2021 TRANSPARENCY REPORT

For the year ended 31 December 2021

Passion Beyond Numbers

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Foreword from UHY's Group Managing Partner

"The members of UHY in Malaysia are pleased to present the Firm's Transparency Report for the year ended 31 December 2021, which has been prepared under the requirements mandated by the Audit Oversight Board (AOB) of Securities Commission Malaysia."

— Datuk Alvin Tee

Welcome and thank you for your interest in picking up our inaugural transparency report. At UHY, we are extremely privileged to constantly serve clients who are performing at the top of their respective industries. As the market capitalisation of our public interest entity (PIE) clients grows beyond the RM10 billion milestone, we joined the ranks of our larger international peers in achieving the regulatory threshold to produce this report.

The impressive growth of UHY has been predicated on our dedication to deliver high-quality audits coupled with the growing recognition by the investing public, capital markets, PIEs, and stakeholders of our integrity, objectivity, independence, and commitment to serve the public interest.

In the UHY Transparency Report 2021, we share with readers our commitment to audit quality and how this commitment is delivered in our daily work. I invite our clients, members of audit committees, and stakeholders to constantly engage with us in the effort to enhance trust and integrity in the capital market.

Enhancement of quality in the audit industry has always been at the very top of priorities for assurance professionals, and especially so for us in UHY. The implementation of a brand-new International Standard on Quality Management (ISQM) towards the end of next year globally is one of the many evolutions that we audit professionals have embarked on over the years. As the world economy navigates through corporate scandals and the COVID-19 pandemic, the auditor's role in fostering trust and confidence in business and industry becomes ever more crucial.

At UHY, we are constantly enhancing our quality management at the systemic and operational levels. Audit quality reviews are a key feature of our quality management system. I am happy to report that we received full cooperation from our audit team members in support of audit quality reviews carried out during the year. As a Firm, we are constantly driven by our goal to provide high-quality audits while consistently delivering a great client experience.

In addition to my role as the Group Managing Partner of UHY in Malaysia, I have also been serving as the Acting Managing Partner of the Audit and Assurance practice. One of the more recent initiatives that I led together with the Board of Partners saw the establishment of a Country Management Committee (CMC) that consolidated the Audit and Assurance practice's reporting structure while introducing further enhancements to its systematic management. Part of this encompassed transformation of the reporting system related to data points around our audit quality indicators (AQIs), and that involved establishment of a new practice management unit that reports directly to the CMC.

We believe the emerging utilisation of technology and digitalisation is an integral part of the profession's future. Responding innovatively to the impact arising from the COVID-19 pandemic, I led the push forward in the audit teams' adoption of virtual capabilities to overcome the massive disruption.

Virtual meetings for team members to discuss and coordinate on key milestones of an audit are now a way of life. Such newfound capability, for instance, contributes directly to our efficiency, quality of work and expanded capability to serve our clients and stakeholders better. We will continue to adopt technological innovations as an imperative.

Describing our effort in navigating through the pandemic as a challenge is probably an understatement. Despite this, I am extremely thankful to witness how our Superstars rose to the occasion and continued to provide high-quality audits and support to our clients. As a Firm, the leadership is committed to measures beyond the call of duty to ensure job security and health safety of our team members. I am forever grateful for that and would also like to take the opportunity to thank the Malaysian government and the Social Security Organisation (SOCSO) for initiating the various wage subsidy programmes that provided the much-needed support at the height of the pandemic.

Thank you again for your interest in our Firm and I sincerely hope that the insights put together by our team of Superstars are apt and relevant for your reading pleasure.

Datuk Tee Guan Pian PJN
Group Managing Partner, UHY

URBACH HACKER YOUNG

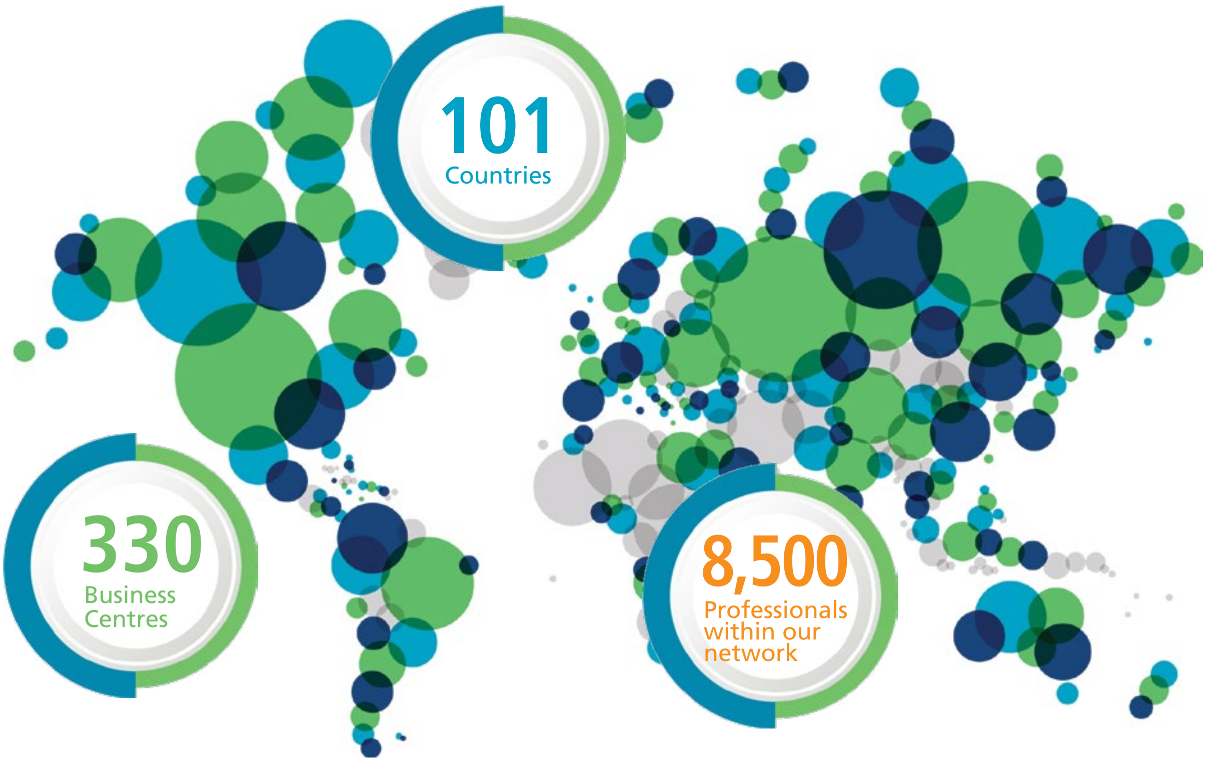
UHY
URBACH HACKER YOUNG

UHY, Internationally

Established in 1986, UHY International Limited is a network of legally independent accounting and consulting firms. UHY is the brand name for the UHY International network.

Internationally, UHY is represented at nearly 330 major business centres in 101 countries around the world. With a team of over 8,500 people globally, we are ranked (by revenue) as the 18th largest international accounting and consultancy network. UHY in Malaysia's Group Managing Partner Datuk Alvin Tee is an elected Board Member of UHY International.

"UHY is a member of the IFAC Forum of Firms, a prestigious initiative amongst the world's top accounting firms to promote consistent and high-quality standards of cross-border financial reporting and auditing practices worldwide, and the adoption of international auditing standards."



UHY in Malaysia

UHY in Malaysia is a member of Urbach Hacker Young International Limited, and forms part of the international UHY network of legally independent accounting and consulting firms. The UHY Audit and Assurance practice has 4 offices in Malaysia and over 200 audit and advisory personnel.

This is a remarkable achievement for a firm that was only established 14 years ago. With humble beginnings of 20 team members based out of Mid Valley City in 2008, the Kuala Lumpur (KL) office expanded quickly under the astute leadership of Datuk Alvin Tee and founding members of the KL team. UHY in Malaysia has scaled new heights as it continued to widen its service capabilities and enhanced the UHY brand as a preferred mid-tier professional practice serving participants of the Malaysian capital market and multinational corporations.

Audit and assurance is a core service of the Firm, with the assurance practice currently serving more than 50 public-listed companies in statutory audit work. UHY has acted as the Reporting Accountant for more than 10 successful Initial Public Offerings (IPOs). As we progress and grow with our valued clients, we have participated in assisting clients and regulators in various high-profile and complicated audit investigations in Malaysia.

UHY has gained much recognition through numerous awards over the years. These include the *SME Best Employer Award* by the Malaysian Institute of Human Resource Management (MIHRM), *Best Companies To Work For Award* by HR Asia, and the *Star Outstanding Business Awards* (SOBA) by Star Media Group.

LEGAL STRUCTURE, OWNERSHIP AND GOVERNANCE

Legal Structure and Ownership

Information about UHY in Malaysia and our relevant affiliation and relationship disclosures are disclosed herein and in Appendix A.

UHY is a partnership registered in Malaysia (AF1411) and a member firm of the international UHY network of legally independent accounting and consulting firms. The Firm operates from its offices in Kuala Lumpur and has three legally constituted branches in Johor and Penang. Our principal business address is Suite 11.05, Level 11, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

In relation to our legal structure, the Partners have initiated internal discussions to work towards the conversion of the Firm into a Limited Liability Partnership (LLP). This is an exercise that many of our peers have embarked on in recent years as the industry continues to evolve.

Governance and Leadership Structure

The Board of Partners represents the highest governing authority of the Firm. The Board's mandate centres around internal partnership matters such as the admission and withdrawal of Partners, and the rights, responsibilities, benefits and obligations of Partners. It provides both advisory and the 'check and balance' role for the Country Management Committee (CMC) that takes on the day-to-day executive and management role of the Firm.

Currently, the Country Managing Partner chairs the CMC. The CMC comprises senior audit management personnel from the assurance teams' various operational groups and functional areas that include the Chief Operating Officers, Engagement Partners and Audit Principals / Directors. The daily operations of audit groups are led by Audit Partners, Principals and Directors. Complementary support in areas such as technical, practice management and administrative shared services are provided through coordination and supervision of the Chief Operating Officers via the Transformation Office, the Practice Management Unit, and the Technical, Training and Compliance department.

The governance of UHY is reinforced by the Risk Management Committee (RMC), an independent committee tasked with overseeing the risk management of the Firm. As an oversight committee, its terms of reference centres around the monitoring of audit quality and establishment and the maintenance of effective systems of risk management in the Firm's assurance services. As of December 2021, the leadership structure of UHY in Malaysia is as follows:

UHY Board of Partners

Datuk Tee Guan Pian PJN
ACA, BFP (ICAEW, UK), FCPA (Aust.), C.A.(M), CPA (M), ATII

Ms. Lim Wan Yinn
C.A.(M), FCCA

Ms. Teoh Bee Sin
C.A.(M), FCPA (Aust.), ATII

Ms. Ho Siew Chan
C.A.(M), FCCA

Mr. Yeoh Aik Chuan
C.A.(M), CPA (M)

Mr. Lim Yang Yue
C.A.(M), FCCA

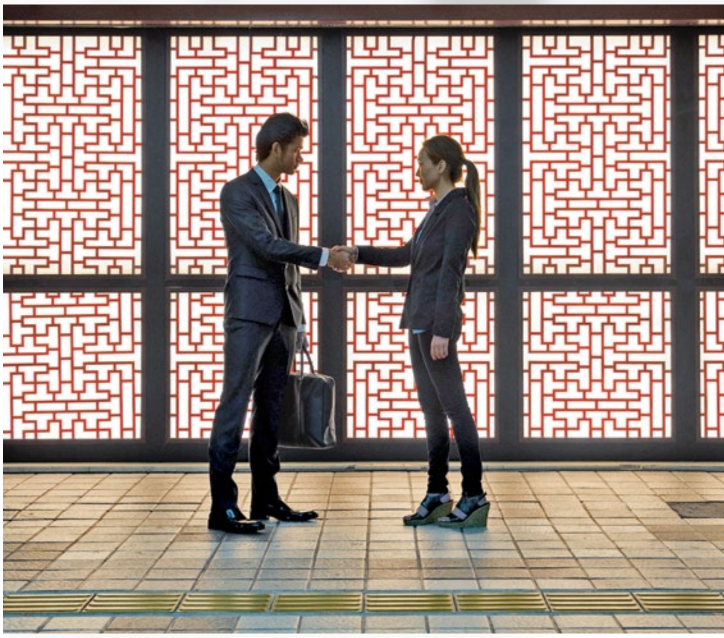
Ms. Lim Bee Peng
C.A.(M), FCCA

Ms. Ang Kai Sing
C.A.(M), FCCA

Mr. Tio Shin Young
C.A.(M), FCCA

Basis of Partner Remuneration

The remuneration of Partners is determined on the basis of the specific candidate's professional and academic credentials, the width and depth of professional assurance work that they have been exposed to in terms of experience, and the level of audit quality and business development that he / she would be able to contribute to the Firm. Partners' performance is evaluated on an annual basis with a high level of focus on audit quality, competency and quality of deliverables. At UHY, Partners are not remunerated on the basis of selling non-audit services to audit clients, as a safeguard to our professional obligation in maintaining independence and objectivity.



OUR COMMITMENT TO AUDIT QUALITY

Audit quality is an essential component of UHY's core values. It is foundational to the services that we deliver to our clients, and it is something we continuously strive to improve on year after year.

This is reflected in our unwavering commitment to audit quality, and professional integrity instilled in our members that enables them to deliver superior professional work to our clients. In 2021, our Firm's leadership continued to spearhead progress and enhancements through transformational initiatives to improve our audit quality.

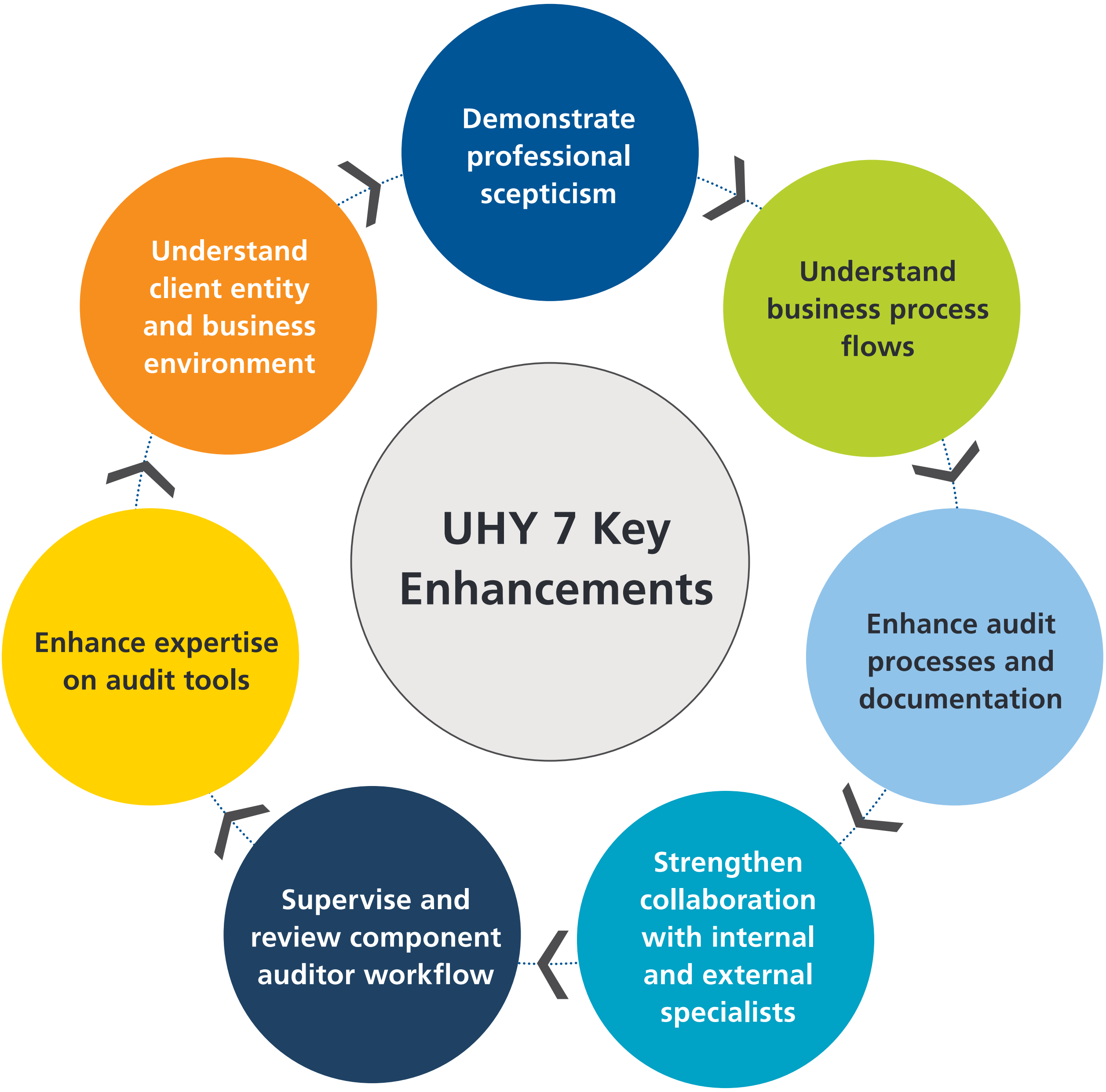
Audit Excellence Programme (AE Programme)

One of the audit quality-related initiatives we embarked on during the year was the Audit Excellence Programme. The AE Programme establishes a strategic approach to Firm-wide policies that contribute towards audit quality. Under the leadership of the Risk Management Committee (RMC), the programme was developed and implemented in three phases: "Plan, Perform, Conclude".

The AE Programme is reinforced by seven key enhancements to the Firm's audit process:

1. Demonstrate professional scepticism.
2. Understand business process flows.
3. Enhance audit processes and documentation.
4. Strengthen collaboration with internal and external specialists.
5. Supervise and review component auditor workflow.
6. Enhance expertise on audit tools.
7. Understand client entity and business environment.

The AE Programme is reinforced by seven key enhancements to the Firm's audit process



The AE Programme has resulted in significant and positive enhancements to our audit approach and quality. This is observed from internal reviews that cited improvements such as enhancements on audit planning (incorporating Partner-led methodology) and risk management strategies.

Moving forward, we are confident in our Firm's commitment to quality, and its ability to thrive and further develop its assurance services into a sizable and respected professional practice in the region.

COMMITMENT TO OUR PEOPLE

Talent Management

UHY recognises that employees are our most important asset. They are at the heart of our business and the lifeblood of our Firm. As such, the leadership is fully committed to nurturing and growing our talent, ensuring they fully harness their potential and succeed together with the Firm.

To attain this, we have a structured talent management process at the Firm where all leaders are responsible for supervising overall competencies to ensure that audit personnel are appropriately trained and developed. The Firm implements a rigorous recruitment and selection regime to ensure that audit personnel recruited to the assurance teams are appropriately trained and equipped with relevant technical experience and skill sets that the Firm diligently enhances through training plans via structured and unstructured training.

We believe in the importance of enhancing our audit team capacity as the various teams are clustered into their respective team structures and portfolios where each team is led by their respective Principal(s)/ Partner(s).

"All our Engagement Partners have at least 8 years of related diverse working experience and are responsible for keeping up to date with technical knowledge pertaining to the standards, procedures and regulations related to their service area."

Engagement team members are evaluated on their performance on audit engagements at the individual and engagement team level, which are reviewed by the Engagement Managers and Engagement Partners.

Attaining a partnership position is an aspiration for many accountants. Yet it can be a tough professional challenge as understanding what partnership involves and the skills and qualities that need to be nurtured can be daunting. In this regard, the Firm has a well-established Partners Pipeline Development Programme to help ease the transition. During the period, prospective senior audit personnel have been earmarked for entry into the Programme based on performance reviews and recommendations from the leadership. Participants are progressively given the relevant training, resources and grooming towards Partnership.

“We place great importance on the good work and performance of our team members.”

Retention and Recognition

We acknowledge that our personnel are crucial to the Firm’s success and that retaining them is paramount to our progress and growth. Recognition of our staff for their exemplary performance and loyalty is thus an integral part of our company culture. We are also pleased to report that our staff attrition rate has continued to improve in recent years. In 2021, the attrition rate for audit personnel at the Firm declined by 4% as compared to the previous year.

At UHY, we are constantly enhancing our succession planning initiatives and one such effort is the development of the UHY Point Factor System (PFS). The PFS operates on a point accumulation basis where a team member is evaluated annually on five criteria: knowledge, skills, responsibilities, interpersonal skills, and networking competency.

It allows the Firm to conduct a comprehensive evaluation and provide our talents with incentives beyond the standard pay package including benefits for equity, continuous promotion and career development for senior audit personnel.

We place great importance on the good work and performance of our team members. As such, all promotions are recognised and celebrated at UHY. We have in place a long service award programme to recognise the pillars of talent who contribute to the Firm’s success and sustainability.

Learning and Development

Learning and development is a core activity at UHY as we believe continuous learning is crucial to professional development and success. Our aim is to empower all our people to achieve their fullest potential by providing them with good access to the following services:

- Ensure everyone is aware of all accessible learning and development resources.
- Maintain constant communication so that all employees know where and how to access relevant resources for their learning needs.
- Provide a consistent approach to learning across the Firm.
- Provide guidance on how to seek further professional development and training based on their current level of skill sets and experience.

Development of UHY Specialists

The UHY Specialists Programme is a Technical, Training and Compliance department-led initiative to specifically develop talents from the audit team who have industry-focused technical knowledge and application experience. An example of this is our UHY Specialists for the Property Development and Construction (PDC) industry. UHY Specialists are equipped with industry-specific knowledge and assist in conducting training and coaching sessions throughout the year while they are involved in engagement work.

"The UHY Specialist Programme helps to develop industry-focused skill sets and expertise which gives us an edge as a Firm that offers specialisations that set us apart from others, providing significant value-add and a higher level of service to clients in specific industries."

The Firm has invested significantly to provide appropriate training and development for all our professional personnel, ensuring they have a current and practical grasp of the latest technical standards. This includes a long-running annual training programme that combines compulsory and optional sessions that cater to the prevailing training needs of professional team members. During the year, the Firm conducted a total of 144 hours of training sessions as part of its annual training calendar. In terms of audit quality indicators (AQIs) that relate to the average hours of training provided by the Firm to audit personnel, we are pleased to report an increasing trend over the past three years, across all levels (i.e. Partners, managerial, and non-managerial staff). We have also embarked on implementing e-learning as a part of our training approach that is slated to ensure a scalable, targeted and customisable training programme for our professionals.

Professional Development of Audit Personnel

Our focus on continuous learning encompasses our Engagement Partners and qualified professional personnel who are required to undertake Continuing Professional Development (CPD), whereby their specific training needs and personal training plans are assessed on an annual basis.

Our audit personnel are required to participate in a minimum of 48 hours per year or 144 hours over a triennium of structured learning, in addition to unstructured learning. All personnel are responsible to complete and submit an annual confirmation on their compliance with the Firm's annual training hours requirement.

Audit related training needs are identified via the collective effort of the Technical, Training and Compliance department, the Engagement Partners, and senior audit personnel, with due consideration given to relevant developments in regulations, standards and findings from our internal quality control reviews. Structured technical training is provided at all levels within the Firm on a timely basis while attendance is monitored.

Health and Wellbeing at UHY

The COVID-19 pandemic has thrown up unprecedented challenges to Malaysia and its economy. The surging infections and ensuing lockdowns to contain it meant it could no longer be business as usual and that business operations – including ours – had to adapt to the new reality.

COVID-19 continued to present unprecedented risks to the health and wellbeing of our team members throughout the year. Our main objective as we approach the pandemic is to secure the safety of our audit team members while maintaining the quality of our professional work and service delivery. This delicate balancing act drove us to design an agile approach for our personnel to serve the demands of our clients while ensuring high quality audits through robust job management, innovation and technology.

> "Our main objective as we approach the pandemic is to secure the safety of our audit team members while maintaining the quality of our professional work and service delivery."

Our aim is to empower all our people to achieve their fullest potential by providing them with good access to the following services:

- Implementation of COVID-19 testing on our audit personnel prior to and after audit fieldwork to ensure the safety of our audit members and client personnel.
- Structural shift to work-from-home mode to safeguard against infection vulnerabilities during periods of high national case numbers.
- Supporting the remote workplace environment of our team members through the utilisation of technology.
- Pre-emptive measures to assist team members in obtaining the earliest possible access to vaccines against COVID-19.

INDEPENDENCE AND ETHICS

Ethical Requirements

As a professional practice, all professional personnel carry with their designations a responsibility to maintain adherence to the ethical requirements of our profession. Being seen as ethical accounting professionals is crucial to building public trust and confidence in our Firm and the work that we do. Having an established reputation for integrity, honesty, objectivity and independence is vital to maintaining this trust.

The UHY leadership team takes charge of the monitoring and compliance of our team members to ethical policies and procedures. All personnel are expected to act with integrity and adhere to standards as per the UHY Code of Business Conduct which outlines the policies, obligations and standards of integrity that all UHY personnel must follow.

The UHY Quality Control Manual was developed as ethical guidance that is additional to the Malaysian Institute of Accountants (MIA) By-Laws. As part of the training when they join the Firm, these ethical requirements are ingrained in our personnel and the information is refreshed annually. The local professional ethical standards as embodied by the MIA By-Laws (on Professional Ethics, Conduct and Practice) are based on the International Ethics Standards Board for Accountants (IESBA) Code of Ethics. Where any conflict or inconsistency arises between the IESBA code and MIA By-Laws in their respective application, the MIA By-Laws shall prevail.

The rotation of Engagement Partners, Engagement Quality Control Reviewers (EQCR), and other important audit personnel provides a new perspective to the audit engagements, encourage professional scepticism, and minimise familiarity threat to independence. The Firm's rotation policy for the statutory audit of Public Interest Entities (PIEs) is set out in our Quality Control Manual. It requires that Engagement Partners are rotated not later than seven years from the date of their appointment and they shall not participate again in the statutory audit before three years have elapsed following that cessation (as per MIA transitional provision for audits of financial statements for periods beginning prior to December 15, 2023).

The length of service of our audit partners on PIEs and other high-risk audits is tracked on the Firm's partner rotation tracking records to facilitate compliance monitoring of rotation requirements. These records are subject to the oversight of the Risk Management Committee (RMC).

Independence Procedures

Our professional standards compel our strict adherence to the independence requirements of the MIA By-Laws. The Firm performs annual confirmation checks on all partners and professional staff on their continuing independence from the Firm's clients. Our independence practices are reviewed annually as part of the Firm's quality management process.

No gifts, entertainments or benefits can be accepted from clients if such acceptance may impair, or be perceived to impair, the professional relationship between our professionals and clients. We also have policies on the provision of non-audit services and other areas to ensure that sufficient safeguards are in place to safeguard the Firm's independence.

Acceptance and Continuance of Client Relationships

At UHY, we have detailed procedures on the acceptance and continuance of client relationships and new engagements. The new client acceptance procedures, including anti-money laundering procedures, must be completed prior to the acceptance of every appointment. Acceptance of new PIE engagement must be approved by the Engagement Partner and the Managing Partner.

Upon acceptance of a new client or specific engagement from an existing client, we issue an engagement letter that sets out our understanding of the engagement and the respective responsibilities of the Firm and the client.

The Firm's standard audit documentation requires Engagement Partners to consider certain matters before accepting an appointment or reappointment for any audit assignment. These matters include whether the Firm complies with the relevant independence and objectivity requirements: whether there are threats to the Firm's independence, and whether it has the sufficient resources required to carry out the audit.

In respect to the appointment or reappointment from our clients, we are required to assess our independence arising from the provision of non-audit services (if any) that may result in us declining the appointment, or in applying additional safeguards as necessary. Assessments around the integrity of the client's supervisory, administrative and management body also form part of our client acceptance procedures.

Anti-Money Laundering (AML)

We require our auditors to be fully dedicated to acting in the public interest, especially in cases of fraud, corruption, non-compliance with laws and regulations, and anti-money laundering. This includes an assurance to conduct business in a way that prevents money laundering, as well as a commitment to avoid any behaviour that might support money laundering. This is consistent with our beliefs, mission, and dedication to the public interest.

Our policies are in line with good business practices and the expectations of Bank Negara Malaysia (BNM), the designated competent authority and regulator for the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001. The policies are reviewed on a regular basis to ensure that they meet BNM requirements.

> “The UHY Code of Business Conduct establishes that it is unacceptable for our people to solicit, accept, offer, promise or pay bribes whether directly or through a third party.”

Anti-Bribery and Corruption

At UHY, we are opposed to bribery in any form. The UHY Code of Business Conduct establishes that it is unacceptable for our people to solicit, accept, offer, promise or pay bribes whether directly or through a third party. Our strict anti-bribery and corruption policy applies to all our partners and employees, and they are required to read, understand, and adhere to the policy.

Policies, training and procedures are designed to prevent bribery while severe disciplinary measures are taken if bribery is detected.

AUDIT QUALITY AND MONITORING

Quality Management

As a progressive modern professional practice, UHY has put in place effective quality management systems and policies that are critical to delivering consistent, high-quality audit engagements.

> *We continue to invest heavily in people, processes, and technology that enhance the quality of our professional deliverables and strengthen confidence in the Firm.*

The International Standard on Quality Control 1 (ISQC 1) sets out the parameters for a firm's responsibilities with regard to its system of quality control for audits and reviews of financial statements, and other assurance and related services engagements. The Firm has in place documented policies and procedures that ensure our compliance with the requirements of ISQC 1. The Partners of UHY, in their annual review of the Firm's internal quality control, concluded that its internal quality control system for audit engagements is effective in all material respects and confirms that the necessary improvements identified via the review have been acted upon.

In December 2020, the International Auditing and Assurance Standards Board (IAASB) issued three new and revised Quality Management Standards designed to strengthen and modernise the audit firm's approach to quality management: International Standard on Quality Management (ISQM) which include the ISQM 1 and ISQM 2, and the International Standard on Auditing (ISA) 220 (Revised), Quality Management for an Audit of Financial Statements.

ISQM 1 and ISQM 2 emphasise enhancing the system of quality management and improving the robustness of engagement quality reviews at the firm level, while ISA 220 (Revised) focuses on quality management at the audit engagement level. These new pronouncements have been slated to take effect from 15 December 2022 onwards, replacing the extant ISQC 1.

At the time of writing, the Firm has commenced the necessary preparations for the adoption of ISQM 1, ISQM 2 and ISA 220 (Revised) in stages, in the lead up to the standards' effective date. At the ASEAN regional level, leaders of UHY network firms are coordinating resources for joint initiatives around the quality management agenda through the UHY ASEAN ISQM Task Force.

The set of new quality management standards slated for international adoption by auditors globally is an excellent leadership initiative on the part of the profession's international leadership. Amidst our quest for audit excellence, the Firm is excited with this development, which we believe will continue to modernise and enhance the relevance of our professional work to the public.

Leadership Responsibilities for Quality Within the Firm

At UHY, the Board of Partners is ultimately responsible for audit quality and the effective operation of the Firm's system of quality control. Day-to-day implementation of the responsibilities is delegated to the Country Management Committee (CMC) and is supported by the Engagement Review Committee (ERC), while independent oversight resides with the Risk Management Committee (RMC).

Country Management Committee (CMC)

The CMC is a key component of the Firm's audit excellence framework. The committee comprises audit leaders of the Firm who possess significant, varied, and highly relevant expertise in audit work. The CMC supports the UHY leadership on a wide range of core areas affecting audit quality, which include business, operations, culture, talent management, governance, and risk management.

The committee is responsible for generating new insights and enhancements and serving as an avenue for audit engagement leaders to drive the Firm's management and governance. The committee is also involved in the development of our audit quality indicators (AQIs) and other relevant quality monitoring mechanisms that feed into the cycle of continuous improvement.

Engagement Review Committee (ERC)

The ERC was established to complement and assist in providing high-level guidance to engagement teams. One of the ERC's roles includes performing hot reviews on selected engagements that are subsequently earmarked for coaching and review discussions with the engagement team. The ERC also supports engagement teams on discussions and consultations around critical engagement matters.

Members of the ERC consist of our Partners and Principals. Its activities include the establishment of the Audit Quality Coaching Programme, contributing to the continuous improvement of Firm audit methodology, enhance monitoring and remediation through timely reviews.

Risk Management Committee (RMC)

The RMC is an independent committee that consists primarily of members from the Board of Partners, delegated with the mandate to independently steer the Firm's direction on service quality and risk management, regulatory compliance, business resilience and contentious matters of assurance engagements.

In relation to the Firm's assurance work, the RMC serves as the core structure for designing the framework, policies and overall process for identifying, assessing and monitoring engagement risks and managing the impact of such risks on the Firm that feed into the cycle of continuous improvement.

Engagement Performance

The UHY audit methodology, tools and guidance provide our engagement teams with a consistent approach to plan, perform, supervise, review, document, conclude, and communicate the results of each audit engagement. Our approach is also dynamic as higher engagement risk classifications are supplemented with a higher level of monitoring and reviews. Our methodology focuses on applying professional judgement and professional scepticism in the audit procedures and compliance to relevant ethical guidelines. Enhancements to the audit methodology and guidelines are updated on a regular basis to ensure compliance in all respects with applicable professional standards, regulations and legal requirements.

Our Technical, Training and Compliance department is tasked with ensuring that the Firm's audit methodology is based on the International Standards on Auditing (ISA) while providing the appropriate procedures and guidance to audit engagement teams. Guidance explaining key aspects of our methodology is available to all audit members and partners via the Firm's audit manual.

Monitoring

The Firm's quality control policies and processes are the responsibility of each partner and engagement team member. Quality monitoring and compliance programmes are applied consistently across all engagements, including the nature and extent of testing and reporting. It is developed with the Firm's objectives in mind as we emphasise maintaining the highest level of audit quality delivered to our clients.

> "The quality monitoring and compliance systems implemented enables the Firm to identify new areas of improvement based on weaknesses identified, conduct root cause analysis and develop remedial action plans, both in respect of the audit engagements and the overall system of quality management."

Internal Quality Control Review (IQCR)

At UHY, monitoring of audit work processes and documentation in compliance with ISQC 1 and relevant regulations are conducted annually. The results of the annual practice review are summarised and reported to the Firm's leadership, Engagement Partners and other appropriate individuals within the Firm so that the appropriate recommendations and improvements can be acted upon effectively. A typical evaluation of the Firm's system of quality control would include:

- Analysis of the Firm's policies and procedures in accordance with professional standards, regulatory and legal requirements.
- Written confirmations of compliance with policies and procedures on independence.
- Development on continuing professional development including training.
- Decisions related to acceptance and continuance of client relationships and engagements.
- Determination of corrective actions to be taken and improvements to be made in the system.
- Communication to appropriate personnel of the required enhancements on audit quality.

Our firm-level review includes an assessment of the Firm's quality control processes pertaining to governance and leadership, ethical requirements, client acceptance and continuance, engagement performance, human resources, and monitoring. The firm-level review conducted during the year concluded the Firm's system of quality control as compliant, with findings that are of recommendation for improvement in nature. Area of focus for this year's review revolved around the implementation of the enhanced EQCR process and the enhanced risk assessment criteria in relation to engagement acceptance and continuance.

In addition to our internal quality control review process, the Firm frequently initiates engagement reviews to monitor compliance of our audit engagements with the Firm's policies and procedures. On a sampling basis, high-risk engagements (based on the categorisation of our quality control manual) led by each Engagement Partner are reviewed at least once every three years. The reviews of audit engagements are also used as a reference for the performance measurement of our Partners.

Ratings of internal engagement reviews are classified as either Compliant (A), Improvements Required (B) or Non-Compliant (C). Reviews rated Grade A depict compliant reviews with findings that are of recommendation in nature, while Grade B depicts deficiencies noted from the review with improvements required, and Grade C depicts reviews with findings of major deficiencies noted. No engagements reviewed in 2021 were classified as Non-Compliant (C).

Ratings	2021	2020	2019
(A) Compliant	2	5	4
(B) Improvements Required	-	1	-
(C) Non-Compliant	-	-	-
Total engagements selected	**2**	**6**	**4**

UHY International Monitoring Review

As an independent member of the UHY International network, the Firm is subject to members' quality annual reviews through the UHY Audit Member Quality Expectations (AMQE) Programme. We are required to submit an annual audit quality return to UHY International, answering key questions relating to the results of the firm-level review and the actions taken, and confirming continuing compliance with ISQC 1 and international auditing standards.

With regard to audit engagements, we are to ensure that our policies and procedures conform to the International Federation of Accountants (IFAC) ethical code and national ethical standards. Assessments and monitoring by the UHY International network ensure that our audit practices comply with internationally-recognised quality standards that the network commits to upholding.

The network firm-level review completed in 2020 concluded that the Firm was compliant with ISQC 1 requirements. As at 31 December 2021, the AMQE review for the year 2021 was ongoing. In terms of engagement-level review, the Firm has not been selected for review by the network during the reporting period.

Root Cause Analysis (RCA)

RCA is a mainstream quality management methodology adopted by professional firms across the world in their identification of key factors that impact audit quality while establishing insights into the key areas of improvements that a system of quality management is required to address.

At UHY, RCA allows us to monitor and enhance our policies and procedures of audit quality and overall performance. It identifies the root causes of both positive and negative results and allows us to implement remedial action plans to resolve identified issues at their root while driving continuous improvements in audit quality. Based on our observation, this methodology has benefited the Firm and team members in various aspects such as:

- Improving audit quality in a strategic manner.
- Identifying positive outcomes which can lead to best practices.
- Directing remedial actions to tackle underlying causes of deficiencies more effectively.
- Creating a culture of continuous improvement and development.
- Providing insights and direction to management on the Firm's strategy and resources.

Regulatory Monitoring

UHY Chartered Accountants is an audit firm registered with the Malaysian Institute of Accountants (MIA). The Securities Commission Malaysia Act 1993 (SCMA) establishes a framework to enable the Audit Oversight Board (AOB) to govern the registration of statutory auditors of public interest entities (PIEs). As an auditor of public interest entities, we are also registered with the AOB.

The most recent external inspection conducted on the Firm was by the AOB in February 2020. This was an inspection conducted on a periodic basis by the AOB that involved a sample selection of two PIE audit engagements that the Firm performed in the past, of which the engagements reviewed had at least one finding.

As part of various quality reviews that the Firm is involved in on a consistent basis, the AOB's inspection reviews form an integral part of the ecosystem of audit quality monitoring initiatives that ultimately ensure high-quality information for users of financial statements.

APPENDIX

Appendix A: Affiliated Entities

UHY Chartered Accountants (AF1411) is affiliated with several corporate entities in Malaysia that make up UHY. These affiliates provide services including audit, tax, risk advisory, financial advisory and internal services as separate legal entities, with their own management to align with the way we conduct our business.

- UHY Advisory (KL) Sdn. Bhd.
- UHY Tax Advisory Sdn. Bhd.
- UHY Governance Sdn. Bhd.
- UHY Trust Int'l Limited
- UHY FLVS Sdn. Bhd.
- UHY Malaysia China Business Advisory Sdn. Bhd.

Disclosure of Other Ownership Information

The ownership structure of partners with equity share in the partnership consists of:

Range of Equity Share Held (%)	Number of Partners
10% and below	1
11% to 20%	1
71% to 80%	1

The equity partners would like to take the opportunity to report that the Board is proactive in its effort to manage succession and sustainability of the partnership. This initiative is further enhanced via the Point Factor System (PFS) that provides a systematic mechanism for the admission and promotion of new equity and non-equity partners to the Firm, whilst incentivising current partners to groom their next-in-line and develop tacit skills.

As discussed in the preceding main sections of this report, the governance structure of the Firm has been appropriately designed and implemented to ensure that the ownership and financial interest structure of the Firm does not conflict with the professional ethical requirements that UHY professionals are subject to.

Disclosure of Family Relationships

There are no family relationships between Partners undertaking leadership roles or holding substantial equity in UHY with other Partners of UHY.

Appendix B: Audit Quality Indicators (AQIs)

The UHY leadership uses a mix of indicators or AQIs to track how well the Firm's leadership strategies and enhancements are being implemented. The AQIs assist in informing our leadership about whether the activities are achieving effective performance and also to support the overall performance of the system of quality management.

AQI	Indicator	FY 2021	FY 2020	FY 2019
Audit partner workload	Average number of PIEs per partner	7	6	7
	Average number of entities related to PIEs per partner	90	83	86
	Average number of non-PIEs per partner	42	31	32
Auditor Independence	Proportion of fee income derived from audit clients segregated into statutory audit, other assurance services and non-audit practice:			
	Statutory audit services	87%	83%	78%
	Other assurance services	3%	6%	7%
	Non-audit practice	10%	11%	15%
	Proportion of fee income between (%):			
	Audit practice	51%	48%	62%
	Non-audit practice	49%	52%	38%
Capacity and competence of the audit practice	Headcount of the audit personnel:			
	Partners	8	8	7
	Managerial staff	31	32	39
	Non-managerial staff	85	96	95
	Total	124	136	141
	Headcount of audit personnel with professional qualifications:			
	With professional qualifications and/or MIA membership	24	19	23
	Pursuing professional qualifications and/or MIA membership	85	89	84
	Without professional qualifications and/or MIA membership	15	28	34
	Turnover rate for audit personnel	22%	26%	29%
	Average years of experience of audit personnel:			
	Partners	17.0	16.8	17.7
	Managerial staff	8.8	7.7	6.4
	Non-managerial staff	1.8	1.3	1.5
Audit engagement supervision	Staff to partner ratio	1 : 15	1 : 16	1 : 19
	Staff to manager ratio	1 : 3	1 : 3	1 : 2
Audit firm's investment to uphold audit quality	Average hours of training* provided by the audit firm to audit personnel:			
	Partners	124	74	74
	Managerial staff	113	70	52
	Non-managerial staff	87	56	48
	Headcount of quality control functions (training, risk management, technical functions)**	8	6	4
	Ratio of quality control staff to audit staff	1 : 16	1 : 23	1 : 35
Internal and external monitoring reviews***	Number of engagements subjected to internal review by the local firm****	2	6	4

*Training information is provided based on calendar year.
**Includes 3 (FY20: 3, FY19: 1) personnel who have other roles within the Firm, such as being involved in audit engagements and other firm-wide risk responsibilities that complement their position in the Firm's quality management function.
*** Results of external monitoring reviews are discussed in the Audit Quality and Monitoring section.
**** The grading system is categorised into 3 grades, namely Grade A, B and C. Grade A rating depicts reviews with minor findings (findings that are of recommendation for improvements in nature), whilst grade B for reviews with normal findings (findings of deficiencies noted), and grade C for reviews with major findings (findings of major deficiencies noted).

Appendix C:
List of Public Interest Entities (PIEs)

The following are a list of PIEs in Malaysia (as defined by Schedule 1, Securities Commission Malaysia Act 1993 (SCMA)) audited by UHY as at 31 December 2021:

1	ADVANCE INFORMATION MARKETING BERHAD
2	AHB HOLDINGS BERHAD
3	ARK RESOURCES HOLDINGS BERHAD
4	BINA PURI HOLDINGS BHD
5	CHIN HIN GROUP BERHAD
6	CHIN HIN GROUP PROPERTY BERHAD
7	COCOALAND HOLDINGS BERHAD
8	COUNTRY HEIGHTS HOLDINGS BHD
9	DESTINI BERHAD
10	DIGISTAR CORPORATION BERHAD
11	DPS RESOURCES BERHAD
12	EDEN INC. BERHAD
13	EDUSPEC HOLDINGS BERHAD
14	EG INDUSTRIES BERHAD
15	EXCEL FORCE MSC BERHAD
16	G CAPITAL BERHAD
17	HO HUP CONSTRUCTION COMPANY BHD
18	IDEAL UNITED BINTANG INTERNATIONAL BERHAD
19	IFCA MSC BERHAD
20	JAKS RESOURCES BERHAD
21	JIANKUN INTERNATIONAL BERHAD
22	KEN HOLDINGS BERHAD
23	KEY ASIC BERHAD
24	LBI CAPITAL BERHAD
25	LBS BINA GROUP BERHAD
26	LIEN HOE CORPORATION BERHAD
27	MALAYSIA PACIFIC CORPORATION BERHAD
28	MEGA SUN CITY HOLDINGS BERHAD
29	MGB BERHAD
30	MIECO CHIPBOARD BERHAD
31	MUAR BAN LEE GROUP BERHAD
32	MULTI-USAGE HOLDINGS BERHAD
33	NEXTGREEN GLOBAL BERHAD
34	PESONA METRO HOLDINGS BERHAD
35	PUC BERHAD
36	REVENUE GROUP BERHAD
37	SAND NISKO CAPITAL BERHAD
38	SCC HOLDINGS BERHAD
39	SCOMI GROUP BERHAD
40	SECUREMETRIC BERHAD
41	SEE HUP CONSOLIDATED BERHAD
42	SOUTH MALAYSIA INDUSTRIES BERHAD
43	SWS CAPITAL BERHAD
44	SYCAL VENTURES BERHAD
45	SYF RESOURCES BERHAD
46	TH HEAVY ENGINEERING BERHAD
47	TRI-MODE SYSTEM (M) BERHAD
48	TWL HOLDINGS BERHAD
49	UCREST BERHAD
50	UNI WALL APS HOLDINGS BERHAD
51	UNIMECH GROUP BERHAD
52	VIZIONE HOLDINGS BERHAD
53	WATTA HOLDING BERHAD

Glossary

AE Programme	Audit Excellence Programme
AML	Anti-Money Laundering
AMQE	Audit Member Quality Expectations Programme
AOB	Audit Oversight Board, Malaysia
AQIs	Audit Quality Indicators
ASEAN	Association of Southeast Asian Nations
BNM	Bank Negara Malaysia
CMC	Country Management Committee
CPD	Continuing Professional Development
EQCR	Engagement Quality Control Reviewer
ERC	Engagement Review Committee
IAASB	International Auditing and Assurance Standards Board
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IPO	Initial Public Offering
IQCR	Internal Quality Control Review
ISA	International Standards on Auditing
ISQC 1	International Standard on Quality Control 1
ISQM	International Standard on Quality Management
KL	Kuala Lumpur
LLP	Limited Liability Partnership
MIA	Malaysian Institute of Accountants
MIHRM	Malaysian Institute of Human Resource Management
PDC	Property Development and Construction
PFS	Point Factor System
PIE	Public Interest Entity
RCA	Root Cause Analysis
RMC	Risk Management Committee
SCMA	Securities Commission Malaysia Act 1993
SOBA	Star Outstanding Business Awards
SOCSO	Social Security Organisation

UHY
Group Offices in Malaysia

LinkedIn
@uhy-malaysia

Facebook
@UHYMalaysia

Instagram
@life.at.uhy

Kuala Lumpur

Suite 11.05, Level 11,
The Gardens South Tower,
Mid Valley City, Lingkaran Syed
Putra, 59200 Kuala Lumpur,
Wilayah Persekutuan, Malaysia.

Tel: +60 (3) 2279 3088
Fax: +60 (3) 2279 3099
Email: uhy-kl@uhy-my.com

Penang

51-16-D, Menara BHL Bank,
Jalan Sultan Ahmad Shah,
10050 George Town,
Penang, Malaysia.

Tel: +60 (4) 291 9872
Email: uhy.pg@uhy-my.com

Johor Bahru

Lot 19.01, Level 19,
Public Bank Tower,
19, Jalan Wong Ah Fook,
80000 Johor Bahru,
Johor, Malaysia.

Tel: +60 (7) 222 2828
Fax: +60 (7) 222 2829
Email: uhy-jb@uhy-my.com

Associate, Penang

UHY TAC,
51-11-F, Menara BHL Bank,
Jalan Sultan Ahmad Shah,
10050 George Town,
Penang, Malaysia.

Tel: +60 (4) 2100 100
Fax: +60 (4) 2100 101
Email: uhy-pg@uhy-my.com

UHY

www.uhy.com.my

Suite 11.05, Level 11, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

uhy-kl@uhy-my.com

T: +60 (3) 2279 3088 | F: +60 (3) 2279 3099