day. We had also successfully reduced the concentration of Chemical Oxygen Demand (COD) from above 3000mg/L to less than 100 mg/L and the moderation of total suspended solids from above 300 mg/L to 10 mg/l (Standard A below 50mg/L).

With the above monitoring result, we are able to maintain our discharged effluent which contains parameter within the limit of "Standard A" shown in seventh Schedule (Regulation 12, Acceptable Conditions For Discharge of Industrial Effluent containing chemical Oxygen Demand (COD) For Specific Trade Or Industry sector). To maintain performance of our wastewater treatment system, we do assign a certified internal competence specialist in monitoring of our system. Other than that, daily monitoring of effluent's treatment result are also taken place to ensure our effluents complies with standard.

The focus of the waste management is to properly treat the raw wastewater to enable discharge into local streams and we are always aligned with global environmental sustainability goals.

b. Waste Management

i. Oil Bund Facility (Palm Oil Storage Tank)

Bund wall is a constructed retaining wall with the function of ensuring potential polluting substances are handled, processed or stored, for the purposes of containing any unintended escape of materials.

In order to comply with Environment Quality Act 1974 of Department of Environment (DOE) Malaysia, an oil bund facility has been constructed to prevent any leakage or spillage from tanks and pipe of palm oil storage tank to its surrounding which may in turn pose harm on surrounding biosystems. Holding capacity of the oil bund is 110 percent of our oil storage capacity.

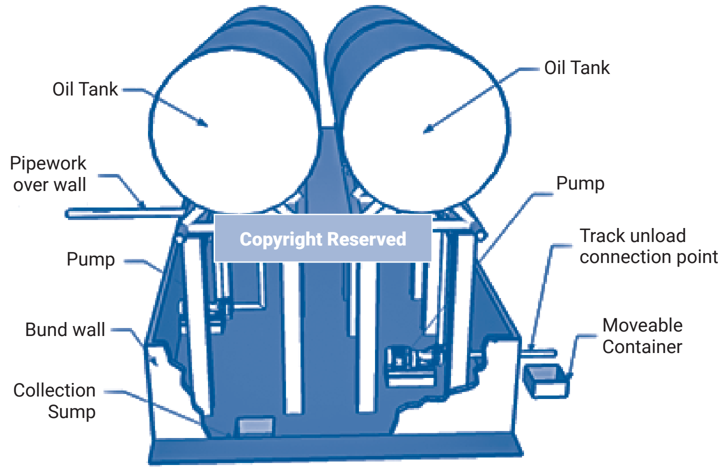
SUSTAINABILITY REPORT
(CONTINUED)

CORPORATE RESPONSIBILITY TOWARDS KEY SECTORS (CONTINUED)

3. Environment (Continued)

b. Waste Management (Continued)

i. Oil Bund Facility (Palm Oil Storage Tank) (Continued)



(Approved design of oil bund by DOE)

ii. Scheduled Waste Management

In according to Environmental Quality (Scheduled Wastes) Regulations 2005, scheduled waste means any waste falling within categories of waste listed in their first schedule of regulation. Schedule wastes shall be stored in separate containers which are compatible with the scheduled wastes to be stored, durable and which are able to prevent spillage or leakage into environment. Incompatible scheduled waste shall be stored in separate containers, and such containers shall be placed in separate secondary containment areas.

In aligned with the regulations, we have our safety and health team lead by certified environmental professional in scheduled waste management (CePSWaM) to manage our relevant wastes on both internal and external method.

iii. Replaced Energy Source to Natural Gas

Hwa Tai Group decided to invest in a new facility which enables the production plant to use Natural Gas as energy source. We successfully converted all existing burning energy source to Natural Gas in year 2018. Natural Gas is one of the world's safest sources of energy used in the industry and it is a better environmental preservation among the alternatives today. Conserving natural resource and creating a more energy efficient plant would reduce pollution and minimise harm to the environment.

We are always practicing production process that reduces impact on the environment by allowing the creation of energy efficient process models. More development and upgrading projects will be taken into consideration in keeping with our environmentally sustainable goals.

SUSTAINABILITY REPORT
(CONTINUED)

CORPORATE RESPONSIBILITY TOWARDS KEY SECTORS (CONTINUED)

4. Managing Covid-19 Pandemic

The global outbreak of coronavirus disease (Covid-19) is affecting every part of the production process, including material supply chain and goods distribution network. The measures taken to control the spread of the virus have significant effects on the production productivity and efficiency. Therefore, managing Covid-19 has come as a priority and critical in operation management.

We are continuously improving the production process flow and upgrade on the machinery to enable human-less and we implement social distancing in the production floor. This is not only to comply to new standard operating procedures (SOP) developed by authorities but also the trend on sustainable production in this industry.

5. Community

Hwa Tai continuously engages with non-government & non-profit organisations to do its part in CSR programmes such as schools, old folks homes, 'orang asli' communities and etc.

STATEMENT OF MANAGEMENT DISCUSSION & ANALYSIS

INTRODUCTION

Hwa Tai Industries Berhad (“Hwa Tai” or “the Company”) and its subsidiaries (“the Group”) are mainly dealing in manufacturing of biscuits and other confectionery under brand names, among others, HWA TAI, LUXURY and PESTA.

In addition, the Group is involved in trading and distribution of its own products to various chain of outlets and is also an original equipment manufacturer (“OEM”) for third party’s brand of biscuits.

OUR VISION & COMMITMENT

We are a leading confectionery manufacturer in the region known for its product quality and variety.

Hwa Tai is committed to producing the best quality biscuit products for our customers all over the world and creating business opportunities for our partners. We have over sixty (60) years of manufacturing experience and the ability to manage our entire value chain from procurement of raw materials to distribution of finished products. From the Company’s very first beginning, we have recognised that the skilled and dedicated people who work for us are critical to our success. We expect high standards from our staff - a team totally committed to the provision of the highest quality service in the business.

Hwa Tai is a generous company which actively gives its best to the community. We aid the needy every year as our company is operated by the belief that everyone should “Eat happily, Live healthily & Aid the needy!”.

FINANCIAL AND OPERATIONS REVIEWS

The table below highlights the Group’s key performance in FYE2021 and FYE2020:

	FYE2021 RM’000	FYE2020 RM’000
Revenue	73,378	74,950
Cost of sales	(54,481)	(52,540)
Gross profit	18,897	22,410
Expenses	(21,077)	(21,454)
Other income	229	497
Share of loss from associated company	–	(344)
(Loss)/Profit before taxation	(1,951)	1,109
Taxation	38	(15)
(Loss)/Profit for the financial year	(1,913)	1,094
Gross profit margin	26%	30%

STATEMENT OF MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

FINANCIAL AND OPERATIONS REVIEWS (CONTINUED)

The breakdown of revenue of the Group in FYE2021 and FYE2020:

	FYE2021 RM'000	%	FYE2020 RM'000	%
Export sales	12,505	17	12,094	16
Local sales- Hwa Tai & OEM Products	60,873	83	62,856	84
Total	73,378	100	74,950	100

The Group had registered a revenue of RM73.38 million in the current financial year ended 31 December 2021 ("FYE2021"), a marginal 2% drop from RM74.95 million achieved in the previous financial year ended 31 December 2020 ("FYE2020").

It attributed decrease of revenue in FYE2021 to reduced sales from local markets in Peninsular and East Malaysia in general trade segment, partially offset by higher sales recorded from International Sales market and E-commerce business.

Our international market accounted to about 17% of the Group's revenue in FYE 2021 as compared with 16% in FYE2020. The remainder was from the domestic market of 83% and 84% in FYE2021 and FYE2020 respectively.

As our biscuits are part of essential food, our export market was not adversely affected in FYE2021 and its export sales was on par as compared with previous year. Certain countries like Thailand, Indonesia and Philippines, saw an increase in demand in our biscuits in FYE 2021 but was partially offset by the decline of sales due to lockdown in certain countries especially in Middle East due to Covid-19 pandemic. The performance of international market would have been better but was affected mainly by the exorbitant freight charges that have gone up few folds.

While our export market has room for growth, we may face challenges with more competition as the market is getting crowded with more low quality producers surfacing from various other countries, the spread of Covid-19 pandemic, increase in price of commodities, as well as pushing up the cost of freight horrendously.

The higher domestic sales registered in FYE2020 was due to the outbreak of Covid-19 pandemic, Movement Control Order ("MCO") was imposed by the Malaysia Government starting from 18 March 2020 to curb its spread. Malaysians were forced to stay at home for long periods following the imposition of MCO. Social distancing and other restrictions imposed due to Covid -19 have meant people are not dining out as much as before and caused the increase in spending on groceries including our biscuits for home consumptions.

FYE 2021, domestic sales fell 3.15% to RM60.87 million from RM62.86 million a year ago, mainly due to the easing of various MCO, Malaysian started to dine out and spent less on groceries for home consumptions.

To remain competitive in both international and domestic markets, distribution channel improvement, sales force efficiency and effectiveness, continuous spending on advertising and promotional activities such as, among others, on-going social media interactions, on-ground events & activities, roadshows, price rebates, engaging promoters, gondola ends, block displays, mailer supports, prize contests etc. are carried out for our products to be more attractive and competitive to consumers.

The Group reported a loss of RM1.91 million in FYE2021 as compared to a profit of RM1.09 million, a year ago in FYE2020.

STATEMENT OF MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

FINANCIAL AND OPERATIONS REVIEWS (CONTINUED)

The loss reported in FYE2021 was mainly attributed to the Group recording a lower revenue, very much higher operating cost mainly caused by rising price of raw materials and packing materials due to continuous increase in price of commodities which are major cost components for our products. The Company had on 10 November 2021 received a notice from the Ministry of Health, Malaysia to temporarily close its factory located at Batu Pahat, Johor, Malaysia from 11 November 2021 to 20 November 2021 to curb the spread of the coronavirus Covid-19 infection at the said premise. The temporary suspension had further severely dampened the performance of the Group due to the delay in delivery of products for both domestic and international sales order.

The Group had incurred total expenses of RM21.08 million in FYE2021, a marginal 1.76% decrease from RM21.45 million in FYE2020. The expenses were mainly from advertising and promotional expenses, staff cost, depreciation on property, plant and equipment and impairment loss on trade receivable. These expenses were also formed partly from selling and distribution expenses, administration expenses and other expenses.

Other income of RM0.23 million in FYE2021 and RM0.50 million in FYE2020 was primarily derived from interests earned on deposits placed at financial institutions for both of the financial years and reversal of impairment loss for investment in associate for FYE2020.

The Group had fully provided the impairment loss on the remaining cost of investment in our China associated company, Shan Dong Yingerle Hwa Tai Food Industry Co. Ltd in financial year ended 31 December 2018 ("FYE2018"). The impairment loss arose from prolonged decline in value of investment and significant financial difficulty in the associated company. Thus, there will be no material impact on the Group's results irrespective of the performance of the associate neither in FYE2021 or coming years. Should there be any evidence which indicates that the performance of the associated company is or will be better than expected, the Group will expect a write back of these impairments.

In compliance with the disclosure of Malaysian Financial Reporting Standard, a share of loss of RM344,000 in this associate was recorded in FYE2020 and the impact was mitigated by a reversal of partial impairment loss of RM342,000 for this associate which the impairment loss for its remaining cost of investments was fully provided in FYE2018.

FINANCIAL POSITION

The table below highlights the Group's financial position in FYE2021 and FYE2020:

	FYE2021 RM'000	FYE2020 RM'000
Total assets	66,981	63,501
Total liabilities	45,300	39,907
Shareholders' equity	21,669	23,588
Total borrowings (Secured lease liabilities were included)	24,283	19,669
Cash, bank balances and short-term deposits	12,001	6,973
Net assets per share (sen)	28.96	31.52
(Loss)/Earnings per share (sen)	(2.56)	1.46

STATEMENT OF MANAGEMENT DISCUSSION & ANALYSIS
(CONTINUED)

FINANCIAL POSITION (CONTINUED)

The shareholders' equity was reduced from RM23.59 million in FYE2020 to RM21.67 million in FYE2021. The reduction in shareholders' equity was mainly caused by the loss reported in FYE 2021. Total assets and total liabilities stood at RM66.98 million and RM45.30 million respectively in FYE2021. An increase of RM3.48 million and RM5.39 million for total assets and total liabilities respectively were recorded in FYE2021 as compared with FYE2020. The changes in total assets and liabilities were reflected by reduction in trade receivables, increase of inventories and cash, bank balances and short- term deposits, mainly offset by increase in loans & borrowings.

Net assets per share and loss per share were 28.96 sen and 2.56 sen respectively in FYE2021 as compared with net asset per share and earnings per share of 31.52 sen and 1.46 sen respectively in FYE2020.

Investment in capital expenditure of approximately RM2.42 million in FYE2021 primarily comprised the purchase of machineries amounting to RM1.33 million and the remainder was on factory upgrading, office equipment and motor vehicles. The Group expects to invest broadly the same in the year ahead so as to keep up with technological changes where continuous capital expenditure investments are vital to improve efficiency and productivity of our factory.

BUSINESS STRATEGICS AND RISK FACTORS

In view of market competition and ever-growing demands from consumers, our Research and Development division has continuously focused on product innovation, creativeness on developing healthier choices products for consumers, market research in improving our current products to suit consumers preferences without compromising on quality.

We have been continuously expanding our customer network by penetration to new markets locally and internationally, developing and launching new products and also improve our product quality and variety. In line with the new norm and e-commerce phenomenon, the Group also is working on various online shopping initiatives to drive sales.

Apart from the above, the Group has continuously invested in factory upgrading and machineries to improve the production efficiency for cost savings. Our factory has been renovated and designed according to food manufacturing standards in order to reduce the risk of contamination and facilitate the production of safe finished products. Old factory roof system is removed and reinstalled with new insulated roof system for better manufacturing & warehousing environment. The project of conversion of LPG (Liquefied Petroleum Gas) to Natural Gas, as a source of burning energy for the production plant which will result in cost savings by approximately 50% was completed in previous years.

As a player in the food industry, the Group is exposed to the risk associated with product quality and standard as product safety and quality are of paramount importance to the Group. The risk may have financial impact as well as reputation impact. Comprehensive policies and procedures established on processing, plant & machinery sanitisation as well as employee personal hygiene to prevent contamination. Also the products traceability and compliance with stringent quality system are in place too.

STATEMENT OF MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

BUSINESS STRATEGICS AND RISK FACTORS (CONTINUED)

Our business risk is mainly from potential labour shortages, low profit margin due to stiff competition, price fluctuations of raw materials and changes in consumer demand. These risks may lead to cost increase which will affect our profitability if such costs are not able to be passed on to our consumers. To mitigate these risks, our management has taken steps such as remaining flexible in sourcing raw materials and packing materials from different suppliers to ensure our Group is not overly dependent on a single supplier without compromising its product quality. Also, to always update and acquire advanced machineries and improve plant automation to be less dependent on labour. Compliance with Food and Beverage Standard and licensing/approval from authorities are vital for us as a biscuit manufacturer. The management seeks to limit these risks by maintaining strict compliance with the terms and conditions imposed by the respective authorities, procure raw materials from reputable suppliers which have long standing business relationship with our Group. In addition, the Group is also exposed to interest rate and liquidity risks as most of our borrowings are based on floating interest rates, where any fluctuation in interest rates could lead to higher borrowing costs which will again affect the profitability of the Group. We are not able to fully eliminate the risk of interest rate fluctuation faced and notwithstanding this, the Group will carry out periodic reviews of cashflow position and funding requirements to manage our exposure to adverse movements in interest rates.

DIVIDEND

The Board of Directors is not recommending any dividend in FYE2021.

OUTLOOK AND FUTURE PROSPECTS

We remain cautious of local and global uncertainties as the Covid -19 pandemic situation had yet to stabilise. The situation is further worsened by the elevated market uncertainty following dispute between Russia and Ukraine.

Moving forward, we anticipate the year ahead to remain difficult and challenging amidst the Covid-19 outbreak. Local and world economy were badly affected and slowing down, volatility of Ringgit Malaysia against major foreign currencies and the impact on volatile raw materials and packaging materials costs. These challenges have thus increased our costs of production and customer acquisition.

We will constantly focus on improving the Group's performance through the implementation of proactive measures, enhancing our social media and e-commerce platform advertising and promotional activities to improve our customer outreach, the innovation of product portfolio, the broadening of our distributor network, enhancing our brand recognition and products' varieties for new business opportunities, cost rationalisation, streamlining of resources and the enhancement of operational efficiency.

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of a biscuit manufacturer and investment holding. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

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

RESULTS

	Group RM	Company RM
Loss for the financial year, net of tax	(1,912,513)	(2,818,406)
Attributable to:		
Owners of the Company	(1,918,666)	(2,818,406)
Non-controlling interests	6,153	–
	(1,912,513)	(2,818,406)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2021.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps 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 had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

DIRECTORS' REPORT
(CONTINUED)

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

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

In the opinion of the directors, no contingent or other liability of the Group or of the Company 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 or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances 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.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is 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
(CONTINUED)

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

Soo Thien Ming @ Soo Thien See*	
Datuk Soo Chung Yee J.P.*	
Kamal Bin Abd Karim	
Aisyah Kamaliah Binti Abu Bakar	
Fong May Khuan	
Yee Fook Loong	(Resigned on 30 June 2021)

* Directors of the Company and certain subsidiaries. Soo Thien Ming @ Soo Thien See resigned from the subsidiaries on 9 March 2021.

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Yap Lee Yong	
Teo Giap Cheng	(Appointed on 8 March 2021)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1 January 2021	**Bought**	**Sold**	**At 31 December 2021**
The Company				
Direct interest				
Soo Thien Ming @ Soo Thien See	30,949,567	–	–	30,949,567
Datuk Soo Chung Yee J.P.	879,400	785,200	(349,100)	1,315,500

By virtue of his interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Soo Thien Ming @ Soo Thien See is deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' REPORT
(CONTINUED)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 19(a) 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.

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

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, no indemnity was given to or insurance effected for, any director or officer of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

The available auditors' reports on the accounts of the subsidiaries did not contain any qualification.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant events during the financial year and subsequent to the end of the financial year are disclosed in Note 27 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 19 to the financial statements.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

SOO THIEN MING @ SOO THIEN SEE
Director

DATUK SOO CHUNG YEE J.P.
Director

Date: 29 March 2022

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	17,484,690	17,676,158	16,441,303	16,677,553
Right-of-use assets	6	4,150,393	3,682,170	3,615,829	3,028,187
Investment in subsidiaries	7	–	–	6,937,002	6,937,002
Investment in an associate	8	–	–	–	–
Total non-current assets		21,635,083	21,358,328	26,994,134	26,642,742
Current assets					
Inventories	9	11,002,121	9,258,286	8,972,668	7,613,043
Trade and other receivables	10	21,353,722	25,052,522	16,916,608	21,042,204
Prepayments		297,531	293,731	200,422	242,056
Tax recoverable		691,124	564,819	578,624	564,819
Cash, bank balances and short-term deposits	11	12,001,495	6,973,057	11,621,472	6,524,130
Total current assets		45,345,993	42,142,415	38,289,794	35,986,252
TOTAL ASSETS		66,981,076	63,500,743	65,283,928	62,628,994
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	12	29,933,308	29,933,308	29,933,308	29,933,308
Accumulated losses		(8,578,802)	(6,660,136)	(4,861,790)	(2,043,384)
Translation reserves		314,637	314,637	–	–
Shareholders' equity		21,669,143	23,587,809	25,071,518	27,889,924
Non-controlling interests		12,515	6,362	–	–
TOTAL EQUITY		21,681,658	23,594,171	25,071,518	27,889,924
Non-current liabilities					
Lease liabilities	6	1,494,465	1,350,886	1,428,445	1,239,105
Total non-current liabilities		1,494,465	1,350,886	1,428,445	1,239,105
Current liabilities					
Trade and other payables	13	17,476,529	16,760,118	12,833,137	11,890,502
Contract liabilities	14	2,700,119	2,944,476	2,368,284	2,832,306
Loans and borrowings	15	22,845,798	18,260,543	22,845,798	18,260,543
Lease liabilities	6	782,507	590,549	736,746	516,614
Total current liabilities		43,804,953	38,555,686	38,783,965	33,499,965
TOTAL LIABILITIES		45,299,418	39,906,572	40,212,410	34,739,070
TOTAL EQUITY AND LIABILITIES		66,981,076	63,500,743	65,283,928	62,628,994

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Revenue	16	73,378,409	74,950,417	62,479,967	64,396,311
Cost of sales	17	(54,480,590)	(52,539,849)	(47,495,195)	(45,743,643)
Gross profit		18,897,819	22,410,568	14,984,772	18,652,668
Other income		228,749	497,193	216,136	238,994
Selling and distribution expenses		(11,476,944)	(11,895,155)	(9,568,688)	(10,420,031)
Administrative expenses		(8,312,464)	(8,949,023)	(7,185,326)	(7,832,651)
Net (impairment losses)/reversal of impairment on financial instruments		(305,624)	353,175	(355,675)	391,027
Share of results of associate		–	(343,692)	–	–
Finance costs	18	(982,173)	(963,544)	(947,749)	(924,519)
(Loss)/Profit before tax	19	(1,950,637)	1,109,522	(2,856,530)	105,488
Income tax credit/(expense)	20	38,124	(15,181)	38,124	(15,181)
(Loss)/Profit for the financial year		(1,912,513)	1,094,341	(2,818,406)	90,307
Other comprehensive income, net of tax, items that may be reclassified subsequently to profit or loss					
Translation reserves of foreign operation		–	2,039	–	–
Total comprehensive (loss)/income for the financial year		(1,912,513)	1,096,380	(2,818,406)	90,307
(Loss)/Profit for the financial year attributable to:					
Owners of the Company		(1,918,666)	1,095,342	(2,818,406)	90,307
Non-controlling interests		6,153	(1,001)	–	–
		(1,912,513)	1,094,341	(2,818,406)	90,307
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(1,918,666)	1,097,381	(2,818,406)	90,307
Non-controlling interests		6,153	(1,001)	–	–
		(1,912,513)	1,096,380	(2,818,406)	90,307
(Loss)/Earning per ordinary share (sen)	21				
- basic		(2.56)	1.46		
- diluted		(2.56)	1.46		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Group	← Attributable to owners of the Company			→		
	Share capital RM	Accumulated losses RM	Translation reserves RM	Shareholders' equity RM	Non-controlling interests RM	Total equity RM
At 1 January 2020	29,933,308	(7,755,478)	312,598	22,490,428	7,363	22,497,791
Total comprehensive income for the financial year	–	1,095,342	2,039	1,097,381	(1,001)	1,096,380
At 31 December 2020	29,933,308	(6,660,136)	314,637	23,587,809	6,362	23,594,171
Total comprehensive loss for the financial year	–	(1,918,666)	–	(1,918,666)	6,153	(1,912,513)
At 31 December 2021	29,933,308	(8,578,802)	314,637	21,669,143	12,515	21,681,658

Company	Attributable to owners of the Company		
	Share capital RM	Accumulated losses RM	Total equity RM
Company			
At 1 January 2020	29,933,308	(2,133,691)	27,799,617
Total comprehensive income for the financial year	–	90,307	90,307
At 31 December 2020	29,933,308	(2,043,384)	27,889,924
Total comprehensive loss for the financial year	–	(2,818,406)	(2,818,406)
At 31 December 2021	29,933,308	(4,861,790)	25,071,518

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Cash flows from operating activities:					
(Loss)/Profit before tax		(1,950,637)	1,109,522	(2,856,530)	105,488
Adjustments for:					
Bad debts recovered		(35,437)	(1,458)	–	–
Depreciation of:					
- property, plant and equipment		2,057,637	1,989,095	1,783,687	1,694,272
- right-of-use assets		565,263	448,652	517,430	396,606
(Gain)/Loss on disposal of property, plant and equipment		(25,604)	13,578	(25,604)	13,578
Impairment loss on:					
- trade receivables		462,962	918,856	427,571	871,037
- amount owing by subsidiaries (trade)		–	–	–	4,815
- amount owing by subsidiaries (non-trade)		–	–	15,992	–
- investment in subsidiaries		–	–	–	13,404
Income from other investment		–	(20)	–	(20)
Interest income		(106,386)	(75,555)	(115,921)	(144,371)
Interest expenses		982,173	963,544	947,749	924,519
Inventories written down		37,817	125,917	11,120	125,917
Inventories written back		(13,212)	–	(13,212)	–
Net loss on unrealised foreign exchange		13,186	12,581	13,186	12,581
Property, plant and equipment written off		5,395	3,343	5,395	3,274
Reversal of impairment loss on:					
- trade receivables		(121,901)	(1,270,575)	–	(1,261,513)
- amount owing by subsidiaries (trade)		–	–	(87,888)	(5,367)
- investment in associate		–	(341,653)	–	–
Share of results of associate		–	343,692	–	–
Operating profit before changes in working capital		1,871,256	4,239,519	622,975	2,754,220
Changes in working capital:					
Inventories		(1,768,440)	(1,157,609)	(1,357,533)	(491,859)
Receivables		3,379,990	1,253,547	3,371,982	1,192,820
Prepayments		(3,800)	(11,369)	41,634	7,783
Payables		472,054	232,534	54,363	41,770
Net cash generated from operations, carried forward		3,951,060	4,556,622	2,733,421	3,504,734

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Cash flows from operating activities (Continued)					
Net cash generated from operations, brought forward		3,951,060	4,556,622	2,733,421	3,504,734
Interest paid		(49,040)	(27,900)	(49,040)	(27,900)
Income tax paid		(423,000)	(330,000)	(310,500)	(330,000)
Income tax refunded		334,819	–	334,819	–
Net cash from operating activities		3,813,839	4,198,722	2,708,700	3,146,834
Cash flows from investing activities:					
Interest received		106,386	75,555	115,921	144,371
Proceeds from disposal of property, plant and equipment		40,116	4,041	40,116	4,041
Proceeds from disposal of other investment		–	1,447	–	1,447
Purchase of property, plant and equipment and right-of-use assets	(a)	(1,955,004)	(7,903,424)	(1,707,858)	(7,782,446)
Repayment from subsidiaries		–	–	809,003	655,157
Net cash used in investing activities		(1,808,502)	(7,822,381)	(742,818)	(6,977,430)
Cash flows from financing activities:					
Repayment of short term borrowings	(b)	(89,772,196)	(85,071,153)	(89,772,196)	(85,071,153)
Drawdown of short term borrowings	(b)	92,555,902	88,891,447	92,555,902	88,891,447
Payment of lease liabilities	(b)	(629,021)	(574,352)	(555,086)	(491,064)
Interest paid		(933,133)	(935,644)	(898,709)	(896,619)
Net cash from financing activities		1,221,552	2,310,298	1,329,911	2,432,611
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,226,889	(1,313,361)	3,295,793	(1,397,985)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		4,495,808	5,809,169	4,046,881	5,444,866
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	11	7,722,697	4,495,808	7,342,674	4,046,881

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

a) During the financial year, the Group and the Company made the following cash payments for the purchase of property, plant and equipment and right-of-use assets:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Purchase of property, plant and equipment and right-of-use assets	2,919,562	9,139,102	2,672,416	9,018,124
Financed by way of lease arrangement	(964,558)	(1,235,678)	(964,558)	(1,235,678)
Cash payments on purchase of property, plant and equipment and right-of-use assets	1,955,004	7,903,424	1,707,858	7,782,446

(b) Reconciliation of changes in liabilities arising from financing activities are as follows:

	Note	At 1 January 2021 RM	Cash Flows RM	Non-cash Acquisition RM	At 31 December 2021 RM
Group					
Lease liabilities	6	1,941,435	(629,021)	964,558	2,276,972
Bankers' acceptance	15	15,783,294	2,783,706	–	18,567,000
		17,724,729	2,154,685	964,558	20,843,972
Company					
Lease liabilities	6	1,755,719	(555,086)	964,558	2,165,191
Bankers' acceptance	15	15,783,294	2,783,706	–	18,567,000
		17,539,013	2,228,620	964,558	20,732,191

	Note	At 1 January 2020 RM	Cash flows RM	Non-cash Acquisition RM	Derecognition	At 31 December 2020 RM
Group						
Lease liabilities	6	1,640,958	(574,352)	1,235,678	(360,849)	1,941,435
Bankers' acceptance	15	11,963,000	3,820,294	–	–	15,783,294
		13,603,958	3,245,942	1,235,678	(360,849)	17,724,729
Company						
Lease liabilities	6	1,371,954	(491,064)	1,235,678	(360,849)	1,755,719
Bankers' acceptance	15	11,963,000	3,820,294	–	–	15,783,294
		13,334,954	3,329,230	1,235,678	(360,849)	17,539,013

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

(c) Total cash outflows for leases as a lessee:

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Included in net cash from operating activities:					
Payment relating to short-term leases	19	59,760	59,760	33,600	33,600
Payment relating to leases of low-value assets	19	14,952	15,352	5,160	5,160
Interest paid in relation to lease liabilities (unsecured)	18	49,040	27,900	49,040	27,900
Included in net cash from financing activities:					
Payment of lease liabilities		629,021	574,352	555,086	491,064
Interest paid in relation to lease liabilities (secured)	18	90,566	95,637	80,019	78,930
Total cash outflows for leases		843,339	773,001	722,905	636,654

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Hwa Tai Industries Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and the principal place of business of the Company are both located at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim.

The principal activities of the Company are that of a biscuit manufacturer and investment holding. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 March 2022.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 4	Insurance Contracts
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases*
MFRS 139	Financial Instruments: Recognition and Measurement

* Early adopted the amendment to MFRS 16 Leases issued by the Malaysian Accounting Standards Board ("MASB") on 6 April 2021.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of amendments/improvements to MFRSs (Continued)

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases

The Group and the Company have adopted the amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 for the first time in the current year. The Interest Rate Benchmark Reform—Phase 2 amends some specific requirements in MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, with respect to issues that affect financial reporting during the reform of an interest rate benchmark.

The amendments provide a practical expedient whereby an entity would not derecognise or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark. On hedging relationship, entities would be required to amend the formal designation of a hedging relationship to reflect the modifications and/or changes made to the hedged item and/or hedging instruments as a result of the reform. However, the modification does not constitute discontinuation of the hedging relationship nor the designation of a new hedging relationship.

The Group and the Company elected the practical expedient to not derecognise or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark.

Amendment to MFRS 16 Leases

The Group and the Company have adopted the amendment(s) to MFRS 16 that issued on 5 June 2020 and early adopted the amendment(s) to MFRS 16 that issued on 6 April 2021 that exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications, applying to reduction in lease payments originally due on or before 30 June 2021 and 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

(a) The Group and the Company have not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2022^
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRS Standards 2018-2020*

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

(b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/ improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below.

Amendments to MFRS 3 Business Combinations

The amendments update MFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version which was issued by MASB in April 2018.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

(b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/ improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below. (Continued)

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 112 Income Taxes

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, MFRS 112 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an asset and a liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

Amendments to MFRS 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries and associate used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Subsidiaries and business combination

Subsidiaries are entities (including structure entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(a) Subsidiaries and business combination (Continued)

For a new acquisition, goodwill is initially measured at cost, being the excess of the following: (Continued)

- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate or a financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(c) Associates

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decrease but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries and associate are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.9(b).

Contributions to subsidiaries are amounts which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance considered as part of the Company's investment in the subsidiaries.

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transactions dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary item that are designated as a hedging instrument in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Foreign currency transactions and operations (Continued)

(a) Translation of foreign currency transactions (Continued)

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates that do not result in the Group losing significant influence, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3.4 Financial instruments

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

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified as financial assets at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business model for managing those assets change.

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company classify their debt instruments at amortised cost.

Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.9(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows (Continued):

(i) Financial assets (Continued)

Equity instruments

The Group and the Company subsequently measures all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at fair value through other comprehensive income ("FVOCI"). The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities at amortised cost.

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified 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, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves purchase or sell an asset).

Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive the cash flows from the financial asset expire, or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(d) Derecognition (Continued)

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.14.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment (Continued)

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment, is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

Leasehold buildings	1% - 10%
Renovation	10%
Plant and machinery	5% - 33%
Office equipment, furniture and fittings and motor vehicles	10% - 20%

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.6 Leases

(a) Definition of lease

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group and the Company have the right to direct the use of the asset.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (Continued)

(b) Lessee accounting

At the lease commencement date, the Group and the Company recognise a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group and the Company present right-of-use assets and lease liabilities as separate lines in the statements of financial position.

Right-of-use asset

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

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group and the Company expect to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use their weighted average incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (Continued)

(b) Lessee accounting (Continued)

Lease liability (Continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability (and make a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “other expenses” in the statements of comprehensive income.

The Group and the Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (Continued)

(c) Lessor accounting

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

When the Group and the Company are intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.6(a), then it classifies the sub-lease as an operating lease.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, the Group and the Company apply MFRS 15 to allocate the consideration under the contract to each component.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost incurred in bringing the inventories to their present location and condition are accounted for as follows:
- raw materials, packing materials and consumables: purchase costs on a first-in first-out basis.
- finished goods and work-in-progress: costs of direct materials, direct labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a standard costing basis.

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.

3.8 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost and lease receivables will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables and lease receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:
- the debtor is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (Continued)

(a) Impairment of financial assets (Continued)

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:
- significant financial difficulty of the issuer or the debtor;
- a breach of contract, such as a default of past due event;
- the lender(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statements of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

(b) Impairment of 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 Group and the Company make an estimate of the asset's recoverable amount.

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 non-financial assets or cash-generating units ("CGUs").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (Continued)

(b) Impairment of non-financial assets (Continued)

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. 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 CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

3.10 Share capital

Ordinary Shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.11 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and the Company.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees rendered their services.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Provisions

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

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date 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.

3.13 Revenue and other income

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

The Group and the Company measure revenue at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

Financing components

The Group and the Company have applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group and the Company expect that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(a) Sale of manufactured goods

The Group manufactures and sells a range of biscuits and cakes products to local and foreign customers. Revenue from sale of manufactured goods are recognised at a point in time when control of the products has been transferred, being when the customers accepts the delivery of goods.

Sales are made within a credit term of 7 to 90 days, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue and other income (Continued)

(a) Sale of manufactured goods (Continued)

Revenue is recognised based on the price specified in the contract, net of the volume rebate and returns where applicable.

The Group's customary business practice is to allow a customer to return any defected and expired products and receive a full refund.

A contract liability is recognised for expected volume rebates payable to customers and for products expected to be returned from customers in relation to sales made until the end of the reporting period.

(b) Rental income

Rental income is recognised on a straight-line basis over the term of the lease. Lease incentive granted is recognised as an integral part of the total rental income, over the term of the lease.

(c) Interest income

Interest income is recognised using the effective interest rate method.

3.14 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

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
(CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are 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.

(a) Current tax

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

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Income tax (Continued)

(c) Sales and services tax

Revenues, expenses and assets are recognised net of amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales and services tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.16 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.17 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group Chief Executive Director, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

3.18 Fair value measurements

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

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Fair value measurements (Continued)

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

3.19 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:
(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

3.20 Contract liabilities

Contract liability is the obligation to transfer goods or services to customer for which the Group and the Company have received the consideration or have billed the customers.

Under MFRS 15, revenue is accounted for as a variable consideration. The Group and the Company provide volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Therefore, rebate liabilities for the expected future rebates are recognised.

The Group and the Company also provide expected future returns to customers for their purchases. Therefore, return liabilities for the expected future returns relating to right of return product from the customers are recognised.

Revenue is adjusted for the value of the expected future rebates and corresponding goods expected to be returned.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

The areas involving a higher degree of judgement or complexity that have the most significant effect on the Group's and the Company's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's and the Company's financial statements within the next financial year are disclosed as follows:

(a) Trade receivables

The impairment provisions for trade receivables are based on assumptions about risk of default and expected loss rate. The Group and the Company use judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's and the Company's past history and forward-looking estimates at the end of each reporting period.

The Group and the Company use a provision matrix to calculate expected credit losses ("ECL") for trade receivables. The provision rates are depending on the number of days that a trade receivable is past due.

The provision matrix is initially based on the Group's and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forward-looking estimates and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and forecast of economic conditions over the expected lives of trade receivables. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the impairment losses on the Group's and the Company's trade receivables are disclosed in Note 25(b).

(b) Investment in subsidiaries

The Company assesses impairment of the investment in subsidiaries whenever the events or changes in circumstances indicate that the carrying amount of the investment in subsidiaries may not be recoverable i.e. the carrying amount of the investment in subsidiaries is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less costs to sell for the investment in subsidiaries and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from the subsidiaries discounted at an appropriate discount rate. The Company use its judgement to decide the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates, inflation rates and gross profit margin. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Company's financial positions and results if the actual cash flows are less than the expected.

The carrying amount of the investment in subsidiaries are disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

Group 2021	Properties # RM	Plant and machinery RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Cost							
At 1 January 2021	12,896,171	38,201,961	3,639,404	769,450	998,557	6,899,945	63,405,488
Additions	398,368	1,085,329	138,432	2,152	–	279,459	1,903,740
Disposals/Written off	(3,400)	(164,170)	(37,609)	–	(178,000)	(1,350)	(384,529)
Reclassification	13,300	–	3,082	–	–	(16,382)	–
Reclassification from right-of-use assets	–	101,062	–	–	–	–	101,062
Reclassification to right-of-use assets	–	(90,000)	–	–	–	–	(90,000)
At 31 December 2021	13,304,439	39,134,182	3,743,309	771,602	820,557	7,161,672	64,935,761
Accumulated depreciation and impairment loss							
At 1 January 2021							
Accumulated depreciation	6,951,493	33,810,318	3,312,027	655,547	920,418	–	45,649,803
Accumulated impairment loss	79,527	–	–	–	–	–	79,527
	7,031,020	33,810,318	3,312,027	655,547	920,418	–	45,729,330
Depreciation for the financial year	664,797	1,244,114	91,017	20,229	37,480	–	2,057,637
Disposals/Written off	(2,974)	(149,658)	(33,990)	–	(178,000)	–	(364,622)
Reclassification from right-of-use assets	–	29,476	–	–	–	–	29,476
Reclassification to right-of-use assets	–	(750)	–	–	–	–	(750)
Accumulated depreciation	7,613,316	34,933,500	3,369,054	675,776	779,898	–	47,371,544
Accumulated impairment loss	79,527	–	–	–	–	–	79,527
At 31 December 2021	7,692,843	34,933,500	3,369,054	675,776	779,898	–	47,451,071
Carrying amount							
At 31 December 2021	5,611,596	4,200,682	374,255	95,826	40,659	7,161,672	17,484,690

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2020	Properties # RM	Plant and machinery RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Cost							
At 1 January 2020	12,259,816	37,887,086	3,645,697	766,470	998,557	391,885	55,949,511
Additions	383,768	592,474	85,520	2,980	–	6,765,479	7,830,221
Disposals/Written off	–	(409,743)	(91,813)	–	–	(1,153)	(502,709)
Reclassification	252,587	3,679	–	–	–	(256,266)	–
Reclassification from right-of-use asset	–	128,465	–	–	–	–	128,465
At 31 December 2020	12,896,171	38,201,961	3,639,404	769,450	998,557	6,899,945	63,405,488
Accumulated depreciation and impairment loss							
At 1 January 2020							
Accumulated depreciation	6,329,771	32,953,134	3,313,035	634,634	871,137	–	44,101,711
Accumulated impairment loss	79,527	–	–	–	–	–	79,527
	6,409,298	32,953,134	3,313,035	634,634	871,137	–	44,181,238
Depreciation for the financial year	621,722	1,208,632	88,547	20,913	49,281	–	1,989,095
Disposals/Written off	–	(392,192)	(89,555)	–	–	–	(481,747)
Reclassification from right-of-use asset	–	40,744	–	–	–	–	40,744
Accumulated depreciation	6,951,493	33,810,318	3,312,027	655,547	920,418	–	45,649,803
Accumulated impairment loss	79,527	–	–	–	–	–	79,527
At 31 December 2020	7,031,020	33,810,318	3,312,027	655,547	920,418	–	45,729,330
Carrying amount							
At 31 December 2020	5,865,151	4,391,643	327,377	113,903	78,139	6,899,945	17,676,158

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Properties consist of:

Group 2021	**Freehold land RM**	**Buildings RM**	**Renovation RM**	**Total RM**
Cost				
At 1 January 2021	132,515	7,481,963	5,281,693	12,896,171
Additions	–	–	398,368	398,368
Disposals/Written off	–	(3,400)	–	(3,400)
Reclassification	–	–	13,300	13,300
At 31 December 2021	132,515	7,478,563	5,693,361	13,304,439
Accumulated depreciation and impairment loss				
At 1 January 2021				
Accumulated depreciation	–	4,596,926	2,354,567	6,951,493
Accumulated impairment loss	–	79,527	–	79,527
	–	4,676,453	2,354,567	7,031,020
Depreciation for the financial year	–	156,269	508,528	664,797
Disposals/Written off	–	(2,974)	–	(2,974)
Accumulated depreciation	–	4,750,221	2,863,095	7,613,316
Accumulated impairment loss	–	79,527	–	79,527
At 31 December 2021	–	4,829,748	2,863,095	7,692,843
Carrying amount				
At 31 December 2021	132,515	2,648,815	2,830,266	5,611,596

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Properties consist of:

Group 2020	Freehold land RM	Buildings RM	Renovation RM	Total RM
Cost				
At 1 January 2020	132,515	7,481,963	4,645,338	12,259,816
Additions	–	–	383,768	383,768
Reclassification	–	–	252,587	252,587
At 31 December 2020	132,515	7,481,963	5,281,693	12,896,171
Accumulated depreciation and impairment loss				
At 1 January 2020				
Accumulated depreciation	–	4,436,327	1,893,444	6,329,771
Accumulated impairment loss	–	79,527	–	79,527
	–	4,515,854	1,893,444	6,409,298
Depreciation for the financial year	–	160,599	461,123	621,722
Accumulated depreciation	–	4,596,926	2,354,567	6,951,493
Accumulated impairment loss	–	79,527	–	79,527
At 31 December 2020	–	4,676,453	2,354,567	7,031,020
Carrying amount				
At 31 December 2020	132,515	2,805,510	2,927,126	5,865,151

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2021	Properties # RM	Plant and machinery RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Cost							
At 1 January 2021	11,483,834	35,271,923	3,119,654	714,096	699,379	6,788,205	58,077,091
Additions	398,368	938,928	111,774	2,150	–	205,374	1,656,594
Disposals/Written off	(3,400)	(164,170)	(20,970)	–	(178,000)	(1,350)	(367,890)
Reclassification	13,300	–	3,082	–	–	(16,382)	–
Reclassification to right-of-use assets	–	(90,000)	–	–	–	–	(90,000)
At 31 December 2021	11,892,102	35,956,681	3,213,540	716,246	521,379	6,975,847	59,275,795
Accumulated depreciation and impairment loss							
At 1 January 2021							
Accumulated depreciation	5,927,460	31,336,631	2,832,657	602,023	621,240	–	41,320,011
Accumulated impairment loss	79,527	–	–	–	–	–	79,527
	6,006,987	31,336,631	2,832,657	602,023	621,240	–	41,399,538
Depreciation for the financial year	599,382	1,047,113	79,798	19,914	37,480	–	1,783,687
Disposals/Written off	(2,974)	(149,658)	(17,351)	–	(178,000)	–	(347,983)
Reclassification to right-of-use assets	–	(750)	–	–	–	–	(750)
Accumulated depreciation	6,523,868	32,233,336	2,895,104	621,937	480,720	–	42,754,965
Accumulated impairment loss	79,527	–	–	–	–	–	79,527
At 31 December 2021	6,603,395	32,233,336	2,895,104	621,937	480,720	–	42,834,492
Carrying amount							
At 31 December 2021	5,288,707	3,723,345	318,436	94,309	40,659	6,975,847	16,441,303

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2020	Properties # RM	Plant and machinery RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Cost							
At 1 January 2020	10,847,479	34,963,136	3,114,903	711,116	699,379	391,885	50,727,898
Additions	383,768	586,386	82,370	2,980	–	6,653,739	7,709,243
Disposals/Written off	–	(409,743)	(77,619)	–	–	(1,153)	(488,515)
Reclassification	252,587	3,679	–	–	–	(256,266)	–
Reclassification from right-of-use asset	–	128,465	–	–	–	–	128,465
At 31 December 2020	11,483,834	35,271,923	3,119,654	714,096	699,379	6,788,205	58,077,091
Accumulated depreciation and impairment loss							
At 1 January 2020							
Accumulated depreciation	5,375,008	30,689,421	2,834,802	581,427	571,959	–	40,052,617
Accumulated impairment loss	79,527	–	–	–	–	–	79,527
	5,454,535	30,689,421	2,834,802	581,427	571,959	–	40,132,144
Depreciation for the financial year	552,452	998,658	73,285	20,596	49,281	–	1,694,272
Disposals/Written off	–	(392,192)	(75,430)	–	–	–	(467,622)
Reclassification from right-of-use asset	–	40,744	–	–	–	–	40,744
Accumulated depreciation	5,927,460	31,336,631	2,832,657	602,023	621,240	–	41,320,011
Accumulated impairment loss	79,527	–	–	–	–	–	79,527
At 31 December 2020	6,006,987	31,336,631	2,832,657	602,023	621,240	–	41,399,538
Carrying amount							
At 31 December 2020	5,476,847	3,935,292	286,997	112,073	78,139	6,788,205	16,677,553

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Properties consist of:

Company 2021	**Freehold land RM**	**Buildings RM**	**Renovation RM**	**Total RM**
Cost				
At 1 January 2021	132,515	6,585,010	4,766,309	11,483,834
Additions	–	–	398,368	398,368
Disposals/Written off	–	(3,400)	–	(3,400)
Reclassification	–	–	13,300	13,300
At 31 December 2021	132,515	6,581,610	5,177,977	11,892,102
Accumulated depreciation and impairment loss				
At 1 January 2021				
Accumulated depreciation	–	4,027,195	1,900,265	5,927,460
Accumulated impairment loss	–	79,527	–	79,527
	–	4,106,722	1,900,265	6,006,987
Depreciation for the financial year	–	138,372	461,010	599,382
Disposals/Written off	–	(2,974)	–	(2,974)
Accumulated depreciation	–	4,162,593	2,361,275	6,523,868
Accumulated impairment loss	–	79,527	–	79,527
At 31 December 2021	–	4,242,120	2,361,275	6,603,395
Carrying amount				
At 31 December 2021	132,515	2,339,490	2,816,702	5,288,707

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Properties consist of:

Company 2020	**Freehold land RM**	**Buildings RM**	**Renovation RM**	**Total RM**
Cost				
At 1 January 2020	132,515	6,585,010	4,129,954	10,847,479
Additions	–	–	383,768	383,768
Reclassification	–	–	252,587	252,587
At 31 December 2020	132,515	6,585,010	4,766,309	11,483,834
Accumulated depreciation and impairment loss				
At 1 January 2020				
Accumulated depreciation	–	3,884,493	1,490,515	5,375,008
Accumulated impairment loss	–	79,527	–	79,527
	–	3,964,020	1,490,515	5,454,535
Depreciation for the financial year	–	142,702	409,750	552,452
Accumulated depreciation	–	4,027,195	1,900,265	5,927,460
Accumulated impairment loss	–	79,527	–	79,527
At 31 December 2020	–	4,106,722	1,900,265	6,006,987
Carrying amount				
At 31 December 2020	132,515	2,478,288	2,866,044	5,476,847

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

6.1 Right-of-use assets

The Group and the Company lease several assets and the information about leases of the Group and the Company as lessees are presented below:

Group	Leasehold Land RM	Building RM	Warehouse RM	Plant and Machinery RM	Office Equipment RM	Motor Vehicles RM	Total RM
Carrying amount							
At 1 January 2020	1,108,357	421,022	–	1,370,970	–	370,162	3,270,511
Additions	–	603,716	–	497,365	207,800	–	1,308,881
Depreciation	(46,160)	(149,116)	–	(167,620)	(38,097)	(47,659)	(448,652)
Derecognition	–	(360,849)	–	–	–	–	(360,849)
Reclassification to property, plant and equipment	–	–	–	(87,721)	–	–	(87,721)
At 31 December 2020	1,062,197	514,773	–	1,612,994	169,703	322,503	3,682,170
Additions	-	33,615	469,565	245,000	–	267,642	1,015,822
Depreciation	(46,160)	(158,042)	(52,174)	(204,056)	(41,560)	(63,271)	(565,263)
Reclassification from property, plant and equipment	–	–	–	89,250	–	–	89,250
Reclassification to property, plant and equipment	–	–	–	(71,586)	–	–	(71,586)
At 31 December 2021	1,016,037	390,346	417,391	1,671,602	128,143	526,874	4,150,393

Company	Leasehold Land RM	Building RM	Warehouse RM	Plant and Machinery RM	Office Equipment RM	Motor Vehicles RM	Total RM
Carrying amount							
At 1 January 2020	730,828	421,022	–	1,042,470	–	370,162	2,564,482
Additions	–	603,716	–	497,365	207,800	–	1,308,881
Depreciation	(29,522)	(149,116)	–	(132,212)	(38,097)	(47,659)	(396,606)
Derecognition	–	(360,849)	–	–	–	–	(360,849)
Reclassification to property, plant and equipment	–	–	–	(87,721)	–	–	(87,721)
At 31 December 2020	701,306	514,773	–	1,319,902	169,703	322,503	3,028,187
Additions	-	33,615	469,565	245,000	-	267,642	1,015,822
Depreciation	(29,522)	(158,042)	(52,174)	(172,861)	(41,560)	(63,271)	(517,430)
Reclassification from property, plant and equipment	–	–	–	89,250	–	–	89,250
At 31 December 2021	671,784	390,346	417,391	1,481,291	128,143	526,874	3,615,829

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

6.1 Right-of-use assets (Continued)

The Group and the Company lease land, buildings and warehouse for their office space, operation site and staff accommodation. The leases for land, office space, operation site and staff accommodation have remaining lease term between 1 to 76 years (2020: 1 to 77 years).

The Group and the Company also have lease for motor vehicles, plant and machinery and office equipment with remaining lease term between 1 to 5 years (2020: 1 to 5 years).

6.2 Lease liabilities

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Current				
Lease liabilities (secured)	486,022	453,024	440,261	379,089
Lease liabilities (unsecured)	296,485	137,525	296,485	137,525
	782,507	590,549	736,746	516,614
Non-current				
Lease liabilities (secured)	950,587	955,857	884,567	844,076
Lease liabilities (unsecured)	543,878	395,029	543,878	395,029
	1,494,465	1,350,886	1,428,445	1,239,105
Total lease liabilities	2,276,972	1,941,435	2,165,191	1,755,719

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Minimum lease payments				
- Within one year	910,825	703,126	858,901	618,645
- Later than one year but not later than two years	758,358	587,711	714,174	535,787
- Later than two years but not later than five years	854,789	894,388	829,015	824,429
	2,523,972	2,185,225	2,402,090	1,978,861
Future interest charges	(247,000)	(243,790)	(236,899)	(223,142)
Present value of minimum lease payments	2,276,972	1,941,435	2,165,191	1,755,719

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

6.2 Lease liabilities (Continued)

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Represented by:				
Current				
- On demand and within one year	782,507	590,549	736,746	516,614
Non-current				
- Later than one year but not later than two years	677,299	513,762	636,394	468,001
- Later than two years but not later than five years	817,166	837,124	792,051	771,104
	1,494,465	1,350,886	1,428,445	1,239,105
	2,276,972	1,941,435	2,165,191	1,755,719

Interest rates are fixed at the inception of the lease arrangement. The effective interest rate is ranging from 5.64% to 8.93% (2020: 5.64% to 8.93%).

Set out below is the movements of lease liabilities during the financial year:

	Group RM	Company RM
At 1 January 2020	1,640,958	1,371,954
Additions	1,235,678	1,235,678
Interest expenses	123,537	106,826
Derecognition	(360,849)	(360,849)
Lease payments		
- Principal portion	(574,352)	(491,064)
- Interest portion	(123,537)	(106,826)
At 31 December 2020	1,941,435	1,755,719
Additions	964,558	964,558
Interest expenses	139,606	129,059
Lease payments		
- Principal portion	(629,021)	(555,086)
- Interest portion	(139,606)	(129,059)
At 31 December 2021	2,276,972	2,165,191

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN SUBSIDIARIES

	Company 2021 RM	Company 2020 RM
Unquoted shares - at cost	12,764,671	12,764,671
Less: Accumulated impairment losses	(5,827,669)	(5,827,669)
	6,937,002	6,937,002

Details of the subsidiaries which have principal place of business and are all incorporated in Malaysia are as follows:

Name of Companies	Effective ownership interest/voting rights 2021 %	Effective ownership interest/voting rights 2020 %	Principal activities
Epro Industries Sdn. Bhd.	100	100	Property holding
Suria Merah Manufactory (Segamat) Sdn. Bhd.	100	100	Property holding
Hwa Tai Food Industries (Sabah) Sdn. Bhd.	100	100	Biscuit manufacturer
Hwa Tai Wholesale Sdn. Bhd.	100	100	Trading
Hwa Tai Manufacturing Sdn. Bhd.	100	100	Dormant
Acetai Corporation Sdn. Bhd.	90	90	Trading
Hwa Tai Import Sdn. Bhd.	100	100	Dormant
Hwa Tai (Sarawak) Sdn. Bhd.	100	100	Dormant
Hwa Tai Distribution Sdn. Bhd.	100	100	Trading
Hwa Tai Services Sdn. Bhd.	100	100	Dormant
Absolute Focus Sdn. Bhd.	100	100	Dormant
Absolute Palmers Food Sdn. Bhd.	100	100	Trading
Held through Acetai Corporation Sdn. Bhd.			
Anika Bebas Sdn. Bhd.	100	100	Dormant
Esprit Classic Sdn. Bhd.	100	100	Dormant

The financial information of the Company's subsidiaries with non-controlling interest is not disclosed as the non-controlling interest is not material.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

8. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Unquoted shares - at cost	1,791,457	1,791,457	1,791,457	1,791,457
Share of post acquisition losses	(1,791,457)	(1,791,457)	–	–
	–	–	1,791,457	1,791,457
Less: Accumulated impairment losses	–	–	(1,791,457)	(1,791,457)
	–	–	–	–

Details of the associate which has principal place of business and is incorporated in the People's Republic of China are as follows:

Name of Company	Issued share capital	Effective ownership interest/voting rights		Nature of the relationship
	Chinese Renminbi (RMB)	2021 %	2020 %	
Shan Dong Yingerle Hwa Tai Food Industry Co. Ltd.*	10,500,000	48	48	Dealers, importers and exporters of biscuit, cake and baby products. The activities contribute to the Group's manufacturing segment.

* *Audited by auditor other than Messrs Baker Tilly Monteiro Heng PLT.*

The impairment arose from prolonged decline in value of investment and significant financial difficulty in associate. Should there be evidence indicating that the performance of the associate is or will be, better than expected, the Group and the Company will expect a write-back of the impairments.

The Group has not recognised its share of losses of Shan Dong Yingerle Hwa Tai Food Industry Co. Ltd. amounting to RM526,630/- (2020: RM132,567/-) because the Group's cumulative share of losses has exceeded its interest in that associate and the Group has no obligation in respect of these losses. The Group's cumulative accumulated losses not recognised were RM659,197/- (31.12.2020: RM132,567/-).

9. INVENTORIES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
At lower of cost and NRV				
Raw materials	2,917,919	2,597,845	2,397,257	2,003,276
Packing materials	4,033,359	3,197,656	3,281,037	2,810,960
Work-in-progress	452,011	329,359	323,463	243,651
Finished goods	3,379,412	2,948,173	2,846,841	2,440,565
Consumables and spare parts	219,420	185,253	124,070	114,591
	11,002,121	9,258,286	8,972,668	7,613,043

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INVENTORIES (CONTINUED)

The cost of inventories of the Group and of the Company recognised as an expense in cost of sales during the financial year was RM54,480,590/- (2020: RM52,539,849/-) and RM47,495,195/- (2020: RM45,743,643/-) respectively. In addition, the expense and income recognised in profit or loss included the following:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Inventories written down	37,817	125,917	11,120	125,917
Inventories written back	(13,212)	–	(13,212)	–

10. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Current					
Trade receivables	(a)				
Trade receivables		23,521,787	27,646,884	18,652,763	22,450,672
Amount owing by subsidiaries		–	–	15,878,516	16,057,689
		23,521,787	27,646,884	34,531,279	38,508,361
Less: Impairment loss	(b)				
- Trade receivables		(3,326,344)	(3,162,418)	(3,039,903)	(2,612,332)
- Amount owing by subsidiaries		–	–	(15,872,924)	(15,960,812)
		(3,326,344)	(3,162,418)	(18,912,827)	(18,573,144)
Trade receivables, net		20,195,443	24,484,466	15,618,452	19,935,217
Other receivables					
Other receivables		113,748	125,510	55,773	65,674
Amount owing by subsidiaries	(c)	–	–	288,312	673,065
Refundable deposits	(d)	1,102,320	500,335	1,096,090	494,275
		1,216,068	625,845	1,440,175	1,233,014
Less: Impairment loss	(b)				
- Other receivables		(57,789)	(57,789)	–	–
- Amount owing by subsidiaries		–	–	(142,019)	(126,027)
		(57,789)	(57,789)	(142,019)	(126,027)
Other receivables, net		1,158,279	568,056	1,298,156	1,106,987
Total trade and other receivables		21,353,722	25,052,522	16,916,608	21,042,204

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables are non-interest bearing and are generally on 7 to 90 days (2020: 7 to 90 days) terms. They are recognised on their original invoice amount which represents their fair values on initial recognition.

(b) The movement in allowance of impairment loss of trade and other receivables are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Trade receivables				
At 1 January	3,162,418	5,415,092	18,573,144	20,865,127
Charge for impairment loss	462,962	918,856	427,571	875,852
Reversal of impairment loss	(121,901)	(1,270,575)	(87,888)	(1,266,880)
Written off	(177,135)	(1,900,955)	–	(1,900,955)
At 31 December	3,326,344	3,162,418	18,912,827	18,573,144
Other receivables				
At 1 January	57,789	57,789	126,027	126,027
Charge for impairment loss	–	–	15,992	–
At 31 December	57,789	57,789	142,019	126,027

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Included in trade receivables of the Group are amounts totalling of RM10,083,005/- (2020: RM11,888,415/-) due from 2 (2020: 2) of its significant receivables.

(c) Amount owing by subsidiaries is unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash, except for amount owing by one of the subsidiaries represent advance to subsidiary which is unsecured, subject to interest at rates of 7.42% (2020: 7.42% to 8.18%) per annum and is expected to be settled in cash.

(d) Included in refundable deposits of the Group and of the Company amount totalling of RM934,132/- (2020: RM385,680/-) are placed for purchase of machineries as mentioned in Note 23.

The currencies exposure profile of trade and other receivables are as follows:

	Group and Company	
	2021 RM	2020 RM
USD	1,135,030	1,495,425

11. CASH, BANK BALANCES AND SHORT-TERM DEPOSITS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash on hand and at banks	5,001,495	1,473,057	4,621,472	1,024,130
Deposits with licensed banks	7,000,000	5,500,000	7,000,000	5,500,000
Cash and bank balances	12,001,495	6,973,057	11,621,472	6,524,130
Less: Bank overdrafts	(4,278,798)	(2,477,249)	(4,278,798)	(2,477,249)
Cash and cash equivalents	7,722,697	4,495,808	7,342,674	4,046,881

The foreign currency exposure profile of cash and bank balances are as follows:

	Group and Company	
	2021 RM	2020 RM
USD	2,938	2,973
Others	8,825	8,825

The deposits with licensed banks of the Group and of the Company earn interest at rates ranging from 1.65% to 1.90% (2020: 1.72% to 2.95%) per annum. Deposits of the Group and of the Company have maturity period ranging from 7 to 66 days (2020: 14 to 66 days).

12. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amounts	
	2021 Unit	2020 Unit	2021 RM	2020 RM
Issued and fully paid up (no par value):				
At 1 January/31 December	74,833,270	74,833,270	29,933,308	29,933,308

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

13. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Current					
Trade payables	(a)				
Third parties		11,784,050	11,750,059	7,024,102	7,227,406
Amount owing to subsidiaries		–	–	393,705	360,355
		11,784,050	11,750,059	7,417,807	7,587,761
Other payables					
Accrued operating expenses		3,446,632	3,723,886	2,871,280	3,016,035
Other payables		1,655,910	480,410	1,481,399	420,214
GST payable		34,410	114,478	34,410	112,873
Sales tax payable		491,619	564,377	399,663	486,291
Refundable deposits		63,908	126,908	63,908	126,908
Amount owing to subsidiaries	(b)	–	–	564,670	140,420
		5,692,479	5,010,059	5,415,330	4,302,741
Total trade and other payables		17,476,529	16,760,118	12,833,137	11,890,502

(a) The trade payables are non-interest bearing and are normally granted on 7 to 90 days (2020: 7 to 90 days) terms.

(b) The amount owing to subsidiaries are unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

The currencies exposure profile of trade and other payables is as follows:

	Group and Company	
	2021 RM	2020 RM
USD	988,080	59,873

14. CONTRACT LIABILITIES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Rebate liabilities	2,700,119	2,929,043	2,368,284	2,816,873
Return liabilities	–	15,433	–	15,433
	2,700,119	2,944,476	2,368,284	2,832,306

15. LOANS AND BORROWINGS

	Group and Company	
	2021 RM	2020 RM
Current		
Bankers' acceptances (unsecured)	18,567,000	15,783,294
Bank overdrafts (unsecured)	4,278,798	2,477,249
	22,845,798	18,260,543

The maturities of the loans and borrowings are as follows:

	Group and Company	
	2021 RM	2020 RM
On demand and within one year	22,845,798	18,260,543

Bankers' acceptances

The bankers' acceptances of the Group and of the Company are granted on the undertaking that the Group and the Company will not pledge or execute any charges on its assets.

The effective interest rates as at reporting date is ranging from 3.53% to 4.96% (2020: 4.09% to 6.33%) per annum.

Bank overdrafts

The bank overdrafts of the Group and of the Company are granted on the undertaking that the Group and the Company will not pledge or execute any charges on its assets.

The effective interest rates as at the reporting date range from 6.81% to 7.95% (2020: 6.81% to 7.95%) per annum.

16. REVENUE

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Sales of trading goods	15,581,541	15,548,681	–	–
Sales of manufactured goods	57,796,868	59,401,736	62,479,967	64,396,311
	73,378,409	74,950,417	62,479,967	64,396,311
Timing of revenue recognition:				
At a point in time	73,378,409	74,950,417	62,479,967	64,396,311

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

17. COST OF SALES

Cost of sales represents the production costs, direct material, labour costs and related overheads as well as the costs of inventories sold.

18. FINANCE COSTS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Interest expenses				
- bank overdrafts	75,573	68,246	75,573	68,246
- lease liabilities	139,606	123,537	129,059	106,830
- trade financing	766,994	771,761	743,117	749,443
	982,173	963,544	947,749	924,519

19. (LOSS)/PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax:

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
After charging:					
Auditors' remuneration:					
- statutory audit fee					
- current year		138,200	132,700	97,500	94,000
- under provision in prior years		3,500	1,880	3,500	–
- non statutory audit fee					
- current year		5,000	–	5,000	–
- under provision in prior years		5,000	–	5,000	–
Depreciation of:					
- property, plant and equipment		2,057,637	1,989,095	1,783,687	1,694,272
- right-of-use assets		565,263	448,652	517,430	396,606
Directors' remunerations:	**(a)**				
- salaries and allowances		1,535,616	1,529,998	1,535,616	1,529,998
- fees		125,000	130,000	125,000	130,000
- bonus		121,655	132,128	121,655	132,128
- other emoluments		185,449	170,173	185,449	170,173
- allowance for a director of subsidiary		126,700	117,650	–	–
Expense relating to short-term lease and low value assets		74,712	75,112	38,760	38,760
Impairment loss on:					
- trade receivables		462,962	918,856	427,571	871,037
- amount owing by subsidiaries (trade)		–	–	–	4,815
- amount owing by subsidiaries (non-trade)		–	–	15,992	–
- investment in subsidiaries		–	–	–	13,404
Inventories written down		37,817	125,917	11,120	125,917
Loss on foreign exchange:					
- realised		20,511	144,648	20,329	144,648
- unrealised		13,186	12,581	13,186	12,581
Loss on disposal of property, plant and equipment		–	13,578	–	13,578
Property, plant and equipment written off		5,395	3,343	5,395	3,274
Staff costs:					
- salaries, wages and allowances		10,818,195	11,233,239	9,360,746	9,773,191
- bonus		1,107,038	1,062,880	994,662	908,089
- defined contribution plans		1,101,198	1,068,685	910,384	875,586
- SOCSO		157,514	157,781	131,683	130,238
- other staff related expenses		649,006	710,246	522,494	628,862

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

19. (LOSS)/PROFIT BEFORE TAX (CONTINUED)

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax (Continued):

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
And crediting:					
Bad debts recovered		35,437	1,458	–	–
Income from other investment		–	20	–	20
Interest income		106,386	75,555	115,921	144,371
Income from subleasing right-of-use assets		7,200	7,200	26,400	26,400
Inventories written back		13,212	–	13,212	–
Gain on disposal of property, plant and equipment		25,604	–	25,604	–
Reversal of impairment loss on:					
- trade receivables		121,901	1,270,575	–	1,261,513
- amount owing by subsidiaries (trade)		–	–	87,888	5,367
- investment in associate		–	341,653	–	–

(a) Directors' remuneration

Details of Directors' remuneration including the estimated monetary value of benefits-in-kind are as follows:

	Group and Company	
	2021 RM	2020 RM
Executive Director		
Director's fees	20,000	10,000
Salaries	1,415,616	1,409,998
Bonus	121,655	132,128
Other emoluments	185,449	170,173
	1,742,720	1,722,299
Non-Executive Directors		
Directors' fees	105,000	120,000
Allowances	120,000	120,000
	225,000	240,000
Grand Total		
Directors' fees	125,000	130,000
Salaries	1,415,616	1,409,998
Bonus	121,655	132,128
Allowances	120,000	120,000
Other emoluments	185,449	170,173
	1,967,720	1,962,299

19. PROFIT/(LOSS) BEFORE TAX (CONTINUED)

(a) Directors' remuneration (Continued)

The number of directors of the Company whose total remuneration fall within the respective ranges are as follows:

	Number of Directors			
	2021		2020	
	Executive Director	Non-Executive Director	Executive Director	Non-Executive Director
Ranges of remuneration:				
RM0 - RM50,000	-	4	-	4
RM100,001 - RM150,000	-	1	-	1
RM1,000,001 - RM1,050,000	-	-	-	-
RM1,400,001 - RM1,450,000	-	-	-	-
RM1,700,001 - RM1,750,000	-	-	-	-
RM1,750,001 - RM1,800,000	1	-	1	-
	1	5	1	5

(b) Key management personnel

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Directors' remunerations (Note 19(a))	1,967,720	1,962,299	1,967,720	1,962,299
Other key management personnel				
- salaries, bonus and other emoluments	2,948,349	2,779,093	2,400,893	2,380,606
- defined contribution plans	360,633	341,536	296,122	303,865
	5,276,702	5,082,928	4,664,735	4,646,770

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

20. INCOME TAX CREDIT/(EXPENSE)

The major components of income tax credit/(expense) for the financial years ended 31 December 2021 and 31 December 2020 are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Statements of comprehensive income				
Current income tax:				
- Current income tax charge	(30,000)	(100,000)	(30,000)	(100,000)
- Adjustment in respect of prior year	68,124	84,819	68,124	84,819
Income tax credit/(expense) recognised in profit or loss	38,124	(15,181)	38,124	(15,181)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2020: 24%) of the estimated assessable profit for the financial year.

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax credit/(expense) are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
(Loss)/Profit before tax	(1,950,637)	1,109,522	(2,856,530)	105,488
Tax at Malaysian statutory income tax rate of 24%	468,152	(266,285)	685,567	(25,317)
Share of results of associate	–	82,486	–	–
Adjustments:				
- Income not subject to tax	8,504	–	–	–
- Non-deductible expenses	(676,366)	(864,957)	(597,067)	(687,306)
- Deferred tax not recognised on tax losses and temporary differences	(123,409)	(6,086)	(118,500)	–
- Utilisation of previously unrecognised tax losses and temporary differences	293,119	954,842	–	612,623
- Adjustment in respect of current income tax of prior years	68,124	84,819	68,124	84,819
Income tax credit/(expense) for the financial year	38,124	(15,181)	38,124	(15,181)

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

20. INCOME TAX CREDIT/(EXPENSE) (CONTINUED)

Unrecognised deferred tax assets

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Deductible temporary differences	805,144	1,495,260	16,724,673	17,221,538
Unabsorbed capital allowances	3,282,902	2,281,627	2,781,152	1,790,538
Unabsorbed reinvestment allowances	–	563,286	–	–
Unused tax losses	23,316,279	23,771,278	–	–
	27,404,325	28,111,451	19,505,825	19,012,076
Potential deferred tax assets not recognised at 24%	6,577,038	6,746,748	4,681,398	4,562,898

Pursuant to Section 8 of the Finance Act 2021 (Act 833), the amendment to Section 44(5F) of Income Tax Act 1967, the time limit on the carried forward unused tax losses has been extended to maximum 10 consecutive years. This amendment is deemed to have effect for the year of assessment 2019 and subsequent year of assessment.

Any unused tax losses brought forward from year of assessment 2018 can be carried forward for another 10 consecutive years of assessment (i.e. from year of assessments 2019 to 2028).

The unused tax losses are available for offset against future taxable profits of the Group up to the following financial years:

	Group	
	31.12.2021 RM	31.12.2020 RM
2028	23,316,279	23,771,278

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

21. (LOSS)/EARNING PER ORDINARY SHARE

(a) Basic (loss)/earning per ordinary share

Basic (loss)/earning per ordinary share are based on the (loss)/profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2021	**2020**
(Loss)/Profit attributable to owners of the Company (RM)	(1,918,666)	1,095,342
Weighted average number of ordinary shares in issue (units)	74,833,270	74,833,270
Basic (loss)/earning per ordinary share (sen)	(2.56)	1.46

(b) Diluted (loss)/earning per ordinary share

The Group has no potential dilutive of ordinary shares. As such, there is no dilution effect on the (loss)/earning per ordinary share of the Group.

22. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Subsidiaries;
(ii) Associate;
(iii) Entities in which directors have substantial financial interests; and
(iv) Key management personnel of the Group and of the Company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. RELATED PARTIES (CONTINUED)

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Transactions with subsidiaries				
Sales to subsidiaries				
- Hwa Tai Distribution Sdn. Bhd.	–	–	14,004,293	13,921,636
- Hwa Tai Wholesale Sdn. Bhd.	–	–	12,348	1,756
- Hwa Tai Food Industries (Sabah) Sdn. Bhd.	–	–	309	210,291
- Acetai Corporation Sdn. Bhd.	–	–	–	25,756
- Absolute Palmers Food Sdn. Bhd.	–	–	–	(1,922)
Commission fees paid to subsidiary				
- Hwa Tai Food Industries (Sabah) Sdn. Bhd.	–	–	(118,939)	(124,276)
Rental received from subsidiary				
- Hwa Tai Distribution Sdn. Bhd.	–	–	22,800	22,800
Interest received from subsidiary				
- Hwa Tai Food Industries (Sabah) Sdn. Bhd.	–	–	9,535	68,816
Transactions with directors, substantial shareholders and persons connected				
Rental of premises paid to a company in which certain directors are the directors and substantial shareholders	144,000	136,000	144,000	136,000
Rental of premises paid to a director and substantial shareholder	33,600	33,600	33,600	33,600
Transactions with a company in which a director has interest				
Legal and consultancy fees paid to a firm in which certain directors are partners	5,900	44,250	5,800	44,250

(c) Compensation of key management personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group and of the Company. The remuneration of the key management personnel are disclosed in Note 19(b).

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

23. CAPITAL EXPENDITURE COMMITMENTS

	Group and Company	
	2021	**2020**
	RM	**RM**
Capital expenditure contracted but not provided for:		
- purchase of property, plant and equipment	1,364,365	432,549

24. SEGMENTAL INFORMATION

The Group prepared the following segment in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group's Chief Executive Director for the purpose of making decisions about resource allocation and performance assessment.

The two reportable operating segments are as follows:

Segments	**Products and services**
Manufacturing and Trading	Manufacturing and trading of biscuits and cakes

The inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Segment profit

Segment performance is used to measure performance as Group's Chief Executive Director believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets and liabilities

The total of segment assets and liabilities is measured based on all assets and liabilities (excluding investment in associate) of a segment, as included in the internal reports that are reviewed by the Group's Chief Executive Director.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. SEGMENTAL INFORMATION (CONTINUED)

2021		Manufacturing RM	Trading RM	Others RM	Total RM	Adjustment and elimination RM	Total RM
Revenue							
Revenue from external customer		57,796,868	15,581,541	–	73,378,409	–	73,378,409
Inter - segment revenue	A	14,016,950	–	–	14,016,950	(14,016,950)	–
		71,813,818	15,581,541	–	87,395,359	(14,016,950)	73,378,409
Results :							
Included in the measure of segment (loss)/proft are:							
Depreciation of:							
- property, plant and equipment		(2,034,630)	(5,110)	(17,897)	(2,057,637)	–	(2,057,637)
- right-of-use assets		(558,526)	–	(6,737)	(565,263)	–	(565,263)
Expense relating to short-term lease and low value assets		(66,120)	(31,392)	–	(97,512)	22,800	(74,712)
Gain on disposal of property, plant and equipment		25,604	–	–	25,604	–	25,604
Impairment loss on:					–		
- trade receivables		(441,553)	(21,409)	–	(462,962)	–	(462,962)
- amount owing by subsidiaries (non-trade)		(15,992)	(22,687)	–	(38,679)	38,679	–
Interest income		115,921	–	–	115,921	(9,535)	106,386
Income from subleasing right-of-use assets		30,000	–	–	30,000	(22,800)	7,200
Interest expenses		(991,708)	–	–	(991,708)	9,535	(982,173)
Inventories written down		(37,817)	–	–	(37,817)	–	(37,817)
Inventories written back		13,212	–	–	13,212	–	13,212
Loss on foreign exchange							
- realised		(20,511)	–	–	(20,511)	–	(20,511)
- unrealised		(13,186)	–	–	(13,186)	–	(13,186)
Property, plant and equipment written off		(5,395)	–	–	(5,395)	–	(5,395)
Reversal of impairment loss on:							
- trade receivables		121,901	–	–	121,901	–	121,901
- amount owing by subsidiaries (trade)		87,888	–	–	87,888	(87,888)	–
Segment (loss)/profit	B	(1,884,451)	77,412	(94,389)	(1,901,428)	(49,209)	(1,950,637)
Income tax credit		38,124	–	–	38,124	–	38,124
(Loss)/Profit for the financial year	B	(1,846,327)	77,412	(94,389)	(1,863,304)	(49,209)	(1,912,513)
Other information							
Segment assets	C	69,601,821	2,727,380	523,622	72,852,823	(5,871,747)	66,981,076
Segment liabilities	D	42,750,506	21,920,574	304,293	64,975,373	(19,675,955)	45,299,418
Capital expenditure		2,911,137	8,425	–	2,919,562	–	2,919,562

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

24. SEGMENTAL INFORMATION (CONTINUED)

2020		Manufacturing RM	Trading RM	Others RM	Total RM	Adjustment and elimination RM	Total RM
Revenue							
Revenue from external customer		59,401,736	15,548,681	–	74,950,417	–	74,950,417
Inter - segment revenue	A	14,157,517	–	–	14,157,517	(14,157,517)	–
		73,559,253	15,548,681	–	89,107,934	(14,157,517)	74,950,417
Results :							
Included in the measure of segment profit/(loss) are:							
Depreciation of:							
- property, plant and equipment		(1,961,694)	(9,503)	(17,898)	(1,989,095)	–	(1,989,095)
- right-of-use assets		(441,914)	–	(6,738)	(448,652)	–	(448,652)
Expense relating to short-term lease and low value assets		(66,120)	(31,792)	–	(97,912)	22,800	(75,112)
Impairment loss on:							
- trade receivables		(871,436)	(47,420)	–	(918,856)	–	(918,856)
- amount owing by subsidiaries (trade)		(4,815)	–	–	(4,815)	4,815	–
- amount owing by subsidiaries (non-trade)		–	(6,531)	–	(6,531)	6,531	–
- investment in subsidiaries		(13,404)	–	–	(13,404)	13,404	–
Income from other investment		20	–	–	20	-	20
Interest income		144,371	–	–	144,371	(68,816)	75,555
Income from subleasing right-of-use assets		30,000	–	–	30,000	(22,800)	7,200
Interest expenses		(1,032,360)	–	–	(1,032,360)	68,816	(963,544)
Inventories written down		(125,917)	–	–	(125,917)	–	(125,917)
Loss on disposal of property, plant and equipment		(13,578)	–	–	(13,578)	–	(13,578)
Loss on foreign exchange							
- realised		(144,648)	–	–	(144,648)	–	(144,648)
- unrealised		(12,581)	–	–	(12,581)	–	(12,581)
Property, plant and equipment written off		(3,274)	(69)	–	(3,343)	–	(3,343)
Reversal of impairment loss on:							
- trade receivables		1,261,513	9,062	–	1,270,575	–	1,270,575
- amount owing by subsidiaries (trade)		5,367	–	–	5,367	(5,367)	–
- associate		341,653	–	–	341,653	–	341,653
Share of results of associate		(343,692)	–	–	(343,692)	–	(343,692)
Segment profit/(loss)	B	727,170	47,044	(97,188)	677,026	432,496	1,109,522
Income tax expense		(15,181)	–	–	(15,181)	–	(15,181)
Profit/(Loss) for the financial year	B	711,989	47,044	(97,188)	661,845	432,496	1,094,341
Other information							
Segment assets	C	65,668,097	3,195,091	551,678	69,414,866	(5,914,123)	63,500,743
Segment liabilities	D	36,970,455	22,465,697	237,960	59,674,112	(19,767,540)	39,906,572
Capital expenditure		9,139,102	–	–	9,139,102	–	9,139,102

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

24. SEGMENTAL INFORMATION (CONTINUED)

Reconciliation of reportable segment revenue, profit or loss and assets are as follows:

A Inter-segment revenue

Inter-segment revenues are eliminated on consolidation.

B Reconciliation of profit or loss

	2021 RM	2020 RM
Elimination of inter-segment transactions	(49,209)	432,496

C Reconciliation of assets

	2021 RM	2020 RM
Investment in subsidiaries	6,937,002	6,937,002
Investment in associate	(2,175,515)	(2,175,515)
Inter-segment assets	1,110,260	1,152,636
	5,871,747	5,914,123

D Reconciliation of liabilities

	2021 RM	2020 RM
Inter-segment liabilities	19,675,955	19,767,540

Geographical information

Revenue from local and international sales amount to RM60,872,821/- (2020: RM62,856,079/-) and RM12,505,588/- (2020: RM12,094,338/-) respectively.

Information about major customer

Revenue from 1 (2020: 1) major customer amount to RM28,469,285/- (2020: RM29,471,168/-) arising from sales of manufactured biscuits.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

	Carrying Amount RM	Amortised cost RM
At 31 December 2021		
Financial assets		
Group		
Trade and other receivables	21,353,722	21,353,722
Cash, bank balances and short-term deposits	12,001,495	12,001,495
	33,355,217	33,355,217
Company		
Trade and other receivables	16,916,608	16,916,608
Cash, bank balances and short-term deposits	11,621,472	11,621,472
	28,538,080	28,538,080
At 31 December 2021		
Financial liabilities		
Group		
Trade and other payables^	(16,950,500)	(16,950,500)
Lease liabilities	(2,276,972)	(2,276,972)
Loans and borrowings	(22,845,798)	(22,845,798)
	(42,073,270)	(42,073,270)
Company		
Trade and other payables^	(12,399,064)	(12,399,064)
Lease liabilities	(2,165,191)	(2,165,191)
Loans and borrowings	(22,845,798)	(22,845,798)
	(37,410,053)	(37,410,053)

^ *Excluded GST payable and sales tax payable*

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	Carrying Amount RM	Amortised cost RM
At 31 December 2020		
Financial assets		
Group		
Trade and other receivables	25,052,522	25,052,522
Cash, bank balances and short-term deposits	6,973,057	6,973,057
	32,025,579	32,025,579
Company		
Trade and other receivables	21,042,204	21,042,204
Cash, bank balances and short-term deposits	6,524,130	6,524,130
	27,566,334	27,566,334
At 31 December 2020		
Financial liabilities		
Group		
Trade and other payables^	(16,081,263)	(16,081,263)
Lease liabilities	(1,941,435)	(1,941,435)
Loans and borrowings	(18,260,543)	(18,260,543)
	(36,283,241)	(36,283,241)
Company		
Trade and other payables^	(11,291,338)	(11,291,338)
Lease liabilities	(1,755,719)	(1,755,719)
Loans and borrowings	(18,260,543)	(18,260,543)
	(31,307,600)	(31,307,600)

^ *Excluded GST payable and sales tax payable*

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company do not trade in financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

The carrying amount of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

The information on credit risk concentration is disclosed in Note 10.

Analysis on trade receivables

The Group and the Company maintain an ageing analysis in respect of trade receivables as follow:

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Neither past due nor impaired	14,084,870	17,157,102	11,941,207	14,892,487
Past due 1 - 30 days	2,449,731	2,616,356	1,335,688	1,336,644
Past due 31 - 120 days	2,958,004	2,650,034	1,831,439	1,738,695
Past due more than 120 days	702,838	2,060,974	510,118	1,967,391
	6,110,573	7,327,364	3,677,245	5,042,730
Impaired	3,326,344	3,162,418	18,912,827	18,573,144
	23,521,787	27,646,884	34,531,279	38,508,361

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

The Group and the Company apply the simplified approach to provide for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit losses provision for all trade receivables. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment loss also incorporate forward-looking information.

The movement of the allowance for impairment losses on receivables is as follows:

	Trade receivables			Other receivables		
	Lifetime ECL allowance RM	Credit impaired RM	Total allowance RM	Lifetime ECL allowance RM	Credit impaired RM	Total allowance RM
Group						
At 1 January 2021	2,555,987	606,431	3,162,418	–	57,789	57,789
Charges/(Reversal) for the year	408,449	(67,388)	341,061	–	–	–
Written off	–	(177,135)	(177,135)	–	–	–
At 31 December 2021	2,964,436	361,908	3,326,344	–	57,789	57,789
At 1 January 2020	3,007,106	2,407,986	5,415,092	–	57,789	57,789
(Reversal)/Charges for the year	(451,119)	99,400	(351,719)	–	–	–
Written off	–	(1,900,955)	(1,900,955)	–	–	–
At 31 December 2020	2,555,987	606,431	3,162,418	–	57,789	57,789
Company						
At 1 January 2021	2,504,112	16,069,032	18,573,144	–	126,027	126,027
Charges/(Reversal) for the year	408,449	(68,766)	339,683	–	15,992	15,992
At 31 December 2021	2,912,561	16,000,266	18,912,827	–	142,019	142,019
At 1 January 2020	2,985,017	17,880,110	20,865,127	–	126,027	126,027
(Reversal)/Charges for the year	(480,905)	89,877	(391,028)	–	–	–
Written off	–	(1,900,955)	(1,900,955)	–	–	–
At 31 December 2020	2,504,112	16,069,032	18,573,144	–	126,027	126,027

Receivables that are individually determined to be credit impaired at the financial year end relate to debtors who are in significant financial difficulties and have defaulted on payments.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.9(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

Finance lease receivables

The credit risk associated with finance lease receivables is mitigated by way of obtaining security over the leased equipment. At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amounts recognised in the statements of financial position.

As at the end of the reporting date, the Group and the Company did not recognise any loss allowance for impairment for finance lease receivables.

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's and the Company's finance department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(ii) Liquidity risk (Continued)

Maturity analysis

The maturity analysis of the Group's and of the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

		Contractual cash flows		
	Carrying Amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	Total RM
Group				
At 31 December 2021				
Financial liabilities				
Trade and other payables^	16,950,500	16,950,500	–	16,950,500
Lease liabilities	2,276,972	910,825	1,613,147	2,523,972
Loans and borrowings	22,845,798	23,950,671	–	23,950,671
	42,073,270	41,811,996	1,613,147	43,425,143
At 31 December 2020				
Financial liabilities				
Trade and other payables^	16,081,263	16,081,263	–	16,081,263
Lease liabilities	1,941,435	703,126	1,482,099	2,185,225
Loans and borrowings	18,260,543	19,265,674	–	19,265,674
	36,283,241	36,050,063	1,482,099	37,532,16
Company				
At 31 December 2021				
Financial liabilities				
Trade and other payables^	12,399,064	12,399,064	–	12,399,064
Lease liabilities	2,165,191	858,901	1,543,189	2,402,090
Loans and borrowings	22,845,798	23,950,671	–	23,950,671
	37,410,053	37,208,636	1,543,189	38,751,825
At 31 December 2020				
Financial liabilities				
Trade and other payables^	11,291,338	11,291,338	–	11,291,338
Lease liabilities	1,755,719	618,645	1,360,216	1,978,861
Loans and borrowings	18,260,543	19,265,674	–	19,265,674
	31,307,600	31,175,657	1,360,216	32,535,873

^ *Excluded GST payable and sales tax payable*

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales and purchases that are denominated in a foreign currency) and the Group's net investments in foreign associate.

Management has set up a policy that requires all companies within the Group and the Company to manage their treasury activities and exposures. The Group and the Company do not hedge their foreign currency exposures. In addition, the Group and the Company also takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

The Group's and the Company's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows:

	USD RM	EUR RM	Total RM
Group			
At 31 December 2021			
Trade receivables	1,135,030	–	1,135,030
Cash and bank balances	2,938	285	3,223
Other payables	(988,080)	–	(988,080)
Net exposure	149,888	285	150,173
At 31 December 2020			
Trade receivables	1,495,425	–	1,495,425
Cash and bank balances	2,973	285	3,258
Other payables	(59,873)	–	(59,873)
Net exposure	1,438,525	285	1,438,810
Company			
At 31 December 2021			
Trade receivables	1,135,030	–	1,135,030
Cash and bank balances	2,938	285	3,223
Other payables	(862,780)	–	(862,780)
Net exposure	275,188	285	275,473
At 31 December 2020			
Trade receivables	1,495,425	–	1,495,425
Cash and bank balances	2,973	285	3,258
Other payables	(59,873)	–	(59,873)
Net exposure	1,438,525	285	1,438,810

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The Group's and the Company's principal foreign currency exposure relates mainly to United States Dollar ('USD') and European Union Dollar ('EUR').

The following table demonstrates the sensitivity to a reasonably possible change in the USD and EUR, with all other variables held constant on the Group's and the Company's total equity and (loss)/profit for the financial year.

	Change in rate %	Effect on (loss)/profit for the financial year RM	Effect on equity RM
Group			
At 31 December 2021			
- USD	+ 5%	5,696	5,696
	- 5%	(5,696)	(5,696)
- EUR	+ 5%	11	11
	- 5%	(11)	(11)
At 31 December 2020			
- USD	+ 5%	54,664	54,664
	- 5%	(54,664)	(54,664)
- EUR	+ 5%	11	11
	- 5%	(11)	(11)
Company			
At 31 December 2021			
- USD	+ 5%	10,457	10,457
	- 5%	(10,457)	(10,457)
- EUR	+ 5%	11	11
	- 5%	(11)	(11)
At 31 December 2020			
- USD	+ 5%	54,664	54,664
	- 5%	(54,664)	(54,664)
- EUR	+ 5%	11	11
	- 5%	(11)	(11)

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and of the Company's financial instruments as a result of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates. The Group's and the Company's policy to manage their interest rate risk is to hedge all material floating rate borrowings using interest rate swaps.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's and the Company's total equity and (loss)/profit for the financial year.

	Change in rate %	Effect on (loss)/profit for the financial year RM	Effect on equity RM
Group and Company			
At 31 December 2021	+100	173,628	173,628
	-100	(173,628)	(173,628)
At 31 December 2020	+100	138,780	138,780
	-100	(138,780)	(138,780)

(c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings are reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

There have been no transfers between Level 1 and Level 2 during the financial year (31.12.2020: no transfer in either directions).

25. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (Continued)

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

	Carrying amount RM	Fair value of financial instruments not carried at fair value — Fair value — Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group					
At 31 December 2021					
Financial liabilities					
Borrowings					
- Bankers' acceptances	18,567,000	–	–	18,567,000	18,567,000
- Bank overdrafts	4,278,798	–	–	4,278,798	4,278,798
Lease liabilities	2,276,972	–	–	2,276,972	2,276,972
	25,122,770	–	–	25,122,770	25,122,770
At 31 December 2020					
Financial liabilities					
Borrowings					
- Bankers' acceptances	15,783,294	–	–	15,783,294	15,783,294
- Bank overdrafts	2,477,249	–	–	2,477,249	2,477,249
Lease liabilities	1,941,435	–	–	1,941,435	1,941,435
	20,201,978	–	–	20,201,978	20,201,978
Company					
At 31 December 2021					
Financial liabilities					
Borrowings					
- Bankers' acceptances	18,567,000	–	–	18,567,000	18,567,000
- Bank overdrafts	4,278,798	–	–	4,278,798	4,278,798
Lease liabilities	2,165,191	–	–	2,165,191	2,165,191
	25,010,989	–	–	25,010,989	25,010,989
At 31 December 2020					
Financial liabilities					
Borrowings					
- Bankers' acceptances	15,783,294	–	–	15,783,294	15,783,294
- Bank overdrafts	2,477,249	–	–	2,477,249	2,477,249
Lease liabilities	1,755,719	–	–	1,755,719	1,755,719
	20,016,262	–	–	20,016,262	20,016,262

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

26. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2021 and 31 December 2020.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity. The gearing ratio at 31 December 2021 and 31 December 2020 are as follows:

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Trade and other payables	13	17,476,529	16,760,118	12,833,137	11,890,502
Loans and borrowings	15	22,845,798	18,260,543	22,845,798	18,260,543
Lease liabilities	6	2,276,972	1,941,435	2,165,191	1,755,719
Total debts		42,599,299	36,962,096	37,844,126	31,906,764
Shareholders' equity		21,669,143	23,587,809	25,071,518	27,889,924
Gearing ratio		197%	157%	151%	114%

27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Covid-19 pandemic

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. Many countries including the Malaysian Government imposed the Movement Control Order ("MCO") to curb the spread of the COVID-19 pandemic. The COVID-19 pandemic also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 pandemic since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

The Group and the Company have performed assessments on the overall impact of the situation on the Group's and the Company's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities, and concluded that there was no material adverse effect on the financial statements for the financial year ended 31 December 2021.

Given the fluidity of the situation, the Group and the Company are unable to reasonably estimate the complete financial impacts of COVID-19 pandemic for the financial year ending 31 December 2022 to be disclosed in the financial statements as impact assessment of the COVID-19 pandemic is a continuing process. The Group and the Company will continuously monitor any material changes to future economic conditions that will affect the Group and the Company.

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

We, **SOO THIEN MING @ SOO THIEN SEE** and **DATUK SOO CHUNG YEE J.P.**, being two of the directors of Hwa Tai Industries Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 40 to 114 are drawn up in accordance with the 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 2021 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.

SOO THIEN MING @ SOO THIEN SEE
Director

DATUK SOO CHUNG YEE J.P.
Director

Kuala Lumpur

Date: 29 March 2022

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

I, **LEE KIM HONG**, being the officer primarily responsible for the financial management of Hwa Tai Industries Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 40 to 114 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.

LEE KIM HONG
MIA Membership No:11927

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 29 March 2022.

Before me,

HADINUR MOHD SYARIF (W761)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HWA TAI INDUSTRIES BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hwa Tai Industries Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of 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 114.

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 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HWA TAI INDUSTRIES BERHAD (INCORPORATED IN MALAYSIA) (CONTINUED)

Key Audit Matters (Continued)

Group and Company

Trade receivables (Note 4(a) and 10 to the financial statements)

We focused on this area because the Group and the Company made significant judgements over assumptions about risk of default and expected loss rate. In making these assumptions, the Group and the Company selected inputs to the impairment calculation, based on the Group's and Company's past history as well as forward-looking estimation at the end of the reporting period.

Our response:

Our audit procedures included, among others:

- understanding the design and implementation of controls associated with monitoring of outstanding receivables and impairment calculations;
- developing understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and other collection or legal reports prepared by the Group and the Company;
- obtaining confirmation of balances from selected receivables;
- checking subsequent receipts and considering level of activity with the customer and the Group and the Company explanation on the recoverability of debtors with significant past due balances; and
- assessing the reasonableness and calculation of expected credit losses as at the end of the reporting period.

Company

Investment in subsidiaries (Note 4(b) and 7 to the financial statements)

The Company assesses at each reporting date whether there is an indication of impairment on its investment in subsidiaries. The recoverable amount of investment in subsidiaries will be determined based on the higher of value-in-use or fair value less costs to sell once there is indication of impairment.

The assessment of indication of impairment and the determination of recoverable amount both require significant judgement and estimates. In particular, the Company's judgement and estimate are required in determining value-in-use which includes assumptions and inputs supporting the underlying cash flow projections used which includes discount rate applied, future sales, gross profit margin and operating expenses.

Our response:

Our audit procedures focus on evaluating the cash flow projections and the Company's forecasting procedures which included, among others:

- comparing the actual results with previous budget to assess the performance of the business, reliability of the forecasting process;
- comparing the Company's assumptions to our assessments in relation to key assumptions to assess their reasonableness and achievability of the projections;
- testing the mathematical accuracy of the impairment assessment; and
- analysing the sensitivity of key assumptions by assessing the impacts of these key assumptions and inputs that are expected to be most sensitive to the recoverable amount.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HWA TAI INDUSTRIES BERHAD (INCORPORATED IN MALAYSIA) (CONTINUED)

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 information included in 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 the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the 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 and 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.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HWA TAI INDUSTRIES BERHAD (INCORPORATED IN MALAYSIA) (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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 of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 audit opinion.

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HWA TAI INDUSTRIES BERHAD (INCORPORATED IN MALAYSIA) (CONTINUED)

Other Matters

This report is made solely to the member 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 contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Ng Jou Yin
No. 03460/11/2023 J
Chartered Accountant

Kuala Lumpur

Date: 29 March 2022

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2022

Class of securities	:	Ordinary shares
Total amount of shares issued as fully paid	:	74,833,270
Voting rights	:	Registered shareholders are entitled to one vote per ordinary share held at all general meetings.

SIZE OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
Less than 100	132	3.59	2,620	0.01
100 - 1,000	852	23.20	656,783	0.88
1,001 - 10,000	2,052	55.87	9,849,250	13.16
10,001 - 100,000	589	16.04	16,391,600	21.90
100,001 - less than 5% of issued shares	46	1.25	16,983,450	22.69
5% and above of issued shares	2	0.05	30,949,567	41.36
Total	3,673	100.00	74,833,270	100.00

THIRTY LARGEST SHAREHOLDERS

	Name of Shareholders as per Register of Members	No. of Shares	% of Shareholdings
1.	Soo Thien Ming @ Soo Thien See	21,246,092	28.39
2.	Public Nominees (Tempatan) Sdn Bhd (A/C Soo Thien Ming @ Soo Thien See)	9,635,975	12.88
3.	Teh Leong Kok	3,164,800	4.23
4.	Lanjut Bestari Sdn Bhd	1,434,750	1.92
5.	Alliancegroup Nominees (Tempatan) Sdn Bhd (A/C Soo Chung Yee)	1,315,500	1.76
6.	Mohd Nasri Bin Abdul Rahim	1,230,000	1.64
7.	Yam Lai Mun	1,218,000	1.63
8.	Norazman Bin Ahmad	900,000	1.20
9.	Tan Leok Kwee	700,000	0.94
10.	Syed Alwi Bin Syed Abbas Al-Habshee	400,000	0.53
11.	Ng Ah Poh	334,100	0.45
12.	Kenanga Nominees (Tempatan) Sdn Bhd (A/C Rakuten Trade Sdn Bhd for Norhaslina Binti Mohd Hanafi)	319,700	0.43
13.	Zhao, Xiaodan	302,000	0.40
14.	Maybank Nominees (Tempatan) Sdn Bhd (A/C Pui Wee Kuan)	272,500	0.36
15.	Lee Sau Kwang	250,000	0.33
16.	Kennedy Vijayaraj A/L V Tanikoddy	246,000	0.33
17.	Thong Foo Ching @ Thong Chuan Ching	220,800	0.29
18.	Sia Ean Son	214,300	0.29
19.	Yeo Eng Chong @ Yeo Yong Chong	206,800	0.28
20.	Chung Shan Hui	200,000	0.27

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2022 (CONTINUED)

THIRTY LARGEST SHAREHOLDERS (CONTINUED)

Name of Shareholders as per Register of Members		No. of Shares	% of Shareholdings
21.	Alliancegroup Nominees (Tempatan) Sdn Bhd (A/C Sett Ee-Rian)	199,300	0.27
22.	Saw Ah Kee	196,400	0.26
23.	CGS-CIMB Nominees (Tempatan) Sdn Bhd (A/C Razana Binti Amran)	174,800	0.23
24.	RHB Nominees (Tempatan) Sdn Bhd (A/C Lee Nyek)	173,000	0.23
25.	Teo Meng How	170,000	0.23
26.	Public Nominees (Tempatan) Sdn Bhd (A/C Sii Toh Ping)	155,000	0.21
27.	Lim Mooi Tean	154,000	0.21
28.	Ahmad Kamarulzaman Bin Ahmad Badaruddin	153,400	0.20
29.	Yap Mun Huat	151,000	0.20
30.	Chin Nyek Yun	150,000	0.20
Total		45,488,217	60.79

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders required to be kept under Section 144 of the Companies Act, 2016, the following are the substantial shareholders of the Company:

Name of Substantial Shareholder	Direct Interest (A)	%	Indirect Interest (B)	%	Total Interest (A) + (B)	%
Soo Thien Ming @ Soo Thien See	30,949,567	41.36	–	–	30,949,567	41.36

DIRECTORS' SHAREHOLDINGS

According to the registers required to be kept under Section 59 of the Companies Act 2016, the directors' interest in the ordinary shares of the Company are as follows:-

Name of Director	Direct Interest (A)	%	Indirect Interest (B)	%	Total Interest (A) + (B)	%
Soo Thien Ming @ Soo Thien See	30,949,567	41.36	–	–	30,949,567	41.36
Datuk Soo Chung Yee J.P.	1,315,500	1.76	–	–	1,315,500	1.76

Soo Thien Ming @ Soo Thien See is deemed to have an interest in the equity holdings held by the Company in its subsidiaries by virtue of his interest in the ordinary shares of the Company.

Other than as disclosed above, none of the other directors hold any share in the Company or its related companies.

LIST OF GROUP PROPERTIES
AS AT 31 DECEMBER 2021

	Location	Land Area (Sq.ft.)	Build up Area (Sq.ft.)	Tenure	Description	Date of Acquisition (A)/ Revaluation (R) (Year)	Date of Expiry (Year)	Estimated Age of Building (Years)	Net Book Value (RM'000)
1	Lot No. PTD 1098 & & PTD 1099 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	87,120	56,150	Leasehold	Factory land & Industrial buildings (Own Occupation)	1983 (R)	2037	44	3,391
2	Lot No. PTD 1731 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	43,560	23,745	Leasehold	Factory land & Industrial buildings (Own Occupation)	1985 (R)	2039	39	145
3	Lot No. PTD 1171 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	43,560	19,670	Leasehold	Factory land & Industrial buildings (Own Occupation)	1978 (A)	2038	42	280
4	Lot No. PTD 881 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	21,780	6,600	Leasehold	Factory land & Industrial buildings (Own Occupation)	1991 (A)	2035	42	185
5	Lot No. PTD 1007 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	21,775	15,923	Leasehold	Factory land & Industrial buildings (Own Occupation)	2011 (A)	2036	45	642
6	Lot No. PTD 7028 & 7029 at Mukim Linau, District of Batu Pahat, Johor Darul Takzim	1,540 (per unit)	1,540 (per unit)	Freehold	2 units single storey terrace houses (Own Occupation)	1992 (A)	–	29	133
7	Lot No. PTD 80369 1 Jalan Impian Ria 6, Taman Impian Jaya, Skudai, Johor Darul Takzim	7,476	1,592	Leasehold	1 unit 2 storey corner house (Vacant)	2006 (A)	2097	23	312
8	Lot No. PTD 40 & 41 Lok Kawi Light Industrial Estate, District of Kota Kinabalu, Sabah	121,908	49,237	Leasehold	Factory land & Industrial buildings (Own Occupation)	1989 (A)	2042	29	1,387

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Hwa Tai Industries Berhad
华大工业有限公司
Company No.: 19688-V (New Reg. No.: 197401002656)

FORM OF PROXY

I / We, ...

of ....

being a member of **HWA TAI INDUSTRIES BERHAD**, hereby appoint...

of ....

or failing him / her...

of ....
or failing him / her the Chairman of the Meeting, as my / our proxy, to vote for me / us and on my / our behalf at the Forty-Seventh Annual General Meeting of the Company to be held on 9 June 2022 and at any adjournment thereof in the manner indicated below in respect of the following Resolutions:-

Resolution	***Resolutions relating to:***	***For***	***Against***
Ordinary Resolution 1	Payment of Directors' fees		
Ordinary Resolution 2	Payment of allowance to Non-Executive Chairman		
Ordinary Resolution 3	Re-election of Director, Soo Thien Ming @ Soo Thien See		
Ordinary Resolution 4	Appointment of Baker Tilly Monteiro Heng PLT as Auditors and their remuneration		
Ordinary Resolution 5	Ordinary Resolution – Authority to allot and issue shares in general pursuant to Sections 75 & 76 of the Companies Act, 2016		
Special Resolution	Special Resolution – Proposed Amendments to the Company's Constitution		

Please indicate with (X) how you wish your vote to be cast.

No. of Shares Held	

Date:.. Signature: ....

NOTES:

(1) *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint at least 1 proxy to attend and vote in his stead. A proxy need not be a member of the Company.*

(2) *Where a member appoints 2 or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*

(3) *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of such securities account.*

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

(5) *The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim, Malaysia, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.*

ADMINISTRATIVE NOTES – COVID-19 OUTBREAK SAFETY MEASURES

(1) *All attendees to the Meeting including proxies are required to adhere to the Covid-19 outbreak safety measures as stated in the administrative notes in the Notice of Meeting.*

(2) *To ensure physical distancing and to reduce the number of crowd at the Meeting, there will be **no refreshment served nor distribution of door gifts/goody-bags** to all attendees of the Meeting.*

(3) *As the COVID-19 outbreak is an ever evolving situation, the venue, date and mode of the Meeting may be changed according to the circumstances then and any such changes will be publicly announced through Bursa Malaysia Securities Berhad.*

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Postage

THE SECRETARY
HWA TAI INDUSTRIES BERHAD
NO. 12 JALAN JORAK
KAWASAN PERINDUSTRIAN TONGKANG PECAH
83010 BATU PAHAT
JOHOR DARUL TAKZIM
MALAYSIA

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