HIAP HUAT HOLDINGS BERHAD
(Company No: 881993-M)

Main Office:
No. 46, Jalan E 1/2, Taman Ehsan Industrial Park, 52100 Kepong, Selangor Darul Ehsan, Malaysia.
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HIAP HUAT HOLDINGS BERHAD PROSPECTUS

PROSPECTUS

This Prospectus is dated 5 November 2012

HIAP HUAT HOLDINGS BERHAD

(Company No: 881993-M)
(Incorporated in Malaysia under the Companies Act, 1965)

PUBLIC ISSUE OF 85,000,000 NEW ORDINARY SHARES OF RM0.10 EACH IN OUR COMPANY AT AN ISSUE PRICE OF RM0.20 PER ORDINARY SHARE PAYABLE IN FULL UPON APPLICATION COMPRISING:

- 5,000,000 NEW ORDINARY SHARES OF RM0.10 EACH AVAILABLE FOR APPLICATION BY THE PUBLIC; AND
- 80,000,000 NEW ORDINARY SHARES OF RM0.10 EACH BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS;

AND

OFFER FOR SALE OF UP TO 50,000,000 ORDINARY SHARES OF RM0.10 EACH AT AN OFFER PRICE OF RM0.20 PER ORDINARY SHARE BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS PAYABLE IN FULL UPON APPLICATION

IN CONJUNCTION WITH OUR LISTING ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD

Principal Adviser, Sponsor, Underwriter and Placement Agent

Hong Leong Investment Bank Berhad (10209-W)
(Formerly known as MIMB Investment Bank Berhad)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER. PLEASE TURN TO SECTION 5 FOR "RISK FACTORS".

INVESTORS ARE ADVISED TO NOTE THAT COMPANIES LISTED ON THE ACE MARKET MAY BE OF HIGH INVESTMENT RISK.

RESPONSIBILITY STATEMENTS

Our Directors and Promoters (as defined in this Prospectus) have seen and approved this Prospectus and they collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement in this Prospectus false and/or misleading.

Hong Leong Investment Bank Berhad, being our Principal Adviser, Sponsor, Underwriter and Placement Agent, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the initial public offering ("**IPO**").

STATEMENTS OF DISCLAIMER

A copy of this Prospectus has been registered with the Securities Commission Malaysia ("**SC**"). The registration of this Prospectus should not be taken to indicate that the SC recommends the IPO or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment.

The SC is not liable for any non-disclosure in this Prospectus by us and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT IN OUR COMPANY. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

Approval has been obtained from Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the securities being offered. Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of the IPO, our Company or our shares.

Bursa Securities is not liable for any non-disclosure by us and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, together with the application form, has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

OTHER STATEMENTS

Companies listed on the ACE Market of Bursa Securities may have a limited operating history or may not have any profit track record prior to Listing. Such companies may be of high investment risk. As with all investments, prospective investors should be aware of all potential risks in investing in such companies and should make the decision to invest after giving due and careful consideration by referring to, among others, the Prospectus, latest financial statements and corporate announcements. You are strongly recommended to seek advice from a securities professional/adviser.

Our IPO is an exempt transaction under Section 213 of the Capital Markets and Services Act, 2007 ("**CMSA**") and is therefore not subject to the approval of the SC.

The acceptance of applications for the securities being issued is conditional upon permission being granted by Bursa Securities for the listing of and quotation for the securities being issued on the Official List of Bursa Securities. If the permission is not applied for in the form for the time being required by Bursa Securities before the third day on which Bursa Securities is open after the date of issue of this Prospectus or not granted within 6 weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC), provided that our Company is notified by Bursa Securities within the aforesaid timeframe, all monies paid in respect of any application accepted will be returned in full, without interest to the applicants, at the applicants' own risk. If any such monies are not returned within 14 days after our Company become liable to repay it, the provision of sub-section 243(2) of the CMSA shall apply.

You are advised to note that recourse for false or misleading statements or acts made in connection with the Prospectus is directly available through Sections 248, 249 and 357 of the CMSA.

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning the issue for which any of the persons set out in Section 236 of the CMSA, e.g. directors and advisers, are responsible.

This Prospectus is prepared and published solely under the Laws of Malaysia. Our Shares are offered in Malaysia solely based on the contents of this Prospectus. Our Company, Promoters, Principal Adviser, Sponsor, Underwriter and Placement Agent have not authorised anyone to provide you with information which is not contained in this Prospectus.

This Prospectus does not comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

The Prospectus is not intended to be issued, circulated or distributed, and the IPO will not be made in any country or jurisdiction other than Malaysia or to persons who are subject to the laws of any country or jurisdiction other than the Laws of Malaysia. The IPO to which this Prospectus relates is only available to persons receiving this Prospectus electronically or otherwise within Malaysia.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection to it. It is your sole responsibility to consult your legal and/or other professional advisers as to whether the IPO would result in the contravention of any laws or jurisdictions of Malaysia.

Further, it shall also be your sole responsibility to ensure that your application for the IPO would be in compliance with the terms of the IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subject to. We will further assume that you had accepted the IPO in Malaysia. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

ELECTRONIC PROSPECTUS

The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same. This Prospectus can also be viewed or downloaded from Bursa Securities website at www.bursamalaysia.com.

You may obtain a copy of the Electronic Prospectus from the website of Affin Bank Berhad at www.affinOnline.com, the website of CIMB Investment Bank Berhad at www.eipocimb.com, and the website of CIMB Bank Berhad at www.cimbclicks.com.my. You may also obtain a copy of the Electronic Prospectus from the website of Malayan Banking Berhad at www.maybank2u.com.my, the website of Public Bank Berhad at www.pbebank.com and the website of RHB Bank Berhad at www.rhb.com.my via hyperlink to the website of Bursa Securities.

You are advised that the Internet is not a fully secure medium. Your Internet application may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institution. These risks cannot be borne by the Internet Participating Financial Institution. If you doubt the validity or integrity of an Electronic Prospectus, you should immediately request from us, our Principal Adviser or the Issuing House, a paper/printed copy of the Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the paper/printed copy of this Prospectus, the contents of the paper/printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "**Third Party Internet Sites**"), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

(a) we do not endorse and are not affiliated in any way to the internet sites. Accordingly, we are not responsible for the availability of, or the content or any data, files or other material provided on the Third Party Internet Sites. You bear all risks associated with the access to or use of the Third Party Internet Sites;

(b) we are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third Party Internet Sites. We are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, file or other material provided by such parties; and

(c) any data, information, file or other material downloaded from the Third Party Internet Sites is done at your own discretion and risk. We are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institution, you are advised that:

(a) the Internet Participating Financial Institution is only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the content of the Electronic Prospectus on the web server of the Internet Participating Financial Institution which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institution is not responsible for the integrity of the contents of an Electronic Prospectus which has been obtained from the web server of the Internet Participating Financial Institution and subsequently communicated or disseminated in any manner to you or other parties; and

(b) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed because the Internet is not a fully secure medium.

The Internet Participating Financial Institution is not liable (whether in tort or contract otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institution, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for our entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities is set out below:

Event	**Indicative date**
Opening date of Application for the IPO	5 November 2012
Closing date of Application for the IPO	12 November 2012
Balloting of Applications	16 November 2012
Despatch of Notice of Allotment to successful applicants	23 November 2012
Listing date	26 November 2012

Save for the opening date of the application for the IPO, these dates are tentative and are subject to changes which may be necessary to facilitate implementation procedures.

Applications will be accepted from 10.00 a.m. on 5 November 2012 and will remain open until 5.00 p.m. on 12 November 2012 or such later date or dates our Board of Directors and Hong Leong Investment Bank Berhad at their absolute discretion may jointly decide.

Should the closing date of the applications be extended, the dates for the balloting, allotment and listing of our entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities might be extended accordingly. We will notify all parties via an advertisement in a widely circulated English and Bahasa Malaysia newspaper in Malaysia in the event there is an extension of time on the closing date of the applications.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include natural persons, firms, companies, bodies corporate and corporation, unless otherwise specified.

Any reference in this Prospectus to any provisions of the statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force. Any reference to a time of a day in this Prospectus shall be reference to Malaysian time, unless otherwise stated.

Any references to "our Company" or "the Company" or "Hiap Huat" in this Prospectus are to Hiap Huat Holdings Berhad, reference to "our Group" or "the Group" or "Hiap Huat Group" are to Hiap Huat Holdings Berhad and its subsidiaries and reference to "we", "us", "our", and "ourselves" are to our Company, and where the context requires, our Company and our subsidiaries. Unless the context otherwise requires, reference to "Management" are to our Directors and key management personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

This Prospectus includes statistical data provided by our Management and various third parties and cites third-party projections regarding growth and performance of the industries in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originated from us. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industries in which we operate. However, neither we nor our advisers have independently verified these data. Neither we nor our advisers make any representation as to the correctness, accuracy or completeness of such data and accordingly you should not place undue reliance on the statistical data cited in this Prospectus. Similarly, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved, and you should not place undue reliance on the third-party projections cited in this Prospectus.

The information on our website, or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on it.

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives of our Management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "expect", "believe", "plan", "intend", "estimate", "anticipate", "aim", "forecast", "may", "will", "would", and "could", or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

(a) demand for our products and services;

(b) our business strategies;

(c) plans and objectives of our Management for future operations;

(d) our financial position; and

(e) our future earnings, cash flows and liquidity.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

(a) the economic, political and investment environment in Malaysia and globally; and

(b) government policy, legislation and regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 5 of this Prospectus on "Risk Factors" and Section 11.2 of this Prospectus on "Management's Discussion and Analysis of Financial Condition and Results of Operations". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus. Subject to the provisions of Section 238 of the CMSA, we expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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DEFINITIONS

Except where the context otherwise requires, the following definitions (in alphabetical order) shall apply throughout this Prospectus:

"ACE Market"	:	ACE Market of Bursa Securities
"Act"	:	The Companies Act, 1965 as amended from time to time and any re-enactment thereof
"ADA"	:	Authorised Depository Agent
"Application(s)"	:	The application(s) for the IPO Shares by way of Application Form
"Application Form(s)"	:	The printed application form(s) for application for the IPO Shares
"ATM"	:	Automated Teller Machine
"Authorised Financial Institution(s)"	:	Authorised financial institution(s) participating in the Internet Share Application in respect to the payments for the Public Issue Shares made available for Application under the Public Issue
"Board"	:	Board of Directors of Hiap Huat
"Bonus Issue"	:	A bonus issue of 10,000,000 new ordinary shares of RM1.00 each by way of capitalisation of reserves of Hiap Huat, which was completed on 9 September 2011
"BS EN"	:	British Standards European Norm
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (635998-W)
"CCM"	:	Companies Commission of Malaysia
"CDS"	:	Central Depository System
"CDS Account"	:	An account established by Bursa Depository for a depositor for the recording of deposit of securities and for dealing in such securities by the depositor
"CMSA"	:	Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof
"CNT"	:	CNT Hardware and Petroleum Sdn Bhd (763001-U)
"Director(s)"	:	Director(s) of our Company and shall have the meaning given in Section 4 of the Act
"Director General"	:	Director General of Environmental Quality
"DOE"	:	Department of Environment, Malaysia
"EBITDA"	:	Earnings before interest, taxation, depreciation and amortisation
"Electronic Prospectus"	:	Copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to CD-ROMs
"Electronic Share Application"	:	An application for the Public Issue Shares through Participating Financial Institution's ATM
"EMS"	:	Environmental management system
"EPS"	:	Earnings per share

"EQA"	:	Environmental Quality Act, 1974 as amended from time to time and any re-enactment thereof
"FPE"	:	The 6-month financial period(s) ended 30 June
"FYE"	:	Financial year(s) ended/ending 31 December
"HHC"	:	Hiap Huat Chemicals Sdn Bhd (326067-D)
"HHC Labuan"	:	Hiap Huat Chemicals (Labuan) Sdn Bhd (864592-A)
"HHMT"	:	Hiap Huat Manufacturing and Trading Co. (732417-P)
"HHP"	:	Hiap Huat Petroleum Sdn Bhd (513313-P)
"HHS"	:	Hiap Huat Services Sdn Bhd (815664-V)
"Hiap Huat" or "our Company"	:	Hiap Huat Holdings Berhad (881993-M), an investment holding company incorporated to facilitate the implementation of the Listing
"Hiap Huat Group" or "our Group"	:	Hiap Huat, together with our wholly-owned subsidiaries, namely HHC, Transada, HHP, TMP, CNT, XFH, HHS and HHC Labuan, collectively
"HLIB" or "Principal Adviser" or "Sponsor" or "Underwriter" or "Placement Agent"	:	Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) (10209-W)
"IMR" or "D&B Malaysia"	:	Independent Market Researcher
"IMR Report"	:	Independent Market Research Report on The Oil Recycling Industry prepared by D&B Malaysia
"Internet Participating Financial Institution"	:	The participating financial institution for Internet Share Application
"Internet Share Application"	:	Application for the Public Issue Shares under the Public Issue through an Internet Participating Financial Institution
"IPO"	:	Initial public offering of the Public Issue Shares and Offer Shares in conjunction with our Listing
"IPO Price"	:	The Issue Price and the Offer Price of RM0.20 for each IPO Share
"IPO Share(s)"	:	The Public Issue Share(s) and Offer Share(s), collectively
"ISO"	:	International Organisation for Standardisation, a developer and publisher of international standards
"Issue Price"	:	RM0.20 per Public Issue Share
"Issuing House" or "MIH"	:	Malaysian Issuing House Sdn Bhd (258345-X)
"kg"	:	Kilogramme(s)
"Kualiti Alam"	:	Kualiti Alam Sdn Bhd (230440-V), owner and operator of an integrated Scheduled Waste management centre
"Listing"	:	Admission to the Official List and the listing of and quotation for our entire issued and paid-up share capital comprising 333,301,330 Shares on the ACE Market
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities, as amended from time to time
"Listing Scheme"	:	The Public Issue, Offer for Sale and Listing, collectively
"LPD"	:	30 September 2012, being the latest practicable date prior to printing of this Prospectus

"L"	:	Litre(s)
"Market Day"	:	A day when Bursa Securities is open for trading
"MNC"	:	Multinational corporations
"MPOB"	:	Malaysian Palm Oil Board
"NA"	:	Net assets
"Offer For Sale"	:	Offer for sale by the Offerors of up to 50,000,000 Shares at the Offer Price to selected investors via placement, payable in full upon application
"Offer Price"	:	The offer price pursuant to the Offer for Sale of RM0.20 per Offer Share
"Offer Shares"	:	Up to 50,000,000 Shares to be offered to selected investors pursuant to the Offer for Sale
"Official List"	:	The official list of the ACE Market
"OHSAS"	:	Occupational Health and Safety Assessment Series
"Participating Financial Institution(s)"	:	Participating financial institution(s) for the Electronic Share Application as listed in Section 15.10 of this Prospectus
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"PE Multiple"	:	Price earnings multiple
"Period under Review"	:	The financial years comprising FYE 2008, FYE 2009, FYE 2010 and FYE 2011, and the FPE 2012
"Pre-IPO Restructuring"	:	The Bonus Issue and Share Split, collectively
"Promoters" or "Offerors"	:	Chan Say Hwa, Soo Kit Lin and Chan Ban Hin, collectively
"Prospectus"	:	This Prospectus dated 5 November 2012 issued by our Company
"Public"	:	All persons or members of the public excluding our Directors, substantial shareholders and persons connected or associated to them (as defined in the Listing Requirements)
"Public Issue"	:	The public issue of 85,000,000 new Shares at the Issue Price
"Public Issue Share(s)"	:	The 85,000,000 new Shares to be issued pursuant to the Public Issue payable in full upon application and subject to the terms and conditions of this Prospectus
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"ROC"	:	Registrar of Companies
"SC"	:	Securities Commission Malaysia
"Share(s)" or "Hiap Huat Share(s)"	:	Ordinary share(s) of RM0.10 each in Hiap Huat
"Share Split"	:	The share split of every 1 ordinary share of RM1.00 each in Hiap Huat to 10 Hiap Huat Shares by sub-dividing the par value of the ordinary share of RM1.00 each per share to RM0.10 per share, which was completed on 12 September 2011
"sqm"	:	Square metre(s)

"TMP"	:	Topmark Petroleum Products Sdn Bhd (578346-W)
"Transada"	:	Transada Chemicals Sdn Bhd (439563-U)
"Underwriting Agreement"	:	Conditional underwriting agreement dated 28 September 2012 between our Company and the Underwriter to underwrite 5,000,000 Public Issue Shares which are made available for application by the Public
"XFH"	:	Xia Fa Hardware Sdn Bhd (583868-W)

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GLOSSARY OF TERMS

To facilitate better understanding of the business of our Group, the following glossary contains an explanation and description of certain terms used in this Prospectus in connection with our Group. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"°C"	:	Degree Celsius, a scale and unit of measurement for temperature
"% m/m"	:	Mass percentage is a unit measurement of the concentration of an element in a compound or a component in a mixture. Mass percentage is calculated as the mass of a component divided by the total mass of the mixture, multiplied by 100%
"% v/v"	:	Volume percentage or volume/volume percentage is a unit measurement of the concentration of a chemical solution, i.e. the amount of solute that is dissolved in a solution
"Acetone"	:	This colorless, mobile, flammable liquid is the simplest example of the ketones. Acetone is miscible with water and serves as an important solvent in its own right. It is used as a volatile component of some paints and varnishes. As a heavy-duty degreaser, it is useful in the preparation of metal prior to painting. It also thins polyester resins, vinyl and adhesives
"Base oil"	:	A finished petroleum lubricant stock that when blended with other materials (additives) produces special purpose products such as engine oils
"Carboy"	:	A rigid container with a typical capacity of 20 litres to 60 litres. Carboys are primarily used for transporting fluids, often water or chemicals. Carboys are usually made of plastic, though traditionally were (and still are in many universal settings) made of ferric glass or other shatter-resistant glasses immune to acid corrosion or halide staining common in older plastic formulations. They are used to store large quantities of liquids, such as solvents or deionised water. In these applications, a tap may be included for dispensing. Carboys are also used to collect and store waste solvents
"Contractor"	:	Any person licensed by the Director General under subsection 18(1A) of the EQA
"cSt"	:	Centistoke is a unit of measurement for kinematic viscosity. The centistoke is the ratio of a liquid's absolute viscosity in centipoise to the density
"Fuel oil"	:	Fuel oil is any liquid petroleum product that is burned in a furnace or boiler for the generation of heat or used in an engine for the generation of power. Fuel oil is primarily used as a burner fuel in numerous industrial and commercial business applications, including the utility industry, the shipping and paper industry, steel mills, tyre manufacturing, schools and food processors
"Integrated operations"	:	Operational business flow which covers every stage in the waste oil recycling business, from collection, storage, treatment and recycling of waste oil to formulation of refined base oil into end products and marketing of products which can be utilised by the end user without further processing

"IPA"	:	Isopropyl alcohol is widely used as a solvent, and as a cleaning fluid for dissolving contaminants
"Prescribed Premises"	:	Sites specifically prescribed by the Environmental Quality (Prescribed Premises) (Scheduled Wastes Treatment and Disposal Facilities) Order 1989
"Scheduled Waste"	:	Waste falling within the 77 categories as defined under the First Schedule of the Environmental Quality (Scheduled Wastes) Regulations 2005, which excludes clinical, chemical, nuclear and radioactive waste
"Toluene"	:	A common solvent, able to dissolve paints, paint thinners, silicone sealants, many chemical reactants, rubber, printing ink, adhesives (glues), lacquers, leather tanners, and disinfectants
"Virgin Oil" or "Virgin Base Oil"	:	Oil or base oil that is not contaminated with other impurities that are not present in its natural or original state
"Waste Generator(s)"	:	Any person who generates Scheduled Waste
"Waste oil"	:	Any petroleum-based or synthetic oil that, through use or handling, has become unsuitable for its original purpose due to the presence of impurities or loss of original properties

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1. INTRODUCTION

This Prospectus is dated 5 November 2012.

A copy of this Prospectus together with the Application Forms has been registered with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms with the ROC. Neither the SC nor the ROC takes any responsibility for their contents.

We have obtained the approval from Bursa Securities on 5 July 2012, for, inter-alia, our admission to the Official List of the ACE Market of Bursa Securities and for the quotation of all our Shares.

Our Shares will be admitted to the Official List of the ACE Market and the official quotation will commence upon receipt of confirmation from the Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been issued and despatched to all successful applicants. Admission to the Official List of the ACE Market shall not be taken as an indication of the merits of our Company, our Shares and/or our IPO.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act 1991, Bursa Securities has prescribed our Shares as a prescribed security. In consequence thereof, the Shares offered through this Prospectus will be deposited with the Bursa Depository and any dealings in these Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act 1991 and the Rules of Bursa Depository. We will not issue share certificates to successful applicants.

Pursuant to the Listing Requirements, at least 25% of the total number of Shares in which listing is sought must be in the hands of public shareholders and a minimum of number of 200 public shareholders holding not less than 100 shares each upon Listing. In the event that the above requirement is not met pursuant to the IPO, we may not be allowed to proceed with our Listing. In such an event, monies paid in respect of all applications will be returned in full without interest and if such monies are not returned within 14 Market Days after we become liable to do so, the provision of subsection 243(2) of the CMSA shall apply accordingly.

Persons submitting applications by way of Application Forms or by way of Electronic Share Application or Internet Share Application must have a CDS account. In the case of an application by way of Application Form, an applicant should state his CDS account in the space provided in the Application Form. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his CDS account number to the Participating Financial Institutions by way of keying in his CDS account number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so. In the case of an application by way of Internet Share Application, the applicant can make an application only if he has a CDS account and an existing account with access to the Internet financial services facilities with the Internet Participating Financial Institutions by way of keying in his CDS account number into the online application form. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application or Internet Share Application.

No person is authorised to give any information or make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by us. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date hereof.

This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for or an offer to sell any IPO Share in any jurisdiction in which such invitation or offer is not authorised or lawful or to any person to whom it is unlawful to make such an invitation or offer. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. The distribution of this Prospectus is subject to Malaysian laws and we take no responsibility for the distribution of this Prospectus outside Malaysia.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinion or reports expressed in this Prospectus. Admission to the Official List of the ACE Market is not to be taken as an indication of the merits of our Company or our Shares.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE IPO AND AN INVESTMENT IN US. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN DOUBT ABOUT THIS PROSPECTUS, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

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2. CORPORATE INFORMATION

BOARD OF DIRECTORS

Name	Designation	Address	Occupation	Nationality
Zulkifly bin Zakaria	Independent Non-Executive Chairman	No. 55, Medan Athinahapan Satu Taman Tun Dr Ismail 60000 Kuala Lumpur	Company Director	Malaysian
Chan Say Hwa	Group Managing Director	No. 28 Jalan Daun Inai 14 Sunway SPK Kepong 52200 Kuala Lumpur	Company Director	Malaysian
Chow Pui Ling	Executive Director	No. 28 Jalan Daun Inai 14 Sunway SPK Kepong 52200 Kuala Lumpur	Company Director	Malaysian
Soo Kit Lin	Non-Independent Non-Executive Director	No. 28 Jalan Daun Inai 14 Sunway SPK Kepong 52200 Kuala Lumpur	Company Director	Malaysian
Wong Kah Ming	Independent Non-Executive Director	22A, Jalan Setia Impian U13/5Q Setia Alam, Seksyen U13 40170 Shah Alam Selangor Darul Ehsan	Company Director	Malaysian
Woo Yew Tim	Independent Non-Executive Director	64, Jalan Hujan Batu 3 Taman Overseas Union 58200 Kuala Lumpur	Accountant	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Zulkifly bin Zakaria	Chairman	Independent Non-Executive Chairman
Wong Kah Ming	Member	Independent Non-Executive Director
Woo Yew Tim	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Wong Kah Ming	Chairman	Independent Non-Executive Director
Zulkifly bin Zakaria	Member	Independent Non-Executive Chairman
Woo Yew Tim	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Woo Yew Tim	Chairman	Independent Non-Executive Director
Zulkifly bin Zakaria	Member	Independent Non-Executive Chairman
Wong Kah Ming	Member	Independent Non-Executive Director

2. CORPORATE INFORMATION *(Cont'd)*

COMPANY SECRETARIES	:	Tan Tong Lang (MAICSA 7045482) Chong Voon Wah (MAICSA 7055003) Suite 10.03, Level 10 The Gardens South Tower Mid Valley City Lingakaran Syed Putra 59200 Kuala Lumpur Tel no.: +603-2279 3080 Fax no.: +603-2279 3090
REGISTERED OFFICE	:	Suite 10.03, Level 10 The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel no.: +603-2279 3080 Fax no.: +603-2279 3090
HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS	:	No. 46, Jalan E 1/2 Taman Ehsan Industrial Park 52100 Kepong Selangor Darul Ehsan Tel no.: +603-6274 2460 Fax no.: +603-6272 2584 Website: www.hiaphuat.com
AUDITORS/REPORTING ACCOUNTANTS	:	UHY (AF-1411) Suite 11.05, Level 11 The Gardens South Tower Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur Tel no.: +603-2279 3088 Fax no.: +603-2279 3099
SOLICITORS FOR THE IPO	:	Jeff Leong, Poon & Wong Advocates & Solicitors B-11-8, Level 11 Megan Avenue II Jalan Yap Kwan Seng 50450 Kuala Lumpur Tel no.: +603-2166 3225 Fax no.: +603-2166 3227
PRINCIPAL BANKERS	:	Alliance Bank Malaysia Berhad Menara Multi-Purpose Capital Square, 8 Jalan Munshi Abdullah 50100 Kuala Lumpur Tel no.: +603-2694 8800 Fax no.: +603-2694 6727 Alliance Islamic Bank Berhad Capital Square, 8 Jalan Munshi Abdullah 50100 Kuala Lumpur Tel no.: +603-2694 8800 Fax no.: +603-2694 6727

2. CORPORATE INFORMATION *(Cont'd)*

PRINCIPAL BANKERS *(Cont'd)*	:	United Overseas Bank (Malaysia) Berhad 1st Floor, Bangunan UOB Medan Pasar, 10-12, Medan Pasar 50050 Kuala Lumpur Tel no.: +603-2772 8000 Fax no.: +603-2072 2791 Standard Chartered Saadiq Berhad Level 33, Menara Standard Chartered, 30, Jalan Sultan Ismail, 50250 Kuala Lumpur Tel no.: +603-2117 7912 Fax no.: +603-2117 7911
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Tel no.: +603-7841 8000 Fax no.: +603-7841 8150
SHARE REGISTRAR	:	Symphony Share Registrars Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Tel no.: +603-7841 8000 Fax no.: +603-7841 8151/8152
INDEPENDENT MARKET RESEARCHER	:	Dun & Bradstreet (D&B) Malaysia Sdn Bhd Suite A-03-07, Level 3 Empire Tower 1, Empire Subang Jalan SS16/1 47500 Subang Jaya Selangor Darul Ehsan Tel no.: +603-5623 5888 Fax no.: +603-5623 5800
ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT	:	Hong Leong Investment Bank Berhad Level 23, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel no.: +603-2168 1168 Fax no.: +603-2164 8880
LISTING SOUGHT	:	ACE Market

3. SUMMARY INFORMATION

THIS IS A SUMMARY OF THE SALIENT INFORMATION IN THE PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE ENTIRE PROSPECTUS CAREFULLY BEFORE YOU DECIDE TO INVEST IN OUR COMPANY.

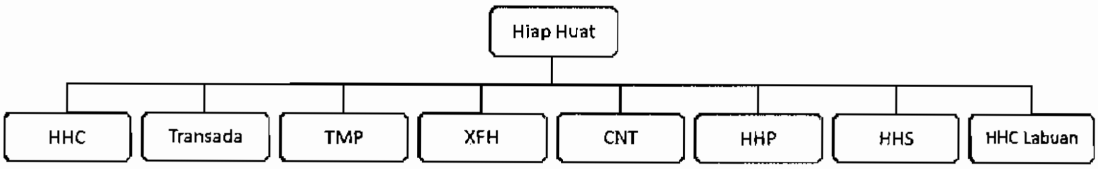
3.1 HISTORY AND BUSINESS

Our Company was incorporated in Malaysia under the Act on 9 December 2009 as a private limited company under the name Hiap Huat Holdings Sdn Bhd. Subsequently on 9 September 2011, we converted our status from a private limited company to a public limited company to facilitate the Listing of our Group on the ACE Market.

Our present authorised share capital is RM50,000,000 comprising 500,000,000 Shares. Our present total issued and paid-up share capital is RM24,830,133 comprising 248,301,330 Shares.

We are a licensed Scheduled Waste recycler, involved in collecting, recycling, re-refining and producing recycled products from waste oil, waste solvents and used drums and containers that we are licensed to collect, treat and process. We specialise in the collection and storage of waste oil, treating and recycling of the waste oil collected, formulation of re-refined base oil into recycled industrial products with commercial values and finally, marketing of our end products. Our oil based and solvent based end products derived mainly from our recycling and recovery process are sold under our own "AF1", "Top Up", "NEKKO", "Cap Rumah" and "Flag" brand names. Our Group's founders, Chan Ban Hin and Soo Kit Lin, together with our Group Managing Director, Chan Say Hwa, have played a pivotal role in steering the growth of our Group, from a simple standalone hardware trader in the 1980s, to become one of Malaysia's integrated waste oil recyclers today.

Our group's corporate structure is depicted below:



Further details on our wholly-owned subsidiaries are set out in Section 6.6 of this Prospectus.

In 1995, our Group through our wholly-owned subsidiary, HHC, became an official licensed Scheduled Waste contractor upon the transfer of the 2 DOE licences awarded by the DOE, Pahang, from HHMT to HHC, enabling the collection, storage and treatment of Scheduled Waste. Subsequently, HHC was also licensed to collect and recycle used oil filters and industrial drums and containers.

Our Group's first venture into the production of recycled end products began with the processing of paint and solvent products from waste materials. Presently, our Group has extended our product range to include recycled oil products, namely recycled fuel oil and recycled lubricant products, and recycled drums and containers.

Our head office is in Taman Ehsan, Kepong, Selangor while our production facilities are located in Bentong, Pahang and Gopeng, Perak. Our third production facility in Pulau Indah, Selangor is expected to be completed and commissioned in the first quarter of 2013.

The principal market for our products and services are the industrial, automotive, and retail establishments in Malaysia. Presently, just about all our revenue is derived from our business operations in Malaysia. We intend to expand our business regionally to countries such as Indonesia, Vietnam, the Philippines and Myanmar which have a growing demand for lubricant products for vehicles and machinery.

Our manufacturing processes are accredited for our quality standards under BS EN ISO 9001. We are also accredited with BS EN ISO 14001 for our EMS that governs all our recycling activities.

Please refer to Section 6 of this Prospectus for further information on our business.

3.2 COMPETITIVE ADVANTAGES

We believe our key competitive advantages are:

(i) Our established track record and reputation in the market place;

(ii) Our strong branding which makes us a recognisable brand name;

(iii) Our investments in technologies;

(iv) Better profit margins as our business model provides us an edge in securing key raw materials;

(v) Reliable environmental solutions provider;

(vi) Integrated operations allows for significant operating leverage;

(vii) Recurring revenue stream from a large, diverse customer base; and

(viii) Strong environmental, health and safety performance in highly regulated industries.

Further details on our competitive advantages are set out in Section 6.16 of this Prospectus.

3.3 OWNERSHIP AND MANAGEMENT

Our Promoters, substantial shareholders, Directors and key management personnel are set out below:

3.3.1 Promoters and substantial shareholders

Name	Designation
Chan Say Hwa	Group Managing Director
Soo Kit Lin	Non-Independent Non-Executive Director
Chan Ban Hin	-

3.3.2 Directors

Name	Designation
Zulkifly bin Zakaria	Independent Non-Executive Chairman
Chan Say Hwa	Group Managing Director
Chow Pui Ling	Executive Director
Soo Kit Lin	Non-Independent Non-Executive Director
Wong Kah Ming	Independent Non-Executive Director
Woo Yew Tim	Independent Non-Executive Director

3.3.3 Key management personnel

Name	Designation
Lilian Au Yong	Financial Controller
Choy Wai Hong	Manager, Human Resource and Administration
Chow How Fai	Manager, Production

Further information on our Promoters, substantial shareholders, Directors and key management personnel and their direct and indirect shareholdings in our Company are set out in Section 8 of this Prospectus.

3.4 PRINCIPAL STATISTICS OF THE IPO

3.4.1 IPO

Our IPO comprises the sale of the Public Issue Shares by our Company and the sale of the Offer Shares by the Offerors under the Offer For Sale.

Please refer to Section 4 of this Prospectus for more particulars of our IPO.

3.4.2 Our share capital

	No. of Shares	RM
Authorised share capital	**500,000,000**	**50,000,000**
Issued and fully paid-up share capital:		
- As at the date of this Prospectus	248,301,330	24,830,133
- To be issued and credited pursuant to the Public Issue	85,000,000	8,500,000
Enlarged issued and fully paid-up share capital upon Listing	**333,301,330**	**33,330,133**

3.4.3 Price per IPO Share **RM0.20**

3.4.4 Market capitalisation upon Listing **RM66,660,266**

3.4.5 Proforma Consolidated NA as at 30 June 2012

Our Group Proforma NA (RM'000) *(After the Public Issue and utilisation of proceeds)*	43,302
Our Group Proforma NA per Share (RM) *(based on our enlarged share capital of 333,301,330 Shares)*	0.13

3.4.6 Classes and ranking

We have only one class of shares, namely ordinary shares of RM0.10 each. The Public Issue Shares will rank pari passu in all respects with our other existing shares including voting rights and will be entitled to all rights and dividends and distribution that may be declared subsequent to the date of allotment.

Please refer to Section **4** of this Prospectus for detailed information of the IPO.

3.5 UTILISATION OF PROCEEDS

The Public Issue is expected to raise gross proceeds of RM17.0 million. The proceeds are expected to be utilised in the following manner:

Purpose	Time frame for utilisation from the date of listing	RM'000
Working capital for our business	2 years	8,200
Capital expenditure	2 years	4,500
Repayment of bank borrowings	1 year	2,000
Estimated listing expenses	1 month	2,300
Gross proceeds		**17,000**

Further details on the utilisation of proceeds are set out in Section 4.7 of this Prospectus.

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3.6 FINANCIAL INFORMATION

3.6.1 Proforma consolidated statements of comprehensive income

The following is a summary of the proforma consolidated statements of comprehensive income of our Group for FYE 2008, FYE 2009, FYE 2010, FYE 2011 and FPE 2012, prepared on the assumption that our Group structure has been in existence throughout the Period under Review.

The proforma consolidated income statements are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Reporting Accountant's Letter on the Proforma Consolidated Financial Information set out in Section 11.9 of this Prospectus.

	<----------	FYE	----------	---------->	<---- FPE	---->
	2008 RM'000	**2009 RM'000**	**2010 RM'000**	**2011 RM'000**	**2011[(1)] RM'000**	**2012 RM'000**
Revenue	49,237	34,060	34,930	40,839	19,884	18,285
Cost of sales	(35,489)	(22,000)	(18,303)	(24,073)	(11,368)	(10,694)
Gross profit	13,748	12,060	16,627	16,766	8,516	7,591
Other operating income	112	227	27	325	23	64
Administration and operating expenses	(10,821)	(9,499)	(9,054)	(8,150)	(3,905)	(3,559)
Finance costs	(371)	(406)	(426)	(562)	(140)	(268)
PBT	2,668	2,382	7,174	8,379	4,494	3,828
Taxation	(718)	(694)	(1,989)	(2,323)	(1,154)	(1,087)
PAT/Total comprehensive income attributable to equity holders of the parent	1,950	1,688	5,185	6,056	3,340	2,741
EBITDA	4,041	3,780	8,918	10,752	5,429	5,108
No. of Shares assumed in issue[(2)] ('000)	248,301	248,301	248,301	248,301	248,301	248,301
Gross profit margin (%)	27.92	35.41	47.60	41.05	42.83	41.52
PBT margin (%)	5.42	6.99	20.54	20.52	22.60	20.94
PAT margin (%)	3.96	4.96	14.84	14.83	16.80	14.99
Gross EPS (sen)[(3)]	1.07	0.96	2.89	3.37	1.81	1.54
Net EPS (sen)[(4)]	0.79	0.68	2.09	2.44	1.34	1.10
Diluted net EPS (sen)[(5)]	0.59	0.51	1.56	1.82	1.00	0.82

Notes:

(1) Unaudited and for comparison purpose only.

(2) Being the number of Shares assumed in issue immediately prior to the Public Issue.

(3) Computed based on the PBT divided by the number of Shares assumed in issue.

(4) Computed based on the PAT divided by the number of Shares assumed in issue.

(5) Computed based on the PAT divided by the enlarged number of Shares after the Public Issue.

3.6.2 Proforma consolidated statement of financial position

The summarised proforma consolidated statement of financial position as at 30 June 2012 set out below have been prepared for illustrative purposes only to show the effects of the Listing Scheme on our audited consolidated statement of financial positions, had the Listing Scheme been implemented and completed on 30 June 2012 and is prepared on the basis consistent with the accounting policies adopted by our Group.

The summarised proforma consolidated statement of financial positions have been extracted from and should be read in conjunction with the accompanying notes and assumptions included in the Reporting Accountant's Letter on the Proforma Consolidated Financial Information set out in Section 11.9 of this Prospectus:

		Proforma	
	Audited as at 30 June 2012 RM'000	**(I) After the Public Issue and Offer for Sale RM'000**	**(II) After Proforma (I) and the utilisation of proceeds RM'000**
ASSETS			
Non-current assets			
Property, plant and equipment	36,577	36,577	41,077
Current assets			
Inventories	6,111	6,111	6,111
Trade receivables	6,636	6,636	6,636
Other receivables	1,944	1,944	1,944
Tax recoverable	344	344	344
Fixed deposits pledged with a licensed bank	431	431	431
Cash and bank balances	1,265	18,265	9,465
	16,731	33,731	24,931
TOTAL ASSETS	53,308	70,308	66,008

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	Audited as at 30 June 2012	< ------------------Proforma (I) After the Public Issue and Offer for Sale	(II) After Proforma (I) and the utilisation of proceeds --------------->
	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	24,830	33,330	33,330
Share premium	-	8,500	7,880
Merger deficit	(9,535)	(9,535)	(9,535)
Retained profit	13,307	13,307	11,627
Total equity	28,602	45,602	43,302
Liabilities			
Non-current liabilities			
Hire purchase payables	3,454	3,454	2,649
Bank borrowings	11,986	11,986	10,791
Deferred taxation	1,205	1,205	1,205
	16,645	16,645	14,645
Current liabilities			
Trade payables	1,658	1,658	1,658
Other payables	1,158	1,158	1,158
Hire purchase payables	1,195	1,195	1,195
Bank borrowings	1,542	1,542	1,542
Tax payable	2,508	2,508	2,508
	8,061	8,061	8,061
Total Liabilities	24,706	24,706	22,706
TOTAL EQUITY AND LIABILITIES	53,308	70,308	66,008
Number of ordinary shares in issue ('000)	248,301	333,301	333,301
NA (RM'000)	28,602	45,602	43,302
NA per share (RM)	0.12	0.14	0.13

Further details on the financial information are set out in Section 11 of this Prospectus.

3.7 SUMMARY OF RISK FACTORS

You should carefully consider the following risk factors (which may not be exhaustive) in addition to the other information contained in this Prospectus before investing in our Shares:

(a) Risks relating to our business and industry:

(i) We are affected by economic, market and political factors that are beyond our control;

(ii) We face competition from other Scheduled Waste contractors in Malaysia;

(iii) We are dependent on licences issued by the DOE for our business operations;

(iv) Fluctuations in prices of raw materials;

(v) An interruption in supply of raw materials may erode our profitability and thus affect our financial performance;

(vi) Experienced Directors, key management personnel and skilled personnel are pivotal to our success;

(vii) Our efforts to penetrate new markets outside of Malaysia may not succeed;

(viii) Breakout of fire, disruption in electricity supply and other unforeseen events may adversely affect us;

(ix) Our business operations may adversely affect the environment;

(x) We face competition from other methods of Scheduled Waste disposal due to cost considerations;

(xi) Non-renewal of working permit of our foreign workers could temporarily disrupt our operations; and

(xii) There is no assurance that our future plans will be commercially successful.

(b) Risks relating to our Shares:

(i) Our Promoters control a significant portion of our Shares which may result in our Promoters being able to influence the outcome of certain matters requiring the vote of shareholders;

(ii) There has been no prior trading market for our Shares and a market for our Shares may not develop;

(iii) Future sale of our Shares could adversely affect our Share price;

(iv) Investment in the capital market exposes the investor to capital market risk;

(v) Unforeseeable events could result in the delay in Listing or the termination of the Listing exercise;

(vi) We are a holding company and, as a result, are dependent on dividends from our subsidiaries to meet our obligations and to provide funds for payment of dividends on our Shares;

(vii) New investors will incur immediate dilution and may experience further dilution;

(viii) Negative publicity may adversely affect our share price; and

(ix) We may issue future securities for additional funding for our future growth which will result in a dilution to our Shareholders.

(c) Other risks

(i) Unfavourable financial and economic developments in Malaysia may have an adverse effect on us; and

(ii) Forward-looking statements may not be reflective of our future prospects.

Further details on the risk factors are set out in Section 5 of this Prospectus.

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4. PARTICULARS OF THE IPO

4.1 OPENING AND CLOSING OF APPLICATION

The Application will open at 10.00 a.m. on 5 November 2012 and will remain open until 5.00 p.m. on 12 November 2012 or for such date or dates as our Board and HLIB at their absolute discretion may jointly decide. Late Applications will not be accepted.

4.2 INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for our entire enlarged issued and paid-up share capital on the ACE Market is set out below:

Event	Indicative date
Opening date of Application for the IPO	5 November 2012
Closing date of Application for the IPO	12 November 2012
Balloting of Applications	16 November 2012
Despatch of Notice of Allotment to successful applicants	23 November 2012
Listing date	26 November 2012

Save for the opening date of the Application for the IPO, these dates are tentative and are subject to changes which may be necessary to facilitate implementation procedures.

Should the closing date of the Applications be extended, the dates for the balloting, allotment and listing of our entire enlarged issued and paid-up share capital on the ACE Market might be extended accordingly. We will notify all parties via an advertisement in a widely circulated English and Bahasa Malaysia newspaper in Malaysia in the event there is an extension of time on the closing date of the Applications.

4.3 DETAILS OF THE IPO

4.3.1 Public Issue

The 85,000,000 Public Issue Shares, representing approximately 25.50% of our enlarged issued and paid-up share capital, issued at the Issue Price are payable in full upon application, is subject to the terms and conditions of this Prospectus and will be offered in the following manner:

(a) Public

5,000,000 Public Issue Shares, representing approximately 1.50% of our enlarged issued and paid-up share capital, will be offered to the Public, companies, societies, co-operatives and institutions by way of balloting.

(b) Selected investors by way of private placement

80,000,000 Public Issue Shares, representing approximately 24.00% of our enlarged issued and paid-up share capital, will be made available for application by way of private placement to selected investors.

The Public Issue Shares will increase our issued and paid up capital from 248,301,330 Shares to 333,301,330 Shares.

There is no minimum subscription to be raised from the Public Issue.

All the 5,000,000 Public Issue Shares available for application by the Public in respect of Section 4.3.1(a) of this Prospectus have been fully underwritten by the Underwriter.

All the 80,000,000 Public Issue Shares available for application by way of private placement to selected investors in respect of Sections 4.3.1(b) of this Prospectus are not underwritten. Irrevocable undertakings have been obtained from investors to subscribe for the IPO Shares available under the private placement. The amount of IPO Shares will not be increased via any over-allotment or "greenshoe" option.

Any Public Issue Shares not subscribed for under Section 4.3.1(a) of this Prospectus will be made available for application by way of private placement to selected investors. Thereafter, any remaining re-offered Public Issue Shares that are not subscribed for under Section 4.3.1(a) of this Prospectus will then be subscribed by our Underwriter based on the terms and conditions of the Underwriting Agreement. Please refer to Section 4.10 of this Prospectus for the salient terms of the Underwriting Agreement.

4.3.2 Offer For Sale

The Offer For Sale of up to 50,000,000 Shares representing up to approximately 15.00% of our enlarged issued and paid-up share capital, at the Offer Price will be made available for application by way of private placement to selected investors. The Offer Shares shall be subject to the terms and conditions of this Prospectus.

The details and breakdown of the Offer Shares offered by the respective Offerors are as follows:

Offerors (Address)	Before the IPO		Offer Shares			After the IPO	
	No. of Shares	%	No. of Offer Shares offered	% of existing issued share capital	% of enlarged issued share capital	No. of Shares	%
Chan Say Hwa (No. 28 Jalan Daun Inai 14, Sunway SPK Kepong, 52200 Kuala Lumpur)	86,905,460	35.00	17,500,000	7.05	5.25	69,405,460	20.82
Soo Kit Lin (No. 28 Jalan Daun Inai 14, Sunway SPK Kepong, 52200 Kuala Lumpur)	86,905,460	35.00	17,500,000	7.05	5.25	69,405,460	20.82
Chan Ban Hin (A10-03, Casa Magna Apartment, No. 2, Jln Prima 10, Metro Prima, Kepong, 52100 Kuala Lumpur)	74,490,410	30.00	15,000,000	6.04	4.50	59,490,410	17.85

Further details on Chan Say Hwa, Soo Kit Lin and Chan Ban Hin, who are also the substantial shareholders and Promoters of Hiap Huat, are disclosed in Section 8.1 of this Prospectus.

All the 50,000,000 Offer Shares made available for application by way of private placement to selected investors are not underwritten.

Any Offer Shares not fully subscribed for by selected investors shall be made available for application by other selected investors. Thereafter, any remaining re-offered Offer Shares that are not subscribed shall be made available for application by the Public. Should the Offer Shares be thereafter undersubscribed, the Offerors will retain the unsubscribed Offer Shares.

4.4 SHARE CAPITAL

	No. of Shares	RM
Authorised	500,000,000	50,000,000
Existing issued and fully paid-up	248,301,330	24,830,133
New shares to be issued as fully paid-up pursuant to the Public Issue	85,000,000	8,500,000
Enlarged issued and paid-up share capital upon Listing	333,301,330	33,330,133

Our market capitalisation upon Listing, based on the Issue Price and our enlarged issued and paid-up share capital of 333,301,330 Shares amounts to RM66,660,266.

As at the date of this Prospectus, we have only 1 class of shares in Hiap Huat, namely ordinary shares of RM0.10 each. The Public Issue Shares will rank pari passu in all respects with our other existing issued and fully paid-up ordinary shares, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment.

Subject to any special rights attached to any shares which may be issued by our Company in the future, the holders of ordinary shares in our Company shall, in proportion to the amount paid-up on the ordinary shares held by them, be entitled to share in the whole of the profits paid out by our Company as dividends and other distributions. In respect of the whole of any surplus in the event of winding up of our Company, such surplus shall be distributed among our members in proportion to the paid-up capital at the commencement of the winding up, in accordance with the Articles of Association of our Company.

At any general meeting of our Company, each shareholder shall be entitled to vote in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have 1 vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may, but need not be, a member of our Company.

4.5 PURPOSE OF THE IPO

The purposes of the IPO are as follows:

(a) to obtain listing of and quotation for our entire enlarged issued and paid-up share capital on the ACE Market;

(b) to accord our Company with the potential benefits of having our Shares traded on a public market but within regulatory environment designed specifically for smaller, growth companies such as Hiap Huat. Potential benefits include higher visibility and exposure of our Group to potential customers, suppliers and the investing public;

(c) to enable us to gain access to the capital markets for funds for future expansion and growth, which provides flexibility to our Group in our choice of financing alternatives;

(d) to further enhance our corporate reputation and assist our Group in expanding our customer base in Malaysia; and

(e) to provide an opportunity for Malaysian and foreign investors and institutions to participate in our continuing growth by way of equity participation.

4.6 BASIS OF ARRIVING AT THE IPO PRICE

The IPO Price was determined and agreed upon by us and HLIB as the Adviser, Sponsor, Underwriter and Placement Agent, based on various factors after taking into account, inter-alia the following factors:

(a) our Group's operating and financial history as outlined in Sections 6.1 and 11.1 respectively of this Prospectus. Based on the annualised PAT of our consolidated audited financial statements for the FPE 2012 and enlarged issued and paid-up share capital upon Listing of 333,301,330 Shares, our Group's net EPS is 1.64 sen which translates into a net PE Multiple of 12.16 times;

(b) the overview and prospects of the industry in which our Group operates in terms of:

- The overview and growth potential of the oil recycling industry in Malaysia;
- The demand for cheaper oil and oil product alternatives in view of the rising oil prices;
- The growth of the Malaysian economy; and
- The promotion of green initiatives and adoption of green practices by the government.

Further details on the overview and prospects of the industry in which our Group operates are outlined in Section 7 of this Prospectus;

(c) our future plans and strategies, which may improve our future financial performance, in terms of:

- Expanding and reinforcing our supply chain;
- Increase permitted treatment capacities;
- Market expansion;
- Increase focus on products with higher margins; and
- Strategic expansion to increase outreach to customers and suppliers.

Further details of our future plans and strategies are as outlined in Section 6.27 of this Prospectus; and

(d) based on the latest audited consolidated NA as at 30 June 2012 of RM28.60 million, the consolidated NA per Share is RM0.12 and the proforma consolidated NA per Share is RM0.13 (based on after the Public Issue and utilisation of proceeds and our enlarged issued and paid-up share capital of 333,301,330 Shares).

However, you should also note that the market price of Hiap Huat Shares upon Listing is subject to the uncertainties of market forces and other factors, which may affect the price of Hiap Huat Shares being traded. You should form your own views on the valuation of the Public Issue Shares before deciding to invest in our Shares.

4.7 UTILISATION OF PROCEEDS

(a) Proceeds from the Public Issue

The Public Issue is expected to raise gross proceeds of RM17.0 million for our Group, which shall be utilised in the following manner:

Purpose	Time frame for utilisation from the date of listing	Note	RM'000
Working capital	2 years	(i)	8,200
Capital expenditure	2 years	(ii)	4,500
Repayment of bank borrowings	1 year	(iii)	2,000
Estimated listing expenses	1 month	(iv)	2,300
Gross proceeds			**17,000**

Pending the utilisation of proceeds arising from the Public Issue, the proceeds will be placed in interest-bearing accounts, money market instruments and/or deposits.

The proceeds raised are sufficient to fund all the proposed capital expenditure, repayment of bank borrowings and estimated listing expenses and any excess is expected to be used toward working capital requirements of our Group.

Notes:

(i) *A total of RM8.2 million from the proceeds of the Public Issue will be allocated for working capital to finance our day-to-day operations which include the procurement of raw materials and supplies and operating expenses as detailed below:*

Description of working capital	***Estimated amount RM'000***
Procurement of raw materials and supplies	*1,500*
Operating expenses	*6,700*
	8,200

(ii) *In line with our plans to expand our production capacity in the near future, we have budgeted approximately RM4.5 million from the proceeds of the Public Issue for the purposes of capital expenditure which may include but is not limited to the following indicative breakdown:*

Description of capital expenditure	***Estimated amount RM'000***
Spinning Cone Column Stripping system	*3,500*
Building renovation	*1,000*
	4,500

The Spinning Cone Column Stripping system will be installed at our new processing plant at Pulau Indah, Selangor while the building renovation is intended for the newly acquired factory premises neighbouring our current production facility at Bentong, Pahang.

(iii) *In support of our day-to-day operations, we have obtained bank borrowings in the form of term loans and hire purchase financing. These borrowings were undertaken to finance the expansion of our production facilities at Bentong, Pahang which consists of the acquisition of 3 factory premises and the purchase of machinery.*

We intend to utilise RM2.0 million from the proceeds of the Public Issue to repay some of our outstanding bank borrowings, the details of which are set out below:

Lender	*United Overseas Bank (Malaysia) Berhad*			*Standard Chartered Saadiq Berhad*
Type of borrowing	*Term loan*	*Term loan*	*Term loan*	*Hire purchase*
Facility amount	*RM585,000*	*RM580,000*	*RM570,000*	*RM3,162,476*
Outstanding balance as at the LPD	*RM510,833*	*RM506,341*	*RM497,607*	*RM2,064,726*
Interest rate	*BLR + 0.20%*	*BLR + 0.20%*	*BLR + 0.20%*	*3.00%*
Terms of repayment	*180 instalments commencing from 5 January 2009*	*180 instalments commencing from 5 January 2009*	*180 instalments commencing from 5 January 2009*	*60 instalments commencing from 30 June 2011*
Purpose of borrowings	*To finance the acquisition of Lot No. A-2, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang*	*To finance the acquisition of Lot No. A-3, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang*	*To finance the acquisition of Lot No. A-4, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang*	*To finance the purchase of a base oil evaporation system*
Amount to be settled using the proceeds from the Public Issue	*RM403,000*	*RM399,557*	*RM392,667*	*RM804,776*

At the prevailing interest rates, we expect to enjoy interest savings of approximately RM117,969 per annum from these repayment of our bank borrowings.

(iv) *The estimated listing expenses incidental to our Listing are as follows:*

	RM'000
Professional fees	*1,600*
Fees to the authorities	*69*
Underwriting commission, brokerage and placement fees	*210*
Miscellaneous and contingencies	*421*
Total	***2,300***

Any variation to the estimated listing expenses will result in an adjustment to our working capital.

Our Company will bear the expenses for the Public Issue comprising underwriting commissions, placement fees, brokerage, registration fees, professional fees, authorities' fees, advertising fees and other fees incidental to the Listing which is estimated at RM2.3 million.

(b) Financial impact from the utilisation of proceeds

Our utilisation of the proceeds from the Public Issue is expected to enhance our Company's capital structure. We will have the flexibility to invest in new machineries and our future plans by tapping on equity capital markets, rather than relying solely on bank borrowings and internally-generated funds.

4.8 DILUTION

Dilution is computed as the difference between the IPO Price paid by the applicants for our IPO Shares and the proforma consolidated NA per Share of our Group immediately after the Listing.

The following table illustrates such dilution on a per Share basis:

	RM
IPO Price	0.20
Proforma consolidated NA per Share as at 30 June 2012	0.12
Increase in proforma consolidated NA per Share attributable to the existing shareholders	0.01
Proforma consolidated NA per Share after the IPO and proposed utilisation of proceeds	0.13
Dilution in proforma consolidated NA per Share to new investors	0.07
Dilution in proforma consolidated NA per Share to new investors as a percentage of the Issue Price	35.0%

The following table summarises the total number of Shares held by our Promoters from the cost per Share to them and to the new public investors who subscribe for/or purchase the IPO Shares pursuant to the Public Issue and Offer For Sale:

	Number of Shares held/subscribed	Total consideration RM	Cost per Share RM
Chan Say Hwa	86,905,460	5,190,546	0.06
Soo Kit Lin	86,905,460	5,190,546	0.06
Chan Ban Hin	74,490,410	4,449,041	0.06
Public investors	135,000,000	27,000,000	0.20

Apart from the above and the transfer of 1 subscriber share from Chow Pui Ling to Chan Ban Hin, there is no other acquisition of any existing Shares by our Directors/ substantial shareholders/key management personnel/persons connected with them, or in which they have the right to acquire, since the incorporation of Hiap Huat.

4.9 UNDERWRITING COMMISSION, BROKERAGE AND PLACEMENT FEE

The Underwriter, has entered into an Underwriting Agreement on 28 September 2012 with our Company for the underwriting of up to 5,000,000 Public Issue Shares, which are available for application by the Public ("**Underwritten Shares**") subject to the clawback and reallocation provision. We will pay an underwriting commission in respect to the Underwritten Shares at the rate of 3.00% of the Issue Price.

We will pay the brokerage at the rate of 1.00% on the Issue Price in respect of successful applications bearing the stamp of HLIB, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or Issuing House.

We will pay a placement commission at the rate of up to 3.00% of the value of the 80,000,000 Public Issue Shares and up to 50,000,000 Offer Shares that have been successfully placed out by HLIB based on the IPO Price to placees identified by the Placement Agent or any such parties as may be ascertained by the Company.

The Placement Fee to be incurred on the sale of the Public Issue Shares will be borne by us, and on the Offer Shares will be fully borne by our Offerors.

4.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The following are extracts of some of the salient terms contained in the Underwriting Agreement entered into between our Company and the Underwriter, including terms which allow the Underwriter to withdraw from the underwriting obligation after the opening of the Public Issue. The capitalised terms and numbering references used in this section shall have the respective meanings and numbering references as ascribed thereto in the Underwriting Agreement:

Clawback and Reallocation

(i) **Clause 2.2**

"The Underwriting Commitment shall be subject to the clawback and reallocation as follows -

If there is an under-application in the Public Offer Shares and there is a corresponding over-application in the Private Placement Shares, the Public Offer Shares portion of the Issue Shares may be clawed back and be reallocated to the Private Placement Shares portion, and the obligation of the Sole Underwriter to underwrite the Underwritten Shares shall be reduced accordingly, but without diminishing in any manner the Sole Underwriter's entitlement to the Underwriting Commission."

Condition Precedents

(i) **Clause 2.4**

"The obligations of the Sole Underwriter under this Agreement are conditional upon:-

2.4.1 this Agreement having been duly executed by all the Parties hereto and duly stamped;

2.4.2 *there having been on or prior to the Closing Date, neither any material adverse change nor any development reasonably likely to result in any Material Adverse Effect on the HHH Group, which is material in the context of the Initial Public Offering from that set forth in the Prospectus, nor the occurrence of any event or the discovery of any fact which is inaccurate, untrue or incorrect to any extent which is or will be material in the reasonable opinion of the Sole Underwriter, which makes any of the representations and warranties contained in Clause 3 untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained in Clause 3;*

2.4.3 *the delivery to the Sole Underwriter:-*

2.4.3.1 *prior to the date of the registration of the Prospectus, a copy certified as a true copy by an authorised officer of the Company of all the resolutions of the Directors and the shareholders in general meeting approving this Agreement, the Prospectus, the Initial Public Offering and authorising the execution of this Agreement and the issuance of the Prospectus; and*

2.4.3.2 *a certificate, in the form or substantially in the form contained in the SECOND SCHEDULE, dated the date of the Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 2.4.2.*

2.4.4 *the Prospectus being in the form and substance satisfactory to the Sole Underwriter;*

2.4.5 *the delivery to the Sole Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the Directors of the Company as the Sole Underwriter may reasonably require to ascertain that there is no Material Adverse Effect on the HHH Group subsequent to the date of this Agreement;*

2.4.6 *the Sole Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 12;*

2.4.7 *the Initial Public Offering not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;*

2.4.8 *the Company having complied and that the Initial Public Offering is in compliance with the policies, guidelines and requirements of the SC and/or Bursa Securities and all revisions, amendments and/or supplements thereto;*

2.4.9 *the Company having complied with all the conditions which are required to be complied with prior to the issuance of the Prospectus or the Closing Date imposed by the SC and/or Bursa Securities in respect of the Initial Public Offering and the Company's proposed listing on the ACE Market of Bursa Securities;*

2.4.10 *the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the CMSA in relation to the Initial Public Offering and the lodgement of the Prospectus with the CCM pursuant to Section 234 of the CMSA together with documents as may be required in accordance with the CSMA on or before its release under the Initial Public Offering;*

2.4.11 *the Bursa Securities has agreed and approved in principle on or prior to the Closing Date the admission of the Company to the Official List of Bursa Securities and the listing and quotation of the entire enlarged issued and paid-up share capital of the Company of RM33,330,133, which comprises of 333,301,330 Shares, on the ACE Market of Bursa Securities and the SC (as the case may be) having approved the Prospectus and if such approvals shall be conditional, all conditions thereto being in terms acceptable to the Sole Underwriter on or prior to the Closing Date being reasonably satisfied and such approval is in full force and effect and not being withdrawn, revoked, suspended, terminated or lapsed and that such listing and quotation shall be granted two (2) clear Market Days after the submission to Bursa Securities of the relevant documents including the confirmation from the Bursa Depository confirming that the Securities Accounts of all successful applicants have been duly credited and the confirmation from the Issuing House has confirmed that the notices of allotment have been despatched to entitled holders;*

2.4.12 *the Prospectus having been issued within one (1) month of the date hereof or within such extended period as may be determined by the Sole Underwriter in writing;*

2.4.13 *the issuance of the Issue Shares having been approved by the SC, Bursa Securities and any other relevant authorities and the shareholders of the Company in a general meeting and such authorisations is in full force and effect and have not been withdrawn, revoked, suspended, terminated or lapsed; and*

2.4.14 *all necessary approvals, authorisations and consents required in relation to the Initial Public Offering including but not limited to governmental approvals having been obtained and are in full force and effect and that all conditions to the approvals (except for any which can only be complied after the Initial Public Offering) has been complied and fulfilled."*

(ii) **Clause 2.5**

"If any of the conditions set out in Clause 2.4 above is not satisfied by the Closing Date or such later date as mutually agreed by the Parties in writing, the Sole Underwriter shall thereupon be entitled to terminate this Agreement and in that event, except for the liability of the Company to pay the Sole Underwriter for the Broken Funding Cost, the payment of costs and expenses as provided in Clause 12 incurred prior to the termination and any claims pursuant to 3.2, there shall be no further claims by the Sole Underwriter against the Company, and the Parties shall be released and discharged from their respective obligations hereunder PROVIDED THAT the Sole Underwriter may at its discretion with respect to its obligations waive compliance with any of the provisions of Clause 2.4 without prejudice to its other powers, rights and remedies under this Agreement. Any condition so waived by the Sole Underwriter in writing shall be deemed to have been satisfied in relation to it. For avoidance of doubt, there is no waiver from compliance with any provision of Clause 2.4 unless such waiver is expressed in writing and signed by the Sole Underwriter."

Termination

(i) **Clause 8.1**

"8.1 Notwithstanding any provisions herein, the Sole Underwriter may by notice in writing to the Company given at any time before the Listing Date, terminate, cancel or withdraw its commitment to underwrite the Underwritten Shares if:-

8.1.1 *there is any breach by the Company of any of the representations, warranties or undertakings set out in this Agreement in any respect, or in the case of any warranties or representations or undertakings which are not qualified by any materiality requirements, in any material respect; and in either event, where such misrepresentation or breach is capable of remedy, the same not being remedied within five (5) Market Days, but in any event no later than the Closing Date from the provision of a written notice to the Company or the Selling Shareholder, as the case may be, by the Underwriters;*

8.1.2 *there is withholding of material information which is required to be disclosed to the Sole Underwriter, which is required to be disclosed pursuant to this Agreement or in the reasonable opinion of the Sole Underwriter is likely to have a Material Adverse Effect, and if capable of remedy, is not remedied within such number of days as stipulated by the Sole Underwriter in writing to the Company or as stipulated in the notice informing the Company of such breach which, in the opinion of the Sole Underwriter, would have or can reasonably be expected to have, a Material Adverse Effect on the business or operations of the Group, the success of the Initial Public Offering, or the distribution or sale of the Issue Shares;*

8.1.3 *there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Sole Underwriter by reason of Force Majeure which would have or can reasonably be expected to have, a Material Adverse Effect on the business, operations, financial condition or prospects of the HHH Group or the success of the Initial Public Offering or which is reasonably likely to have the effect of making any material obligation under this Agreement incapable of performance in accordance with its terms or the Company or any of the Group Companies shall sustain any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labour disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority, in each case, that has had or could reasonably be expected to have a Material Adverse Effect. "Force Majeure" means causes which are unpredictable and beyond the reasonable control of the Party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to:*

(i) *war, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war or commotion, hijacking, terrorism;*

(ii) *riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance to the government, insurrection, revolt, military or usurped power; or*

(iii) *natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning, tempest, explosions, accident, epidemics or other Acts of God;*

8.1.4 *any government requisition or other occurrence of any nature whatsoever which is reasonably likely to have a Material Adverse Effect;*

8.1.5 any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), economic conditions or exchange control or currency exchange rates which in the reasonable opinion of the Sole Underwriter is likely to have a Material Adverse Effect (whether in respect of dealings in the Main or ACE Market of Bursa Securities). For the avoidance of doubt, if the FTSE Bursa Malaysia KLCI ("Index") is, at the close of normal trading on Bursa Securities on any Market Day:

(i) on or after the date of this Agreement; and

(ii) prior to the Listing Date,

lower than 85%, of the level of index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of this Agreement and remains at or below that level for at least five (5) consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;

8.1.6 trading of all securities on Bursa Securities has been suspended or other material form of general restriction in trading for three (3) consecutive Market Days or more;

8.1.7 any new law or regulation or change in law, regulation, directive, policy or ruling in any applicable jurisdiction is reasonably likely to prejudice the success of the Listing or which is reasonably likely to have the effect of making any obligation under this Agreement incapable of performance in accordance with its terms;

8.1.8 the Initial Public Offering is stopped by the Company or the regulatory authorities for any reason whatsoever; or

8.1.9 the Listing does not take place on or before 31 December 2012 or within three (3) Market Days after the Settlement Date, whichever is earlier, or such other extended date as may be agreed by the Sole Underwriter."

(ii) **Clause 8.2**

"Upon such notice of termination being given under Clause 8.1 herein, the Sole Underwriter will be released and discharged of its obligations without prejudice to its rights under this Agreement and this Agreement will thereafter be of no further force or effect and no Party will be under any liability to any other in respect of this Agreement, except that the Company will remain liable in respect of their obligations and liabilities under Clause 3 herein and the Sole Underwriter is entitled to claim together with all costs and expenses already incurred by the Sole Underwriter up to the date on which such notice was given, including but not limited to those incurred in the event the Closing Date is extended, and for the payment of any taxes, duties or levies to be borne by the Company pursuant to applicable laws no later than seven (7) days after the Company's receipt of the termination notice from the Sole Underwriter."

5. RISK FACTORS

You should evaluate and consider carefully, along with other matters in this Prospectus, the risks (which may not be exhaustive) below. Additional risks, whether known or unknown, may in the future have a material adverse effect on us or our Shares.

5.1 RISKS RELATING TO OUR BUSINESS AND INDUSTRY

5.1.1 We are affected by economic, market and political factors that are beyond our control

We are not insulated from general business risks as well as certain risks inherent in the industry in which we operate. Some of the business risks which may affect us are a general downturn in the global, regional and national economy, specifically, the Malaysian economy, the entry of new players in the oil recycling industry, constraints in labour supply and increase in labour costs, changes in law and tax legislation affecting the industry, changes in business and credit conditions and changes in technology.

Any adverse development in the political situation and economic uncertainty in Malaysia and/or other countries which we have business links, directly or indirectly could materially and adversely affect our financial performance. These include risks of war, global economic downturn, expropriation, nationalisation, unfavourable change in government policy and regulations such as foreign exchange rates and methods of taxation and currency exchange controls.

We seek to mitigate these business risks through, amongst others, prudent management policies, upgrading our processes and keeping abreast with new technologies in waste management services, maintaining good business relationships with our customers and suppliers, expanding of our client and supplier base, careful contractual terms and effective human resource management. However, no assurance can be given that changes in any of the abovementioned business risks will not have a material adverse effect on our business.

5.1.2 We face competition from other Scheduled Waste contractors in Malaysia

As at the LPD, there are approximately 39 Scheduled Waste contractors in Malaysia licenced by the DOE to be involved in activities related to waste oil recovery. As reported in the IMR Report, out of these 39 Scheduled Waste contractors, only 28 are active players in the waste oil recycling business. There is no assurance that the DOE will not issue new licenses in the future to other Scheduled Waste contractors to treat waste oil in the future, thereby posing more competition to us.

As an integrated waste oil recycler, apart from recycling the waste oil we are permitted to collect and treat, we are also able to process and produce recycled oil products with commercial values under our own proprietary brand names.

In addition, we maintain or increase our competitive edge by keeping abreast with technological advancements so as to enhance our ability to innovate, develop and introduce new and improved products on a timely basis, providing our clients with, customised and cost-effective solutions to address their waste management needs and commitment to provide quality products and services to our clients. However, no assurances can be given that competition from potential new entrants to the industry will not have a material adverse effect on our business.

5.1.3 We are dependent on licences issued by the DOE for our business operations

The core business of HHC and Transada is dependent on the Off Site Scheduled Waste Recovery Facility licence and Off Site Storage Facility licence for the purposes of collection, transfer and transportation of Scheduled Waste issued by the DOE to handle certain Scheduled Waste containing principally organic constituents which may contain metals and inorganic materials, i.e. SW3 category as classified by the DOE (Please refer to Section 6.7 of this Prospectus for further details on the Scheduled Waste categories we are licensed to handle). These licences have to be renewed annually. There is a risk that HHC and Transada may not be issued the renewal licences in the event HHC and Transada are not able to meet the requirements as set out by the DOE or if there are any changes in government policies and regulations. Furthermore, the abovementioned licences allow HHC and Transada to treat and transport a specific volume of Scheduled Waste. HHC and Transada would be required to apply for new licences for a higher volume of Scheduled Waste should there be an increase in the demand for its services beyond the maximum volume specified in the said licences.

In the event that HHC and Transada are not able to procure licences to treat and transport a higher volume of Scheduled Waste, HHC and Transada will not be able to meet the increased demand for its services.

HHC and Transada have been able to renew its licences annually in the past. Further, since HHC and Transada were awarded the licences, there has not been any incident or complaint against HHC or Transada or non-compliance by HHC or Transada under the EQA, save for an incident where HHC pleaded guilty and paid a penalty of RM30,000 on 9 August 2011 for an offence under Section 18(1) of the EQA for storing Scheduled Waste categorised as SW409 in the First Schedule of the Environmental Quality (Scheduled Wastes) Regulations 2005 in their head office at Kepong without licence from the DOE. Our Group took the aforementioned transgression (which was due to negligence on the part of a truck driver who temporarily unloaded a batch of used drums which are classified as Scheduled Waste SW409 at our Kepong premises without obtaining prior approval from our management before sending the truck for repairs due to a mechanical malfunction) seriously and had taken corrective actions which included analysing the root cause of the transgression and the resulting conclusion has been used to improve its EMS and its standard operating procedures so as to ensure compliance with the conditions of its licences to ensure similar events will not occur in the future.

To ensure that HHC and Transada continue to have its licences renewed by the DOE, HHC and Transada will actively and continuously stay abreast with regulatory requirements and best industry practices, and ensure prudent quality control.

5.1.4 Fluctuations in prices of raw materials

Our total cost of raw materials accounted for 87.81%, 80.03%, 74.81%, 70.13% and 62.63% of our total cost of sales for the past 4 financial years up to FYE 2011 and the FPE 2012 respectively. Our products depend on obtaining adequate supply of raw materials at competitive prices for our production needs. The major component of our raw materials is waste oil. Due to the positive correlation of recycled oil and virgin oil, the price of waste oil is, amongst others, subject to fluctuations in commodity prices of virgin oil, global economic conditions and demand from the end-user industries. Please refer to Section 11.2.3 of this Prospectus for further details on the fluctuations in oil prices and Section 11.2.2 of this Prospectus for more information on the effects of the fluctuations in oil prices on our financial performance.

Nevertheless, our Board believes that the risk of fluctuations in prices of waste oil is mitigated by the following:

(i) the impact of the price movement of waste oil is manageable as the cost of the waste oil is generally imputed in the selling price of our products; and

(ii) our management constantly monitors the market trend of commodity prices and plan our purchases of waste oil accordingly.

5.1.5 An interruption in supply of raw materials may erode our profitability and thus affect our financial performance

Our supplies primarily consist of Scheduled Waste, in particular waste oils and solvents, and in the past we have not experienced any significant shortages in waste oils and solvents supply. Should there be any such shortages in supply, our production utilisation rates and operations may be affected significantly and could potentially have a material adverse impact on our financial performance.

However, the risk of shortages in waste oils and solvents supply is mitigated due to our established, extensive and diverse supplier base comprising 2,353 suppliers as at the LPD. These are industrial and commercial establishments, which include automotive assembly plants and automotive workshops, as well as those from the oil and gas, marine, paint manufacturing and printing industries. Please refer to Section 6.9 of this Prospectus for information on the availability of our principal raw materials.

5.1.6 Experienced Directors, key management personnel and skilled personnel are pivotal to our success

We believe that our continued success will depend, to a significant extent, upon the continued employment and performance of our Executive Directors, key management personnel and skilled personnel. Further, due to the specialised and technical nature of the industry, we are also dependent on our key staff who possesses the relevant technical knowledge such as our chemical engineers. The loss of any of our key Directors and members of our senior management team could adversely affect our continued ability to manage our operations effectively and competitively.

Our Directors recognise the importance of our ability to attract and retain our key management personnel and have put in place a human resource strategy. This human resource strategy includes suitable compensation packages and a human resource training and development programme for all supporting employees in all key functions of our operations. We have made continuous efforts to strategically develop a dynamic and strong management team and groom the younger members of the management team in assisting our key personnel to operate and manage our operations. Further, all technical formulaes and procedures are well documented and as such, the loss of any key personnel is not expected to cause any major disruption to our operations.

5.1.7 Our efforts to penetrate new markets outside of Malaysia may not succeed

We intend to establish our presence in new locations outside Malaysia to market our products and services (Please refer to Section 6.27.3 of this Prospectus for further details on the targeted new locations). We will devote adequate financial resources and personnel to set up an overseas network and to create awareness of our range of products and services.

However, there can be no assurance that the new market will generate sufficient revenues to be profitable. Furthermore such future expansion could expose us to foreign, economic, political, legislative and other risks. Any failure to accurately assess these issues could affect our business, financial condition and operating results. In order to minimise such risks, we will conduct market feasibility studies on the respective market before any significant investment is made and will seek strategic partners in those potential markets. We will exercise prudent spending policies and careful planning to ensure that we do not over-expand our business.

5.1.8 Breakout of fire, disruption in electricity supply and other unforeseen events may adversely affect us

Our operations are also exposed to certain emergency risks such as fire, flood, disruption of electricity supply and other unforeseen events. Such risks may cause significant loss and interruption to our business. We have taken various steps to reduce such risks by installing fire fighting systems such as fire hydrants, hose reels, fire extinguishers and smoke alarms. We also made arrangements with the Fire Department and St. John's Ambulance to conduct annual training for all employees of the Group in respect of methods of handling fire fighting equipment and proper procedures to be carried out should fire occur in our factories.

Notwithstanding the above, there is no assurance that the emergency risks will not occur and will not adversely affect our assets and business operations. We also have not in the past been faced with such events which resulted in the disruption of our business operations or adversely affected our assets.

Our Directors believe that we are presently adequately insured against unforeseen events such as fire and lightning, flood, malicious damage, theft and burglary. We review and ensure adequate coverage for our assets on a continuous basis. Although we have taken the necessary steps to insure our assets adequately, there can be no assurance that the insurance coverage would be adequate for the replacement cost of our assets or any consequential loss arising from the damage or loss of our assets.

5.1.9 Our business operations may adversely affect the environment

Scheduled Waste disposal using the recycling method is a process that produces pollutants of its own. These pollutants must then be disposed of as hazardous waste. The recycling of Scheduled Waste can adversely affect the environment if pollutants produced are not disposed of adequately.

We regard compliance with applicable environmental regulations and the health and safety of our workforce and communities we serve as critical components of our overall operations (Please refer to Section 6.18 of this Prospectus for further information on our compliance initiatives). In addition, we have endeavoured to ensure that our recycling methods produce minimal pollutants. The recycling of materials such as drums/containers soiled with contaminants such as grease, inks and solvents, uses mainly solvents. The contaminated solvents used in the flushing of the drums/containers are recycled at our solvent recycling unit.

Discharge and effluents generated from the waste oil and waste solvent recycling process are treated on-site, using a wastewater treatment system which filters and 'polishes' the wastewater. The treated water is then tested for fitness for reuse as recovered water for industrial usage. Residues from the various recycling processes that have little or no economic value are then treated and sent to Kualiti Alam for final disposal.

Any breach or non-compliance of the environmental laws and regulations by us to which we are subject to may lead to penalties being imposed on us and/or the revocation or suspension of the licences issued to us by the relevant authorities which would materially and adversely affect some or all of our business activities. There can be no assurance that we will not incur significant costs and liabilities in the future or that changes in environmental laws, regulations and enforcement policies will not result in a substantial increase in our costs and liabilities in the future. Higher regulatory, environmental and/or other relevant costs would reduce our profit margins and earnings.

Thus far we have been complying with the environmental laws and regulations. Notwithstanding the above, like other Scheduled Waste contractors, there is no assurance that accidents or spillages resulting in the contamination of the environment will not occur. Occurrences of such accidents or spillages may incur additional costs to our Group's business operations. To this end, we have in place emergency response procedures to address such incidences and are presently insured against the cleaning-up costs, bodily injury and property damage resulting from such pollution incidents. Although we have taken the necessary steps to insure our business operations, there can be no assurance that the insurance coverage would be adequate to cover the clean-up cost of the affected area or any consequential loss arising from the damage of assets.

5.1.10 We face competition from other methods of Scheduled Waste disposal due to cost considerations

The loss and degradation of our natural resources and the threat to human health are powerful incentives to reduce and recycle our waste. In reality, however, communities faced with competing demands on their budget must justify expenditures through cost benefit analysis. In this regard, many would compare the cost and convenience of recycling to treatment/landfilling.

In Malaysia, Scheduled Waste treatment and landfilling services are undertaken solely by Kualiti Alam. Measures will be taken to improve the response from industries, particularly the Small and Medium Industries, to use the existing Scheduled Waste treatment facility at Bukit Nanas, Negeri Sembilan. Hence recycling services companies face the challenge of penetrating into servicing companies that have been using the treatment/landfilling option.

5.1.11 Non-renewal of working permit of our foreign workers could temporarily disrupt our operations

As at the LPD, we have 49 foreign workers representing approximately 39.84% of our total employees. Our Group recruits foreign workers with valid working permits and the applications for the renewal of working permits for the foreign workers recruited by us are duly submitted by our Group to the Immigration Department on a yearly basis prior to the expiration of the working permits. Any shortage of foreign labour may interrupt the manufacturing process of our Group. However, this dependency on foreign labour is partly mitigated by the usage of local manpower. In addition, we work closely with our appointed agents for recruitment, and renewal of work permits for the foreign workers. To date, we have not encountered any shortage in the supply of foreign labour nor were there any interruptions to our business operations that may have a material adverse impact on our financial performance. Our Group will endeavour to increase automation of our processes and hence reduce dependency on unskilled foreign labour.

5.1.12 There is no assurance that our future plans will be commercially successful

As part of our future plan and strategy to increase our outreach to customers and suppliers to tap on the waste oil generated in the marine sector and neighbouring industries, we have constructed a third treatment plant at Pulau Indah, Selangor. Further information on the third treatment plant at Pulau Indah, Selangor is set out in Section 6.12 of this Prospectus. Our expansion plans involve a number of risks, including (but not limited to) the costs of investment in fixed assets, costs of working capital tied up in inventories, as well as other working capital requirements. Our expansion will also depend on our ability to secure new customers and/or sufficient orders. Failure to secure new customers or sufficient orders would materially and adversely affect our business and financial performance.

There is no assurance that our expansion plans will be commercially successful. If we are unable to execute our expansion plans successfully, our business and financial performance would be materially and adversely affected.

5.2 RISKS RELATING TO OUR SHARES

5.2.1 Our Promoters control a significant portion of our Shares which may result in our Promoters being able to influence the outcome of certain matters requiring the vote of shareholders

Our Promoters, namely, Chan Say Hwa, Soo Kit Lin and Chan Ban Hin collectively control approximately 59.49% of our enlarged issued and paid-up share capital after the IPO. Consequently, our Promoters may be able to influence the outcome of certain matters, such as the election of Directors and the approval of business ventures requiring the vote of our shareholders, unless they are required to abstain from voting by law and/or by the relevant authorities.

The introduction of corporate governance rules that requires the formation of an Audit Committee, which consists 3 independent non-executive Directors, may effectively help to promote transparency in all material transactions and our Company's accountability, thereby safeguarding the interests of the minority shareholders. Our Promoters would also be required to abstain from voting if there are any related-party transactions which may pose a conflict of interest to that of our Company.

5.2.2 There has been no prior trading market for our Shares and a market for our Shares may not develop

There is currently no prior trading market for our Shares. There can be no assurance that an active and liquid market for our Shares will develop upon its Listing or, if developed, that such market will be sustained. There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon or subsequent to our Listing.

The IPO Price was arrived at after taking into consideration, inter-alia, our financial and operating history and conditions, our future prospects and the prospects of the industry in which we operate in and the prevailing market conditions at the time of the Listing. The IPO Price may not be indicative of prices that may prevail in the trading market after the Listing. In recent years, the stock market in general, and the market for the securities of many companies in particular, has experienced volatile price movements which to a certain extent, were driven by local and global market sentiments. Such fluctuations may increase the market risk of our Shares.

5.2.3 Future sale of our Shares could adversely affect our Share price

Any future sale or availability of our Shares can have an adverse effect on our Share price. The sale of a significant amount of our Shares in the public market after the IPO, or the perception that such sales may occur, could adversely affect the market price of our Shares. These factors also affect our ability to raise funds from the issue of additional equity securities.

If our Promoters sell, or are perceived to sell, substantial amounts of Shares in the public market following the expiry of the moratorium period, it may result in a dampening effect on our Share price.

5.2.4 Investment in the capital market exposes the investor to capital market risk

The performance of the local bourse is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price, which may already fluctuate significantly and rapidly as a result, *inter-alia,* of the following factors:

- differences between our Company's actual financial and operating results and those expected by investors and analysts;
- announcements by us or our competitors of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments;
- fluctuations in stock market prices and volume;
- changes in our Company's operating results;
- changes in securities analysts' estimates of our Company's financial performance and recommendations;
- change in market valuation of similar companies;
- our involvement in litigation, arbitration or other forms of dispute resolution;
- additions or departures of key personnel; and
- changes in general economic and stock market conditions.

5.2.5 Unforeseeable events could result in the delay in Listing or the termination of the Listing exercise

The occurrence of any one or more of the following events, which may not be exhaustive, may cause a delay in our Listing or our Listing to be aborted:

(i) the placees under the private placement fail to acquire the Public Issue Shares allocated to them;

(ii) the Underwriters exercising the rights pursuant to the Underwriting Agreement to discharge themselves from their obligations thereunder; or

(iii) we are unable to meet the public spread requirement as determined by Bursa Securities, i.e. at least 25% of our enlarged issued and paid-up ordinary share capital must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing;

However, our Board will endeavour to ensure that our Company complies with the various provisions of the Listing Requirements, including, inter-alia, the public spread requirement.

In the event of the failure of our Listing, all monies paid in respect of any application accepted from you will be returned in full without interest within 14 days failing which the provision of sub-section 243(2) of the CMSA shall apply accordingly.

In the event that the Listing is aborted and our Shares have been allotted to new investors, the return of monies to the holders of our Shares could only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation requires the sanction of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaysia) and the confirmation of the High Court of Malaysia. There can be no assurance that such monies can be recovered within a short period of time or at all in such circumstances.

5.2.6 We are a holding company and, as a result, are dependent on dividends from our subsidiaries to meet our obligations and to provide funds for payment of dividends on our Shares

We are a holding company and conduct substantially all of our operations through our subsidiaries. Accordingly, dividends and other distributions received from our subsidiaries are our principal source of income. Consequently, the amount of these dividends and distributions are an important factor in our ability to pay dividends on our Shares (to the extent declared by our Board). The ability of our subsidiaries to pay dividends or make other distributions to us is subject to the availability of distributable reserves, applicable legal restrictions contained in their loan agreements and to these companies' having sufficient funds that are not needed to fund their operations, other obligations or business plans.

In addition, changes in the Malaysian Financial Reporting Standards may affect the ability of our subsidiaries (and consequently us) to declare and pay dividends. As we are a shareholder of our subsidiaries, our claims as a shareholder will generally rank junior to all claims of our subsidiaries' creditors and claimants. In the event of a liquidation of a subsidiary, there may not be sufficient assets for us to recoup our investments in that subsidiary.

5.2.7 New investors will incur immediate dilution and may experience further dilution

Our IPO price of RM0.20 per Share is substantially higher than our proforma consolidated NA per Share of RM0.13 as at 30 June 2012 after the IPO and proposed utilisation of proceeds as referred to in Section 4.8 of this Prospectus. If we were liquidated immediately following this IPO, each investor subscribing to this IPO would receive less than the price paid for their Shares. Please refer to Section 4.8 of this Prospectus for further details.

5.2.8 Negative publicity may adversely affect our share price

Negative publicity involving our Group, any of our Directors or our controlling shareholders may adversely affect the market perception or the stock performance of our Company, whether or not it is justified. Some examples are unsuccessful attempts at joint ventures, takeovers or involvement in insolvency proceedings.

5.2.9 We may issue future securities for additional funding for our future growth which will result in a dilution to our Shareholders

Secondary issue(s) of securities after the IPO may be necessary to raise the required capital to fund our growth capital. If new Shares placed to new and/or existing shareholders are issued after the IPO, they may be priced at a discount to the then prevailing market price of our Shares trading on Bursa Securities, in which case, existing shareholders' equity interest may be diluted. If we fail to utilise the new equity to generate a commensurate increase in earnings, our EPS will be diluted, and this could lead to a decline in our Share price. Any additional debt financing may, apart from increasing interest expenses and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

5.3 OTHER RISKS

5.3.1 Unfavourable financial and economic developments in Malaysia may have an adverse effect on us

We are incorporated in Malaysia, and all of our assets are located or registered in Malaysia. As a result, we are subject to political, social, economic, legal and regulatory risks specific to Malaysia. Also, general economic conditions in Asia may have an effect on our business, financial condition and results of operations, as well as our future prospects. The recent global financial crisis, the recent European sovereign debt crisis, recent developments in Middle East, higher oil prices, the general weakness of the global economy and the occurrence of avian flu and swine flu in Asia and other parts of the world have increased the uncertainty of global economic prospects and may continue to adversely affect the Malaysian economy. Any future deterioration of the Malaysian and global economy could adversely affect our business, financial condition and results of operations.

5.3.2 Forward-looking statements may not be reflective of our future prospects

Our Prospectus contains forward-looking statements which are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Whilst the interpretation of this information may be forward-looking, the contingencies and inherent uncertainties underlying this information should be carefully considered by the investors and should not be regarded as a representation by our Company and our advisers that the objectives and the future plans of our Company will be achieved. Any differences in the expectation of our Company from our actual performance may result in our Company's financial and business performances and plans to be either, materially or immaterially, different from those anticipated.

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6. INFORMATION ON OUR GROUP

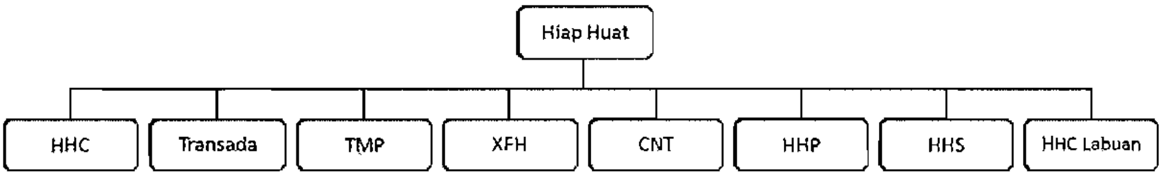
6.1 HISTORY AND BACKGROUND

Our Company was incorporated in Malaysia under the Act on 9 December 2009 as a private limited company under the name Hiap Huat Holdings Sdn Bhd. Subsequently on 9 September 2011, we converted our status from a private limited company to a public limited company to facilitate the Listing of our Group on the ACE Market.

Our present authorised share capital is RM50,000,000 comprising 500,000,000 Shares. Our present total issued and paid-up share capital is RM24,830,133 comprising 248,301,330 Shares.

We are a licensed Scheduled Waste recycler, involved in collecting, recycling, re-refining and producing recycled products from waste oil, waste solvents and used drums and containers that we are licensed to collect, treat and process. We specialise in the collection and storage of waste oil, treating and recycling of the waste oil collected, formulation of refined base oil into recycled industrial products with commercial values and finally, marketing of our end products. Our oil based and solvent based end products derived mainly from our recycling and recovery process are sold under our own "AF1", "Top Up", "NEKKO", "Cap Rumah" and "Flag" brand names. Our Group's founders, Chan Ban Hin and Soo Kit Lin, together with our Group Managing Director, Chan Say Hwa, have played a pivotal role in steering the growth of our Group, from a simple standalone hardware trader in the 1980s, to become one of Malaysia's integrated waste oil recyclers today.

Our group's corporate structure is depicted below:



The history of our Group can be traced back to 1985 when our founders, Chan Ban Hin and his spouse, Soo Kit Lin, established HHMT at Taman Bukit Maluri, Kuala Lumpur to operate in the trading of hardware such as construction materials, mechanical tools and paint products. In 1988, HHMT expanded its hardware trading operations to include a hardware retail wing, allowing the business to cater to commercial, industrial and retail customers. Through hardware trading and retailing, our founders gained extensive knowledge in paint and solvent products, and learnt how recycled materials could be used to produce industrial grade lacquer. Recognising the potential and growing demand for alternative and more economical paint and solvent products in the market place, the founders re-engineered HHMT's business model in 1990, and expanded the business of HHMT by venturing into the processing of paint and solvent products from waste materials with the development of our in-house blending technological applications. To cater for the expansion in HHMT's business, the company shifted its operations to a 200 sqm factory building based in Sri Damansara, Kuala Lumpur in 1990.

In 1994, HHMT was awarded 2 licences by the DOE, Pahang, enabling the collection, storage and treatment of waste hydraulic oil, waste solvents and paint. Following thereto, HHC was incorporated in the same year to assume the entire business operations of HHMT to better reflect our new business focus and direction. In order to cater for the demand of HHC's growing business, HHC relocated its operations to a bigger operating premise in Bentong, Pahang of 2,073 sqm in 1994.

In 1995, following the transfer of the 2 licences awarded by the DOE, Pahang from HHMT to HHC and the subsequent business re-organisation exercise, HHC assumed the entire business operations of HMMT, thereby becoming an official licensed Scheduled Waste contractor.

The late 1990s saw the official entry of our Group Managing Director, Chan Say Hwa, the son of our founders, into the business. Our Group Managing Director took the challenge of starting from rank and file, which allowed him to be well-versed in every aspect of the waste oil recovery and recycling business. This paved the platform for his eventual succession at the helm of the Group's business in 2008.

In furtherance of our objective of being an integrated waste oil recycler and to diversify our products and services offering, our Group's production capacity underwent several growth phases. We expanded our operating premises in Bentong, Pahang from a land area of 2,073 sqm to 12,414 sqm via 6 separate acquisitions of other neighbouring factory sites adjoining our first production site between 1998 and 2010.

In 1999, HHC was further awarded with a third licence by the DOE, Pahang enabling our Group to include in our business the recycling of waste lubricating oil and used oil filters.

Our Group also embarked on a product diversification strategy to ensure that we have a wide range of end products to cater to different groups of customers. Chan Say Hwa, our Group Managing Director, saw a demand for recycled end products derived from waste oil, and thus, progressively brought in technologies such as the Ultrafiltration Membrane System in 2006, the Ultimate Vacuum Distiller in 2007, the Wipe Film Evaporator and Centritherm Evaporator in 2011, which can produce different types of end products, and improve product quality (Please refer to Section 6.15 for further details on the technologies used). The utilisation of such technologies in our production process has paved the way for our Group to be an integrated waste oil recycler. Unlike most industry players, which only treat and process waste oil into semi-finished products with a small product line, we have the capabilities to process waste oil for the production of finished products, and our product line extends beyond recycled fuel oil, and includes lubricant products.

In 2000, HHC started to produce grease-based products from the recycled waste oil that our Group recycles. The production of grease products was subsequently transferred to HHP in 2002.

In 2001, HHC obtained its fourth licence from the DOE, Pahang for the collection and recycling of industrial drums and containers.

In 2002, our Group, through the establishment of our subsidiary, TMP, commenced its operations to produce recycled lubricant products from the waste oils that our Group recovers. With our Group's extended product range and to better manage our various products, XFH was founded and commenced its operations, operating from our office based in Bandar Menjalara, Kepong, as our Group's distribution arm in June 2002.

The year 2003 also saw the penetration of our Group into the Northern region of Peninsular Malaysia. Previously focused on serving the Central region of Peninsular Malaysia, our Group through our wholly-owned subsidiary, Transada, which was awarded a licence from the DOE, Perak, extended our outreach with the commencement of operations to collect, treat and recycle waste solvents and waste oils at our second production plant in Gopeng, Perak of 1,351 sqm. This allowed us to tap into the supply of Scheduled Waste and the demand for waste oil products and services in the Northern region of Peninsular Malaysia.

In 2006, HHC acquired the assets and liabilities (including the business operations) of CNT Hardware & Petroleum Trading (TR 0057525-U), a sole proprietorship principally engaged in the trading of fuel oil and petroleum based products, from Chan Say Hwa. This business operations segment was subsequently transferred to CNT upon its incorporation in 2007.

In 2007, XFH's office was shifted from Bandar Menjalara, Kepong to our Group's current main office premises at Taman Ehsan, Kepong.

In 2008, a branding exercise was launched to raise awareness and reinforce our "Hiap Huat" brand name and position as an established and reliable recycler of waste oil, and at the same time, to carry out our corporate social responsibility by educating the public of the importance of ensuring the sustainability of our environment. Our branding exercise started with the creation of a logo, which was trademarked in 2009.

In 2010, our Group underwent a restructuring exercise to position its businesses within the Hiap Huat Group to enable a more efficient and streamlined corporate structure, realising operational, procurement and administrative efficiencies. Hiap Huat was established as a management holding company and acquired all operating entities under the Hiap Huat flagship in 2010 (namely HHC, Transada, TMP, XFH, CNT, HHP, HHS and HHC Labuan), thus assuming the role of an umbrella company for our Group.

In 2011, pursuant to an internal reorganisation to streamline our business operations, the operations of both CNT and HHP were taken-over by HHC. CNT and HHP are currently dormant. Our Group's management is currently in the midst of evaluating the future plans for both the subsidiaries in conjunction with the Group's future plans for the setting up of a supplier call centre and launching of loyalty programmes for our suppliers.

Continuing with our Group's expansion plans and to cater to the increasing demand for recycled oil products, we had in 2009 acquired a piece of industrial land in Pulau Indah, Klang, Selangor for the construction of our third production plant. Following thereto, in 2010, TMP was awarded an approval-in-principle by the DOE, Selangor for the operation of a solvent and oil treatment plant on the aforesaid premises. The production plant, which is expected to be completed and commissioned in the first quarter of 2013, will further expand our Group's production capabilities.

Under the stewardship of our founders and Chan Say Hwa, our Group's business saw much transformation, and today we are one of the few in this business with the capabilities to produce and market finished recycled end products that can be directly used by end consumers. We have set forth plans to strengthen our position in the marketplace through our upcoming Pulau Indah plant, which will boost our production capacity of recycled base oil by approximately 3.64 times to produce a total of approximately 33.70 million litres of recycled base oil per annum as compared to approximately 9.27 million litres presently, to be achieved mainly through the installation and commissioning of new machineries to be used (Please refer to Section 6.12 of this Prospectus for further details on the production facilities and capabilities). We have also further set our sights on expanding our Group's business operations into East Malaysia. All these strategic plans will continue to strengthen our position as one of the leading players in waste oil recycling and recycled oil production in Malaysia.

6.2 KEY ACHIEVEMENTS AND MILESTONES

Our key achievements and milestones since inception are as follows:

Year	Key achievements and milestones
1995	HHC became an official licensed Scheduled Waste contractor upon the transfer of the 2 DOE licences awarded by the DOE, Pahang from HHMT to HHC, enabling the collection, storage and treatment of waste hydraulic oil, waste solvents and paint.
1999	Awarded a DOE licence by the DOE Pahang for the collection and recycling of waste lubricating oil and used oil filters.
2000	Expanded product range to include production of grease-based products.
2001	Obtained DOE licence from the DOE, Pahang for the collection and recycling of industrial drums and containers.
2002	Expanded product range to include manufacturing of lubricant products.
2003	Set up and commenced operations for the Group's second production plant in Gopeng, Perak upon obtaining a DOE licence from the DOE, Perak for the collection, treating and recycling of waste solvents and waste oil.
2004	Awarded BS EN ISO 14001 certification by Moody's International Certification recognising the Groups' EMS.
2006	Group's factory in Bentong was certified with OHSAS 18001 by Moody's International Certification for its health and safety management systems.
2008	Launched a branding exercise to reinforce Group's industry position and brand name with the development and registration of Group's logo, which was subsequently trademarked in 2009.
2010	Awarded BS EN ISO 9001 certification by Moody's International Certification. Granted an approval-in-principle by the DOE, Selangor to operate a solvent and oil treatment plant in Pulau Indah, Klang, Selangor.

6.3 PRE-IPO RESTRUCTURING

We have implemented a pre-IPO restructuring scheme prior to our Listing, of which is set out as follows:

6.3.1 Bonus Issue

We had on 9 September 2011 implemented a bonus issue of 10,000,000 new ordinary shares of RM1.00 each in Hiap Huat to all existing Hiap Huat shareholders via the capitalisation of RM10,000,000 of our retained profits based on our audited financial statements for the financial period ended 31 July 2011 on the basis of 1 new ordinary share of RM1.00 each for every 1.4830133 existing ordinary share of RM1.00 held on 9 September 2011.

Upon completion of the Bonus Issue, the issued and paid-up share capital of Hiap Huat was increased from RM14,830,133 comprising 14,830,133 ordinary shares of RM1.00 each to RM24,830,133 comprising 24,830,133 ordinary shares of RM1.00 each.

6.3.2 Share Split

We had on 12 September 2011 implemented a share split of 24,830,133 ordinary shares to 248,301,330 ordinary shares by sub-dividing the par value of the ordinary share of RM1.00 per share in our Company to RM0.10 per share.

Upon completion of the sub-division of our Shares, our issued and paid-up share capital became RM24,830,133 comprising 248,301,330 Hiap Huat Shares.

6.4 INFORMATION ON THE LISTING SCHEME

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of our Company on the ACE Market, we undertook the listing scheme, which involves the following exercises:

(i) Public Issue;
(ii) Offer For Sale; and
(iii) Listing.

6.4.1 Public Issue

To facilitate the listing of and quotation for our Company's entire enlarged issued and paid-up share capital on the ACE Market and to comply with the Listing Requirements with regard to the shareholding spread, our Company shall undertake the Public Issue of 85,000,000 Public Issue Shares at the Issue Price in the following manner:

(a) 5,000,000 Public Issue Shares representing approximately 1.50% of our enlarged issued and paid-up share capital at the Issue Price payable in full on application shall be made available for application by the public investors through a balloting process.

(b) 80,000,000 Public Issue Shares representing approximately 24.00% of our enlarged issued and paid-up share capital will be made available for application by way of private placement to selected investors.

Upon completion of the Public Issue, our Company's issued and paid-up share capital will be further increased from RM24,830,133 to RM33,330,133.

6.4.2 Offer For Sale

In conjunction with our Listing, our Company will undertake an offer for sale of up to 50,000,000 Offer Shares to selected investors at the Offer Price.

The Offerors are offering up to 50,000,000 Offer Shares for sale, representing approximately 15.00% of our enlarged issued and paid-up share capital.

6.4.3 Listing

Our Company will seek the listing of and quotation for our entire enlarged share capital of RM33,330,133 comprising 333,301,330 Shares on the ACE Market.

6.5 SHARE CAPITAL

As at 31 August 2011, the authorised share capital of our Company was RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each. On 9 September 2011, the authorised share capital of our Company was increased to RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each. On 12 September 2011, pursuant to the Share Split, our Company's authorised share capital became RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each.

As at the LPD, the existing issued and paid-up share capital of our Company is RM24,830,133 comprising 248,301,330 Shares. The changes in the issued and paid-up share capital of our Company since incorporation are as follows:

Date of allotment / subdivision	No. of shares alloted	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
09.12.2009	3	1.00	Cash	3
18.08.2010	14,830,130	1.00	Otherwise than cash	14,830,133
09.09.2011	10,000,000	1.00	Bonus Issue	24,830,133
12.09.2011	-	0.10	Share Split	24,830,133

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Hiap Huat. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

6.6 INFORMATION ON OUR SUBSIDIARIES

The details of our wholly-owned subsidiaries as at the LPD are set out below:

6.6.1 HHC

HHC was incorporated in Malaysia as a private limited company under the Act on 6 December 1994 under its present name. HHC is principally engaged in the business of manufacturing, recycling and refining all kinds of industrial paints, oils and solvent chemical products and commenced its business on 1 June 1995.

The present authorised share capital of HHC is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM3,649,912 comprising 3,649,912 ordinary shares of RM1.00 each.

There has been no change in the issued and paid-up share capital of HHC for the past 3 years preceding the LPD.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in HHC. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

As at the LPD, HHC does not have any subsidiary and associated companies.

6.6.2 Transada

Tansada was incorporated in Malaysia as a private limited company under the Act on 16 July 1997 under its present name. Transada is principally engaged in the business of manufacturing, recycling and refining all kinds of industrial paints, oils and solvent chemical products and commenced its business on 16 July 1997.

The present authorised share capital of Transada is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM320,000 comprising 320,000 ordinary shares of RM1.00 each.

There has been no change in the issued and paid-up share capital of Transada for the past 3 years preceding the LPD.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Transada. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

As at the LPD, Transada does not have any subsidiary and associated companies.

6.6.3 TMP

TMP was incorporated in Malaysia as a private limited company under the Act on 26 April 2002 under its present name. TMP is principally engaged in the business of manufacturing, recycling and refining all kinds of petroleum based products, industrial paints, oils, solvent chemicals products and other related products and commenced its business on 26 April 2002.

The present authorised share capital of TMP is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

Details of the changes in the issued and fully paid-up share capital of TMP for the past 3 years preceding the LPD are as follows:

Date of allotment	No. of shares allotted	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
As at 01.01.2009	-	-	-	94,002
27.02.2009	282,006	1.00	Bonus issue	376,008
04.11.2009	123,992	1.00	Cash	500,000
06.08.2010	500,000	1.00	Cash	1,000,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in TMP. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

As at the LPD, TMP does not have any subsidiary and associated companies.

6.6.4 XFH

XFH was incorporated in Malaysia as a private limited company under the Act on 22 June 2002 under its present name. XFH is principally engaged as a distributor of paint, hardware and related products and commenced its business on 22 June 2002.

The present authorised share capital of XFH is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM240,004 comprising 240,004 ordinary shares of RM1.00 each.

There has been no change in the issued and paid-up share capital of XFH for the past 3 years preceding the LPD.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in XFH. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

As at the LPD, XFH does not have any subsidiary and associated companies.

6.6.5 CNT

CNT was incorporated in Malaysia as a private limited company under the Act on 15 February 2007 under its present name. CNT, currently dormant, was previously engaged in the trading of hydraulic oil, transformer oil and petroleum products.

The present authorised share capital of CNT is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each.

There has been no change in the issued and paid-up share capital of CNT for the past 3 years preceding the LPD.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in CNT. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

As at the LPD, CNT does not have any subsidiary and associated companies.

6.6.6 HHP

HHP was incorporated in Malaysia as a private limited company under the Act on 4 May 2000 under its present name. HHP, currently dormant, was previously engaged in the production of grease based products.

The present authorised share capital of HHP is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM85,100 comprising 85,100 ordinary shares of RM1.00 each.

There has been no change in the issued and paid-up share capital of HHP for the past 3 years preceding the LPD.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in HHP. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

As at the LPD, HHP does not have any subsidiary and associated companies.

6.6.7 HHS

HHS was incorporated in Malaysia as a private limited company under the Act on 29 April 2008 under its present name. HHS is currently dormant and is intended to be principally engaged as a provider of facilities maintenance services outsourced by industrial customers.

The present authorised share capital of HHS is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each.

There has been no change in the issued and paid-up share capital of HHS for the past 3 years preceding the LPD.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in HHS. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

As at the LPD, HHS does not have any subsidiary and associated companies.

6.6.8 HHC Labuan

HHC Labuan was incorporated in Malaysia as a private limited company under the Act on 15 July 2009 under its present name. HHC Labuan is currently dormant and is intended to be principally engaged in the business of manufacturing, recycling and refining all kinds of petroleum based products, industrial paints, oils, solvent chemical products and other related products.

The present authorised share capital of HHC Labuan is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM10,000 comprising 10,000 ordinary shares of RM1.00 each.

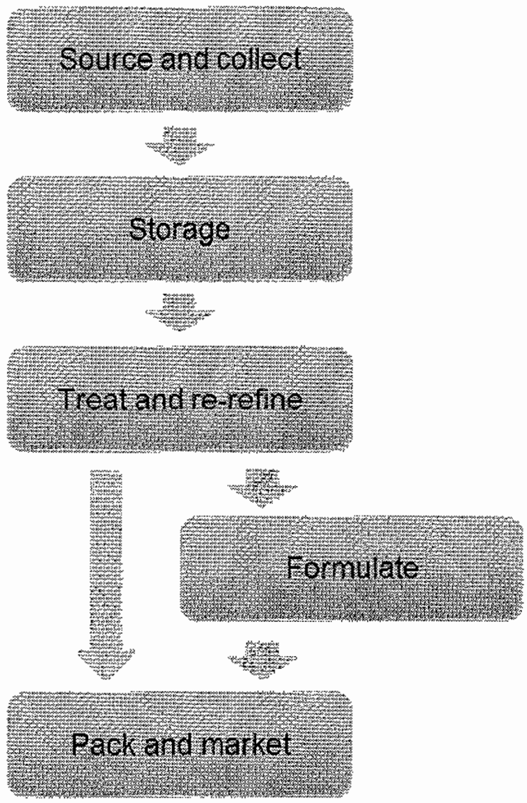
There has been no change in the issued and paid-up share capital of HHC Labuan since its incorporation up to the LPD.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in HHC Labuan. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

As at the LPD, HHC Labuan does not have any subsidiary and associated companies.

6.7 OUR BUSINESS/PRINCIPAL ACTIVITIES

Our Group is a licensed and integrated Scheduled Waste recycler. We are involved in collecting, recycling, re-refining and producing recycled products from the waste oil, waste solvent and used drums, containers and oil filters we are licensed to collect, treat and process. Our Group's key business activities may be summarised as follows:



Our Group has been in the recycling industry for the last 17 years. As such, we are able to source waste oil and solvent and used drums and containers by tapping on our established network of suppliers, as well as the supplier base of our third party agents. Our procurement team would visit our suppliers periodically to collect the waste oil and solvent and used drums and containers and at the same time, build good rapport with potential suppliers.

Waste oil and solvent and used drums and containers collected are subsequently transported to our factory premises for safe handling and proper storage. During the recovery process, waste oil and solvent are treated and re-refined in accordance with our internal policies and processes to achieve the highest possible quality standards. The output, at the treatment and re-refinement stage, are semi-finished products such as recycled base oil.

Our Group places much emphasis on capitalising on our capabilities to produce finished products which are ready to be used by end users. Treated and re-refined base oil will undergo a further formulation step before they become finished ready-to-use products. Our finished products are packed and marketed by our internal sales team.

Pursuant to the EQA, 2 of our subsidiaries, namely HHC and Transada have premises that are classified as Prescribed Premises licensed by DOE, Pahang and DOE, Perak as:

- an Off Site Scheduled Waste Recovery Facility, which licenses both HHC's and Transada's premises to be used for the retrieval of material or product from any Scheduled Waste which is not produced on those premises;
- an Off Site Storage Facility, which licenses both HHC's and Transada's premises to be used for the collection and transfer/transportation of any Scheduled Waste which is not produced on those premises; and
- a contractor that undertakes the handling, transport or storage of Scheduled Waste outside the premises of a Waste Generator.

As an Off Site Scheduled Waste Recovery Facility and an Off Site Storage Facility, HHC and Transada are licensed to handle the following Scheduled Waste:

Licensed company	Scheduled Waste code	Description	Monthly maximum quantity
HHC	SW303	Glue waste containing organic solvents excluding solid polymeric materials	200,000L
	SW305/SW306/ SW307/SW312	Spent lubricating oil, spent hydraulic oil, spent mineral oil-water emulsion and oily residue from automotive workshop, service station oil or grease interceptor	2,640,000L
	SW306/SW307	Spent hydraulic oil and spent mineral oil-water emulsion	160,000L
	SW308	Oil tanker sludges	240,000L
	SW309	Oil-water mixture such as ballast water	240,000L
	SW310	Sludge from mineral oil storage tank	400,000L
	SW314	Oil or sludge from refinery plant	40,000L
	SW315	Tar residues from refinery plant	140,000L

Licensed company	Scheduled Waste code	Description	Monthly maximum quantity
HHC	SW322/SW323	Waste of non-halogenated and halogenated organic solvents	500,000L
	SW322/SW417	Waste of non-halogenated solvents and waste of inks, paints, pigments, lacquer, dye or varnish	240,000L
	SW324	Waste of halogenated or unhalogenated non-aqueous distillation residues arising from organic solvents recovery process	200,000L
	SW327	Solid thermal waste such as ethylene glycol	20,000L
	SW409	Disposed containers, bags or equipment contaminated with chemicals, mineral oil or Scheduled Waste	
		(i) Drums	23,000 pcs
		(ii) Metal pails	10,000 pcs
		(iii) Carboy	10,000 pcs
	SW410	Used oil filters	51,500 kg
	SW418	Discarded or off-specification inks, paints, pigments, lacquer, dye or varnish products containing organic solvent	20,000L
	SW429	Chemicals that are discarded or off-specification	10,000L
	SW430	Obsolete chemicals	10,000L
Transada	SW322/SW323	Waste of non-halogenated and halogenated organic solvents	88,000L
	SW305/SW306/ SW307	Spent lubricating oil, spent hydraulic oil and spent mineral oil-water emulsion	360,000L

HHC and Transada are required to maintain a list of Waste Generators to whom they provide services. Approval from the Director General is required to be obtained as and when there is any addition to the list of Waste Generators. In this respect, HHC and Transada are required to provide the Director General with information on the vehicles that are used by HHC and Transada and details of the drivers in relation to the handling and transport of Scheduled Waste. The abovementioned licences are renewable annually. In the past, HHC and Transada have been able to renew their licences annually.

Further details on the licences are set out in Section 6.23 of this Prospectus.

6.7.1 Our Services

(i) Scheduled Waste collection services

Our subsidiaries that are involved in the recovery process collect Scheduled Waste from industrial and commercial establishments. We also provide environmental services to customers that include the collection, transportation and recycling or third-party disposal of a variety of hazardous and non-hazardous wastes classified under waste code category SW 3. We utilise our collection network to provide containerised waste services to our customers who require removal of a variety of waste products that require specialised handling, such as inks, paints, used oil filters, waste oil, waste solvent, brake fluid and other similar waste materials.

These establishments can also be considered as suppliers, as they provide the raw materials necessary to produce our end products. Among establishments targeted by us are factories such as automotive assemblers, chemical manufacturers, steel mills, packaging companies and amongst others, vehicle workshops and traders. We are licensed to recover, transport, and recycle 3 categories of Scheduled Waste, detailed in the following figure:

Waste oil	•Waste lubricating oil •Waste hydraulic oil •Waste emulsion oil •Oily residue from industrial and commercial establishments
Used halogenated/Non-halogenated solvent	•Spent aromatic and non-aromatic solvent •Spent halogenated solvent •Paint, lacquer and varnish waste •Discarded or off specification ink, pigment and paint products
Empty drums/Pails/Carboy/Oil filters	•Used containers and raw materials lubricated with chemical residues •Used oil filters

As at the LPD, we have a fleet of 21 DOE-approved vehicles to pick up and transport Scheduled Waste from various parts of Peninsular Malaysia to our treatment plants in Bentong, Pahang and Gopeng, Perak.

As at the LPD, we also employ 9 third party agents whom in total have a fleet of 25 DOE-approved vehicles, all registered with HHC's and Transada's DOE transport licence, to collect Scheduled Waste from various parts of Peninsular Malaysia on our behalf. In addition, we have also employed a third party agent with a DOE-approved marine vessel, registered with HHC's DOE transport licence, to collect and transport Scheduled Waste from ships/tankers anchored offshore within the coastal waters of Malaysia. The Scheduled Waste are collected and transported to our treatment plants in Bentong, Pahang and Gopeng, Perak.

Our key third party agents are as follows:

Key third party agents	Length of relationship (Years)	Geographical coverage of Peninsular Malaysia
Chop Hup Hin Sdn Bhd	5	Southern region
Pancaran Bumi Trading Sdn Bhd	6	Eastern region

These third party agents, whom are independent companies, are employed by us via service agreements which are entered into by us with the respective agents and are valid for a year, save for the service agreement entered into with the third party agent with a DOE-approved marine vessel which is valid for three years. The third party agents collect and transport Scheduled Waste from the Waste Generators to our treatment plants using only their own transportation which are registered and approved by the DOE. Our arrangements with these third party agents are not in breach and/or in non-compliance with the relevant rules and regulations of the DOE. For the Period under Review, our purchases of Scheduled Waste from our third party agents constitute 20.58%, 22.62%, 33.32%, 37.38% and 24.26% of our direct materials of waste oil, waste solvents and used drums. We are not dependent on these agents as we are able to appoint other external transporters and/or to employ our own transporters in replacement of the agents. However, due to cost and efficiency savings and staffing flexibility, the Group employs the services of these agents.

(ii) Scheduled Waste recycling

Collected Scheduled Wastes are recycled at our treatment plants in Bentong, Pahang and Gopeng, Perak. All collected Scheduled Waste are inspected and sorted before the start of the recycling process to produce recycled end products.

Waste Oils

Waste oils are inspected, pre-treated and filtered to become recycled base oil. We then segregate the recycled base oil based on our internal grading system which is divided into 3 categories depending on the quality of the recycled base oil. Grade A refers to recycled base oil of the highest quality, while Grade B refers to recycled base oil of medium quality, and Grade C refers to recycled base oil of the lowest quality. This is important as the grade determines the type of process that the recycled base oil goes through, and subsequently, the recycled end product that can be produced. Our internal specifications of the various grades of recycled base oils produced by our Group, which also meets the allowable level of contaminant and specification of recovered waste oil as stipulated in the Guidelines on Standard and Specification of Recovered Waste Oil in Malaysia as issued by the DOE, are as follows:

			Recycled base oil		
Parameter	**Unit**	**Limit**	**Grade A**	**Grade B**	**Grade C**
Density at 15°C	Litre/kg	Max	0.900	0.900	0.990
Viscosity at 40°C	cSt	Min	30	20	5
Water	% v/v	Max	0.1	1	3
Flash point	°C	Min	180	100	37.7
Pour point	°C	Min	-5	-5	-5
Total sediment	(%) m/m	Max	0.1	0.5	0.5
Color	-	Max	2.5	4.5	>4.5

Solvents

Solvents are usually lab-tested first to determine whether they can be pre-treated directly or otherwise. Solvents that cannot be pre-treated directly will go through a distillation process and lab tested to ensure that it is suitable for blending. Again, the sorting process (via lab test) is important, as it determines the suitable process and end product produced.

Empty drums, other containers and oil filters

Empty drums and other types of containers and oil filters are sorted via visual inspection and segregated according to their respective type. Each type of container is then processed to be disposed, reused, or recycled according to the type of material, while oil filters are processed to be recycled or disposed.

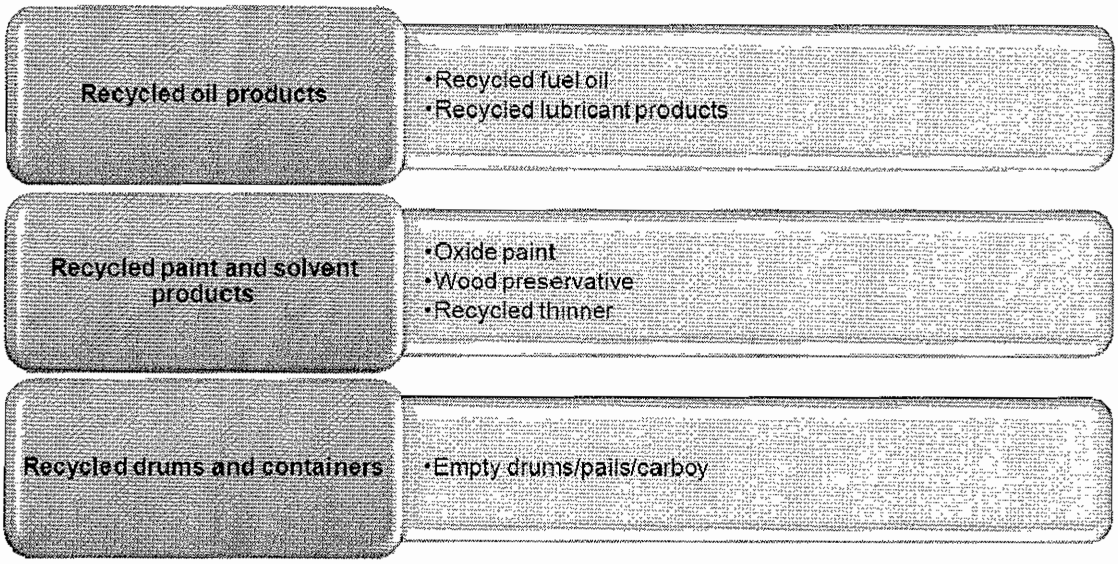
While we employ various processes in recycling Scheduled Waste, one of the most important process is blending. Blending is a method where the raw material is 'blended' together with additives and other materials to produce various end products. It is only through experience that one can match the correct amount of additives and materials to be blended with recycled base oil and solvents, and produce good quality high value end products. Therefore, we employ only experienced staff to handle our recycling activities, as quality fluctuations can be quite large due to the nature of our raw materials.

For recycling of drums and other containers, we use a solvent flushing system to clean the drums and containers.

Please refer to Section 6.14 of this Prospectus for further details on our production process flow.

6.7.2 Our Products

We stand apart from many other similar Scheduled Waste contractors in Malaysia due to our capabilities in producing recycled end products from recovered waste materials. The recycled products that we produce from our Schedule Waste recycling as described in Section 6.7.1(ii) above are depicted as follows:

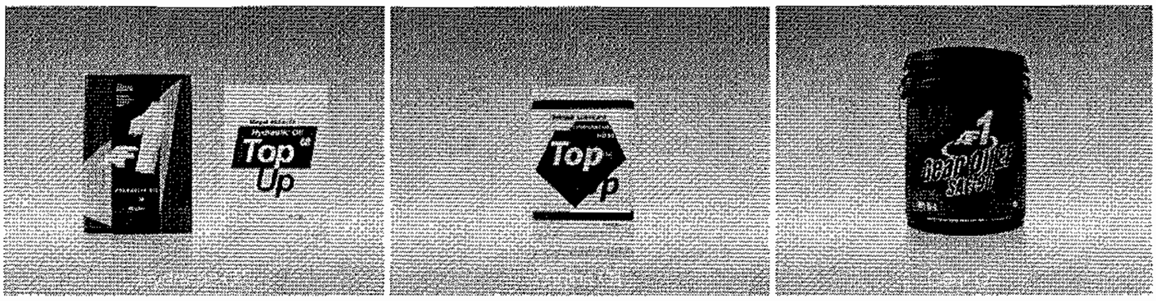


Recycled oil products

The waste oil we collect and recover is treated and formulated into recycled end products, namely, recycled fuel oil and recycled lubricant products. Our recycled fuel oil is sold in bulk quantities with a minimum order of 1,000L. Recycled fuel oil is mainly used by various manufacturing companies as substitute energy fuels in industrial burners and factories.

6. INFORMATION ON OUR GROUP (*Cont'd*)

Our recycled lubricant products comprising lubricating oil and grease products which are used in the automotive and manufacturing industries are packed and marketed under our own brand names as depicted below:



Types of lubricating oil products

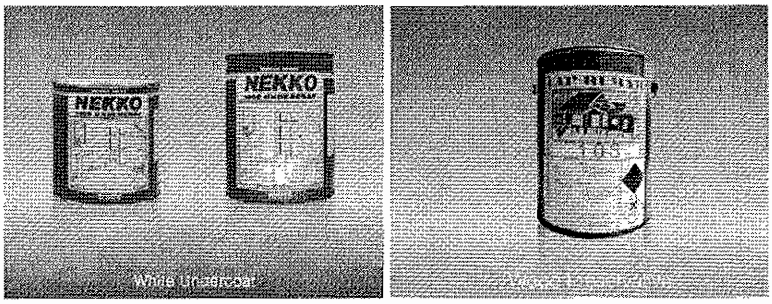
Types of grease products

Recycled paint and solvent products

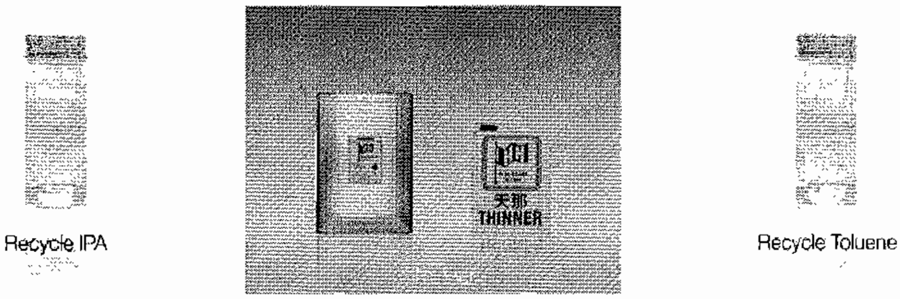
Used solvents, on the other hand, is recycled and further processed to become useful products again, such as recycled paint and other solvent products and is largely used for industrial applications.

Our recycled paint and other solvent products are packed and marketed under our brand names as depicted below:

Types of paint products



Types of paint products



Types of recycled solvent products

Recycled drums and containers

We also collect and recover used drums, pails and carboys, which are given a new lease of life after undergoing a flushing and cleansing process using solvents (which are then recycled again).

Recycled industrial drums and containers are sold in pieces, with a minimum order of 20 pieces.

6.8 PRINCIPAL MARKETS

The principal market for our products and services are the industrial, automotive, and retail establishments in Malaysia. Our top three products are our recycled fuel oil, recycled lubricant products and recycled paint and solvent products. For the Period under Review, substantially all of our revenue is derived from Malaysia.

While Malaysia is and will continue to be the key focus region of our Group's business, it is part of our future plan to grow our overseas business. We see good potential in the developing countries for our recycled lubricant business. Lubricants are commonly used in automobiles and machineries. Thus, countries such as Indonesia, Vietnam, the Philippines and Myanmar with a growing demand for lubricant products for vehicles and machineries, would present a growing and ready market for our products due to the competitive pricing of recycled lubricants as well as substitutability of recycled lubricants over original lubricants.

6.9 TYPES, SOURCES AND AVAILABILITY OF RESOURCES

Our costs of raw materials constitute 87.81%, 80.03%, 74.81% and 70.13% of our cost of sales for the FYE 2008, FYE 2009, FYE 2010 and FYE 2011 respectively, and 62.63% of our cost of sales for the FPE 2012.

The principal raw materials for our products are waste oils and solvents, used empty drums and containers, pigments, resin, fatty acids, lubricant additives and hydrocarbon polymers. We source our raw materials of waste oils and solvents and used empty drums and containers from Malaysia. As our Group has been in the recycling industry for the last 17 years, we are able to source our principal raw materials of waste oils and solvents and used empty drums and containers by tapping on our established network of suppliers, as well as the supplier base of our third party agents. These are industrial and commercial establishments, which include automotive assembly plants and automotive workshops, as well as those from the oil and gas, semiconductor and printing industries, among others. Our procurement team visits our suppliers periodically to collect the Scheduled Waste and at the same time, build good relations with potential suppliers.

Based on the IMR Report, the total oil and hydrocarbon waste generated by Malaysia in 2011 was approximately 133,261 metric tonnes. For the FYE 2011, we have collected 14,103 metric tonnes of waste oil, thus, capturing 10.58% of the total waste oil market in Malaysia. We believe that with our existing established extensive and diverse supplier base comprising 2,353 suppliers as at the LPD together with our future plan and strategies of expanding and reinforcing our supply chain as well as expansion to increase outreach to customers and suppliers as detailed in Sections 6.27.1 and 6.27.5 of this Prospectus respectively, our Group will be able to source principal raw materials for our products as and when the needs arises.

The other raw materials, namely pigments, resin, fatty acids, lubricant additives and hydrocarbon polymers, which account for 6% to 17% of the raw materials used to produce our end products, are sourced locally.

6.10 MAJOR CUSTOMERS

As at the LPD, our Group has a wide base of customers with approximately 903 customers, all of which are based in Malaysia. Our customers are mainly manufacturing companies from a wide range of industries, among which are construction and engineering, steel mills, automotive manufacturing, production of construction materials and trading of motor oil products.

Our Group's major customers who accounted for 10% or more of our Group's total revenue for the Period under Review are as follows:

Name of customer	Principal activity of customer	Length of relationship (Years)	FYE 2008		FYE 2009		FYE 2010		FYE 2011		FPE 2012	
			RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Black Top Industries Sdn Bhd	Supplier of ready-mixed concrete, premix, cement bricks and hollow blocks	6	8,071	16.39	4,880	14.33	3,830	10.96	7,221	17.68	4,861	26.59
Black Top Lanchang Sdn Bhd	Supplier of ready-mixed concrete, premix, cement bricks and hollow blocks	2	-	-	-	-	*676*	*1.94*	*3,534*	*8.65*	2,211	12.09
Spiromatic (M) Sdn Bhd	Trading in petroleum based products	7	5,353	10.87	*2,898*	*8.51*	*2,391*	*6.85*	*840*	*2.06*	-	-

Note: We supply mainly recycled fuel oil to the major customers. The substantial decrease in sales to major customers in FYE 2009 as compared to FYE 2008 is in line with the overall decrease in revenue of our recycled fuel oil by RM16.07 million or 56.01% from RM28.69 million in FYE 2008 to RM12.62 million in FYE 2009, resulting from the global financial crisis which started from the last quarter of 2008 and continued in the first half of 2009, thereby substantially affecting the local demand and also our selling prices of recycled oil products during the first half of FYE 2009. The decrease in sales to the major customers in FYE 2010 was mainly the result of a lower volume of recycled fuel oil sold to them due to the change in our focus to concentrate on the sales of our recycled lubricant products which generates a higher gross profit margin as compared to recycled fuel oil. In FYE 2011, the sales to the major customers increased due to the increase in orders from the major customers resulting from our competitive pricing and product quality.

We do not consider ourselves as dependent on any single customer during the Period under Review as our Group has a diversified customer base from various business segments. All the major customers, as listed above, are not related to our Group.

6.11 MAJOR SUPPLIERS

Our purchases of waste oils and solvents from our suppliers form the bulk of our cost of sales and accounted for approximately 79.36% of our Group's raw material purchases in FYE 2011. The remaining 20.64% of our raw material costs were mainly attributable to purchases from our suppliers of other raw materials such as used empty drums, pigments, resin, fatty acids, lubricant additives and hydrocarbon polymers.

Our Group's sole major supplier who accounted for 10% or more of our Group's total purchases during the Period under Review is as follows:

Name of supplier	Principal activity of supplier	Length of relationship (Years)	FYE 2008		FYE 2009		FYE 2010		FYE 2011		FPE 2012	
			RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
BASF Petronas Chemicals Sdn Bhd	Manufacturing and marketing of acrylic, oxo and butanediol products.	2	-	-	-	-	-	-	1,810	10.13	1,485	16.27

As our Group has a diverse range of suppliers, majority of whom are from Malaysia, we do not consider ourselves as dependent on any major supplier who accounted for more than 10% of our Group's purchases during the Period under Review. As at the LPD, we have a well-diversified supplier base comprising 2,353 suppliers. The major supplier, as listed above, is not related to our Group.

Our purchases from each supplier are determined after taking into account various criteria such as competitive pricing, quality of products, availability of supply and delivery lead time.

6.12 PRODUCTION FACILITIES AND CAPACITY

Our waste management process is being coordinated and managed from our Group's headquarters located in Kepong, Selangor, while our recovery and recycle manufacturing operations are carried out at our 2 treatment plants which are located at Bentong, Pahang and Gopeng, Perak respectively. Our production plant based at Gopeng, Perak recovers and recycles waste oil and waste solvents collected from the northern region of Peninsula Malaysia, and only produce intermediate products being recycled base oil and recycled solvents used in the production of our recycled end products.

The recycled intermediate products produced in Gopeng, Perak are subsequently sent to our main treatment plant in Bentong, Pahang for final processing to produce our Group's recycled end products. In addition to the processing of our recycled end products from the aforementioned waste oil and waste solvents, our production plant based at Bentong, Pahang also has the capabilities to recover and recycle waste oil, waste solvents and used drums/containers.

As at the LPD, our 2 recycling and production plants mentioned above have an aggregate gross area of approximately 17,638 sqm. Our main recycling and production plant based in Bentong, Pahang is equipped with the following recycled end products production lines:

(i) Paint production line;
(ii) Lubricant production line;
(iii) Grease production line;
(iv) Solvent distillation line;
(v) Drum and container recycling line; and
(vi) Fuel products recycling line.

We set out in the table below the estimated maximum production capacity and the approximate utilisation rate for each type of our production lines during the Period under Review:

	Estimated annual maximum production capacity (in '000)[1]					**Approximate utilisation rate (%)**				
Type of production line	**FYE 2008**	**FYE 2009**	**FYE 2010**	**FYE 2011**	**FPE 2012[2]**	**FYE 2008**	**FYE 2009[3]**	**FYE 2010[4]**	**FYE 2011[5]**	**FPE 2012[6]**
Paint production line (L)	2,995	2,995	2,995	2,995	1,498	48.07	57.49	49.42	46.97	44.10
Lubricant production line (L)	3,744	3,744	3,744	3,744	1,872	40.55	49.57	56.20	52.29	41.58
Grease production line (Kg)	1,872	1,872	1,872	1,872	936	24.36	22.26	23.00	15.55	12.61
Solvent distillation line (L)	1,997	1,997	1,997	1,997	998	27.11	33.94	41.03	39.38	39.63
Drum and container recycling line (Pieces)	270	270	270	270	135	55.55	56.19	59.84	45.71	24.98
Fuel products production line (L)	24,085	24,085	24,085	24,085	12,042	97.21	53.32	48.90	56.53	59.51

Notes:

(1) The annual production capacity of our production facilities is measured in terms of the number of unit products that can be processed by the respective facility in a year based on 312 operational days.

(2) Based on the production capacity for 6 months.

(3) Save for the decrease in the utilisation rate of the fuel products and grease production line, the increase in the utilisation rates of all other recycled products were mainly due to the increase in Scheduled Waste collected during this period thus providing more raw materials for recycling. The decrease in the utilisation rate of the fuel products production line was mainly due to the significant lower orders from our customers in light of the global financial crisis which slowed down all industrial activities.

(4) The solvent distillation line experienced a continued increase in the utilisation rate from 33.94% in FYE 2009 to 41.03% in FYE 2010 as a result of more solvents collected during this period. As for the lubricant production line, it continued to rise in utilisation rate from 49.57% in FYE 2009 to 56.20% in 2010 as a result of our focus to sell more recycled lubricant products which generates the highest gross profit margin.

(5) The increase in the utilisation rate of our fuel products production line is mainly due to the increase in Scheduled Waste collected during this period thus providing more raw materials for recycling coupled with the increase in the sales of recycled fuel oil. The decrease in the utilisation rates for the grease production line was due to a decrease in the orders from our customers while the decrease in the utilisation rates of the drum and container recycling line was due to supply constraints.

(6) *The decrease in the utilisation rate of our lubricant production line in FPE 2012 was mainly due to the decrease in the volume sold for our recycled lubricant products. The continued decrease in the utilisation rate for the grease production line was due to the continued decrease in the volume sold while the continued decrease in the utilisation rate of the drum and container recycling line was due to the continuous supply constraints.*

(7) *Please refer to Section 6.26.3 of this Prospectus for information on material plant and machinery used in our production facilities.*

The production process of the Group for our recycled oil products and the amount of recycled oil products produced has been dependent on the quality of waste oil being collected for production of the required recycled oil products. During the majority of the Period under Review, the recycling of waste oil to produce recycled base oil was conducted utilising the Group's ultrafiltration membrane system (for the production of recycled lubricant products and recycled grease products) and centrifuge decanter (for the production of recycled fuel oil). As such, the utilisation rate of the lubricant production line is highly dependent on the quality of waste oil collected. In the event the amount of high quality waste oil collected is low in any given period, the utilisation rate of the lubricant production line will also be low.

In view of the limited supply of high quality waste oil and the limitations of the ultrafiltration membrane system to produce Grade A base oil for the production of lubricant oil products where our Group intends to focus, we invested in a new technology, namely the wipe film short path evaporator ("**WFE**") towards the end of year 2010 in our Bentong plant to overcome these limitations. The WFE technology enables better production capabilities and efficiencies wherein it eliminates the difficulties of procuring high quality waste oil while reducing the timeframe for the production of base oil from a variety of waste oil quality. In 2011, the WFE technology was introduced into the production process in stages as it was tested and fine-tuned. The WFE has been fully operational since 2012 and thus it is expected to improve the utilisation rates of the production lines of the recycled oil based products.

In view of the current low production utilisation rates, the new waste oil recycling technology, namely WFE, and in line with the efforts of the Group to grow its business, especially the Group's oil recycling business, the Group is currently in the midst of constructing a third treatment plant at Pulau Indah, Selangor ("**Pulau Indah Plant**") (Please refer Section 6.26.1 of this Prospectus for further details on the Pulau Indah property). This treatment plant, which is being constructed at a cost of approximately RM25.47 million is entirely funded via internally generated funds and bank borrowings, and is scheduled for completion and commission by the first quarter of 2013.

When the Pulau Indah Plant is commissioned, the annual production capacity of recycled base oil would be increased by approximately 33.70 million litres (via the installation of 4 units of WFE) or by approximately 3.64 times of its current capacity of approximately 9.27 million litres for the production of recycled base oil (produced via a unit each of Ultrafiltration Membrane System (annual production capacity of 1.69 million litres), WFE (annual production capacity of 4.21 million litres) and Centritherm Short Path Evaporator (annual production capacity of 3.37 million litres)) which is the key raw material for the lubricant production line and fuel products production line. As disclosed in Section 6.27.5 of this Prospectus, the Pulau Indah Plant is part of our Group's future plan and strategy to increase our outreach to customers and suppliers to tap on the waste oil generated in the marine sector and neighbouring industries. We anticipate that with the abundant supply of waste oil from the Pulau Indah region and thereby the consequential increase in recycled base oil, we will be able to boost our existing lubricant and fuel products production which is currently underutilised. With the additional recycled base oil supply, we may also consider to venture into the sale of recycled base oil to supplement our revenue stream. In addition, the strategic location of the Pulau Indah Plant would allow us to enjoy savings in view of reduced logistics cost as well as payments to third party agents for the collection of Scheduled Waste.

6.13 CAPITAL EXPENDITURES AND DIVESTITURES

Save as disclosed below, our Group has not incurred any other material capital expenditures and divestitures (including interests in other companies) during the Period under Review and up to the LPD:

	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000	FYE 2011 RM'000	FPE 2012 RM'000	From 1 July 2012 up to LPD RM'000
Expenditures						
Leasehold land and factory lots	1,350	-	90	3,436	-	1,500
Leasehold land and factory lot (under construction)	-	3,058	2,360	6,915	2,626	133
Plant and machinery	529	1,527	2,154	6,619	330	33
Motor vehicles	291	763	970	822	-	-
Total expenditures	2,170	5,348	5,574	17,792	2,956	1,666
Net book value of disposal/write-off						
Plant and machinery	-	-	-	412	-	-
Leasehold land and factory lots	-	-	-	619	-	-
Motor vehicles	-	-	-	182	*-	152
Total net book value of disposal/write-off	-	-	-	1,213	*-	152

*Note: * Negligible*

There are no material expenditures or divestitures currently in progress, within or outside Malaysia.

6.14 PROCESS FLOW

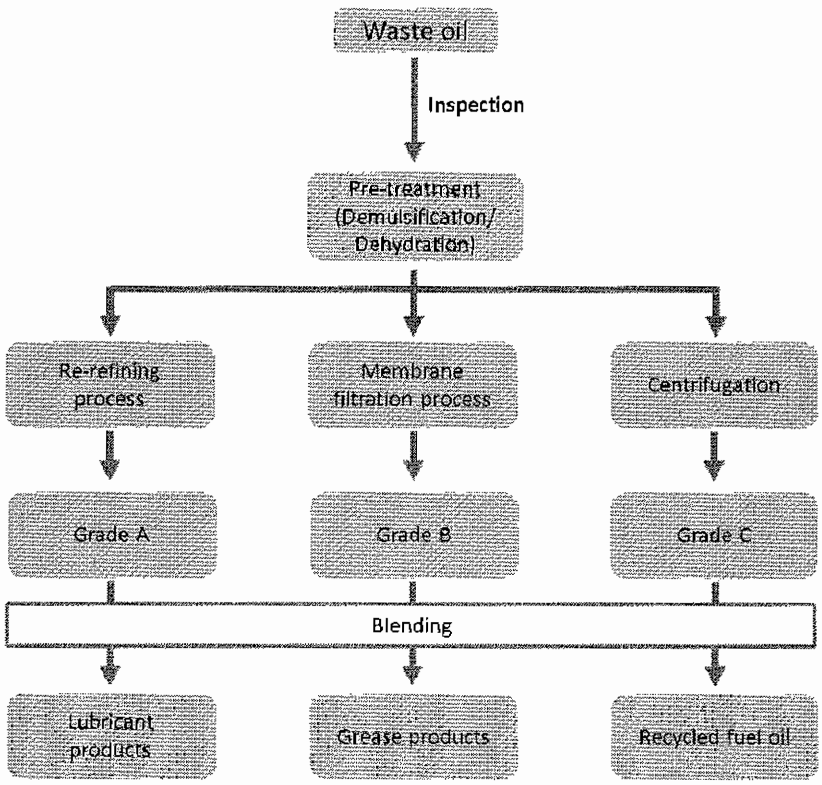
The wastes that we collect from our sources are transported by DOE-licensed trucks to our DOE-licensed premises. Understanding the rationale behind the requirements set forth by DOE, we have established standards and practices, which are in compliance with ISO 14001, to ensure that our premises always comply with these requirements. These include our inventory records, documentation control and labelling. We ensure that our staff members have gone through sufficient training on how to properly collect and handle the wastes and that their practices comply with guidelines and requirements by the DOE.

Before the actual processing of the collected wastes, laboratory tests are conducted on the collected wastes to analyse whether the waste should be pre-treated or otherwise. Based on the results of the test analysis, we will determine which process should be utilised to recover the valuable substances out of the wastes.

It is our philosophy to recycle and recover as much as possible. As such, we endeavour to operate a recycling system in which all wastes that are recyclable are recycled. This means that the wastes from one unit can be sent to another unit for another round of recycling, until the final residues can no longer be recycled. The residues will be sent to Kualiti Alam to be disposed of properly.

Our operations mainly comprise 3 primary components, which we set out below the flow chart depicting the major steps for each of the 3 primary component processes as follows:

(i) Recycling of waste oil



Collected waste oils are sampled for testing in our laboratory facility to determine its suitability for re-refining as well as to determine the most appropriate treatment procedure(s) most suitable to treat the sampled waste oils. The collection of waste oil is conducted by our trained staff. The collected waste oil will subsequently be clearly labelled and stored at our licensed premises, following the guidelines and requirements that are released by the DOE. Thereafter, we conduct pre-treatment on the collected waste oil after our analysis confirms its suitability for recycling. The objective of pre-treatment is to remove any excess water from the waste oil. The waste oil will undergo demulsification/dehydration wherein water and particles are separated from the waste oil.

Following the pre-treatment, the waste oil will be fed into different systems for further treatment. Our capacity comprises three systems to recycle waste oil in such a way that we are able to recover the highest possible economic value from the waste oil. Each system will return a different grade of recycled oil from which we can produce different output products.

Waste oil that undergoes our re-refining process will be transformed into Grade A recycled base oil. We will subsequently blend Grade A recycled base oil with viscosity improvers, formulated additives and other chemicals to produce lubricant products. Our blending process will help to impart certain desired characteristics to the final lubricant products and improve its properties. These products are of the highest value among our product range.

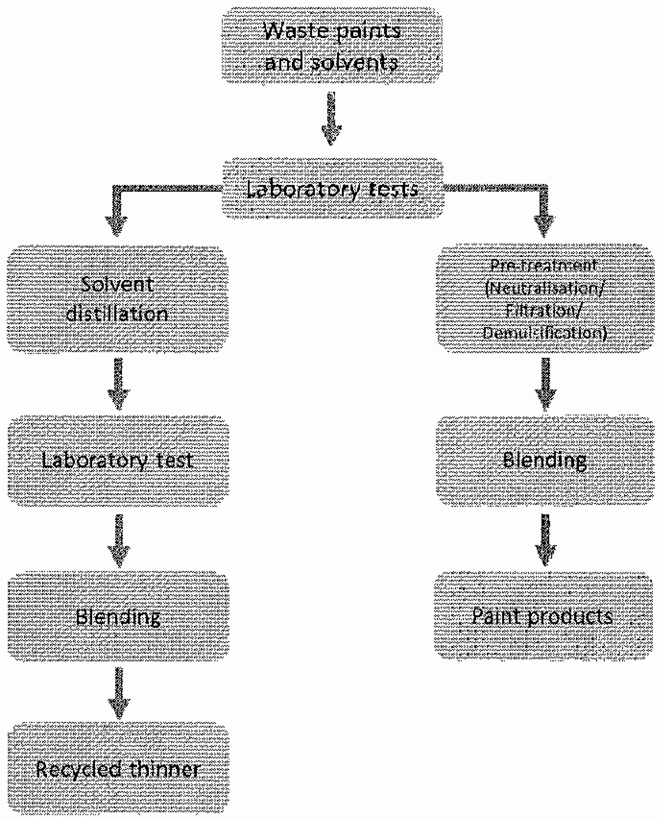
We also have in place a membrane filtration system that allows us to recover Grade B recycled base oil from the pre-treated waste oil. Grade B recycled base oil is the base stock for our production of grease products by means of blending with additional substances such as fatty acid or hydrate lime, amongst others. This system is usually utilised for our recycling of waste hydraulic oil.

Last but not least, our centrifuge separation system is utilised as another system for our waste oil recycling. This system will separate concentrate materials suspended in waste oil by way of centrifugal force. The process allows us to recover Grade C recycled base oil from the pre-treated waste oil which will be converted into recycled fuel oil.

The final products of our recycling will be packaged accordingly. Upon successful quality control inspection, they are ready for marketing and sale.

Our processes ensure that we recover as much recyclable content as possible from the waste, and only render the content that has little or no economic value as residues. We always try our best to make sure that these residues have been properly treated and are not toxic/hazardous. They will subsequently be sent to Kualiti Alam for final disposal.

(ii) Recycling of waste solvent and paints

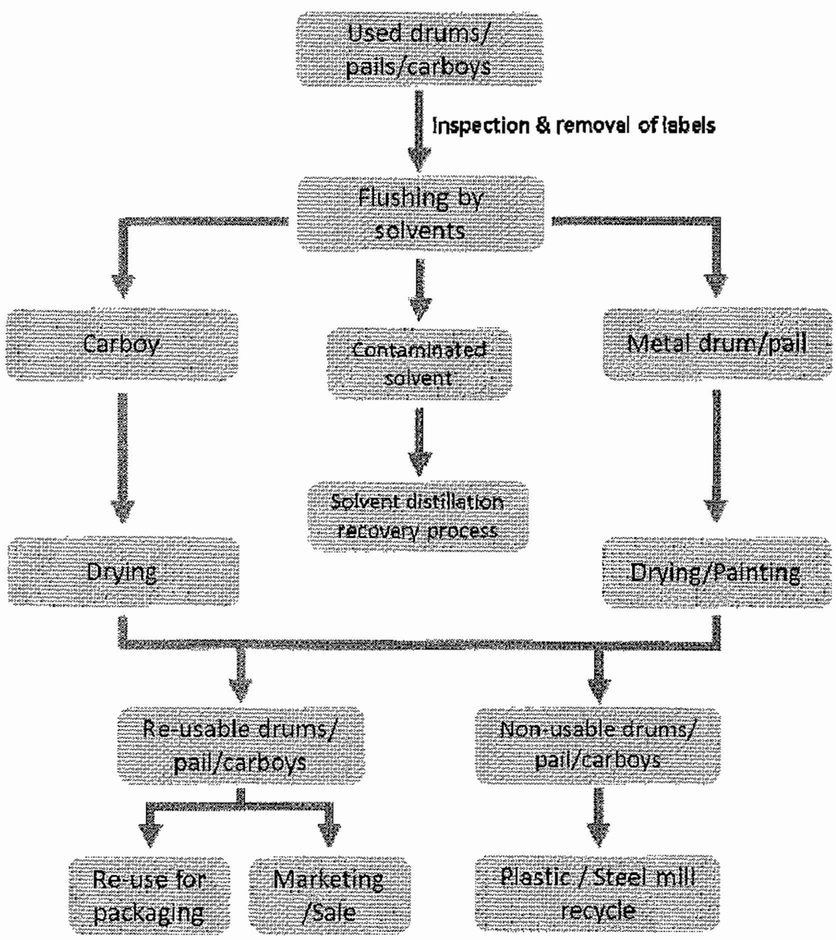


Most solvents are derived from alcohol or petroleum based feedstock. Solvents are widely used in a number of industries. We have in place two methods to recycle waste solvent and paints.

For the first method, we put the waste solvents through a distillation process, upon which recycled solvent is produced. We utilise our distiller unit to separate water from the waste solvents. Our distiller unit has been customised in such a way that it is both energy and cost saving, and ensures higher efficiency and improved safety for our distillation process. We might conduct further laboratory tests on the distilled solvents to determine their quality. Our recycled solvents can be blended with IPA, Toluene, Acetone or other chemicals to produce recycled thinner. Our recycled thinner can be used for the manufacturing of our paint products, or for sale to our customers. The residue from our distillation will be transported to Kualiti Alam for final disposal.

For the second method, the waste paints will go through a process that comprises neutralisation, filtration and demulsification. This method usually involves adding chemicals to the waste paints to remove water and other particles from the waste paints. The filtration process will remove any solid particles from the waste paints. Thereafter, the materials that we recover will be blended with formulations. The products will be inspected to ensure that they meet our quality control standards. Finally, our paint products are ready for packaging and sale.

(iii) Recycling of used drums, pails and carboys



Like other recycling processes of other wastes, we ensure that our collection of used drums, metal pails and carboys complies with the guidelines and requirements set out by the DOE. Upon the transportation of these materials to our licensed premises, an inspection is carried out to determine their quality. The labels on these materials are removed.

At the next stage, the drums/metal pails/carboys will be cleaned or flushed using solvents, depending on the results of our earlier inspection. Solvent flushing is carried out to remove contaminants from these containers. The used solvents after this process will be recycled at our solvent recycling unit. We will send any residues that no longer have recoverable economic value to Kualiti Alam for final disposal.

After the containers are properly cleaned, they will be dried before they enter the next stage of our recycling process. Those that meet our quality standard will either be re-used at our existing plants or be further prepared for marketing and sale purposes. Meanwhile, unwanted metal drums/pails and carboys will be scrapped using our crusher machine and sold to metal scrap dealers and plastic recyclers respectively.

6.15 TECHNOLOGY

We strongly advocate the adoption of technologies in our operations to meet our production needs and specifications and thus monitor the market for and invest in, current and new technological advancements which are deemed suitable for our processes. We strongly believe that through the capitalisation of appropriate technologies we can achieve the following:

- Produce higher quality recycled products and meet the ever-changing demands and expectations of our customers;
- Improve efficiencies in our production process by shortening cycle time and meeting customers' requirements timely; and
- Reduce production costs, thus, providing us opportunities to pass on savings to our customers, and simultaneously, improve our margins.

Through the introduction and adoption of available technologies, our Group is able to achieve better optimisation of our recycling and production capabilities as follows:

Year	Operational Improvements and Achievements
2002	Improved basic solvent distiller to medium vacuum distiller, leading to an increase in production output by 50%.
2005	Improved quality of recovered waste oil through the usage of membrane filtration, resulting in an increase in product value by 80%.
2009	Improved our medium vacuum distiller to an ultimate vacuum distiller. The improved version is able to handle a very wide range of waste solvent.
2010	Invested in evaporation technology to distil waste oil to become recycled base oil. Improved base oil recycling system by making it compact in size. Also adapted infrared in the heating process, instead of traditional heating by oil boiler. The new design creates convenience, higher mobility and heightens safety in system-handling. It further improved efficiency in production output by 40%.

Currently, the key technologies we apply in our production process are as follows:

(i) Ultimate Vacuum Distiller

The Ultimate Vacuum Distiller is a versatile extractor that we apply in the distillation of solvents or sludge. It assists in handling solvents or sludge with higher boiling points. This distiller is both cost and energy saving. It is also safe for our working environment as it can operate at lower temperatures.

(ii) Ultrafiltration Membrane System

Ultrafiltration membrane systems are widely used by communities and industries worldwide for reuse, drinking water, and pre-treatment to reverse osmosis. We believe we are one of the few companies in Malaysia's oil recycling industry to apply this technology in refining the waste oil that we collect. The membrane employed is of robust fibre, thus, it is able to handle large volumes of oil each time, and ensures long term integrity. It is designed for minimal operator intervention as only one operator is required to operate the system per shift. This reduces our manpower needs and operational costs.

(iii) WFE

The WFE is able to distill oil at low temperatures (the boiling point for oil is 400 °C). Oil distilled through this method condenses in a very short period of time. This helps to reduce the risk of possible damage to the properties of the oil and improves the overall production output.

(iv) Centritherm Short Path Evaporator

The Centritherm Short Path Evaporator is specifically for short path distillation, otherwise known as molecular distillation/ evaporation. Short path distillation covers a range of applications which are, otherwise, not possible in traditional evaporation units, as it requires high temperature and high vacuum operation. This method heats via infrared, and evaporates more solvents per unit area. This gives rise to a thinner film compared to wipe film, thus, improving production output and quality. The Centritherm Short Path Evaporator provides convenience as it is mobile and suitable for on-site setup.

6.16 OUR COMPETITIVE ADVANTAGES

We believe our key competitive advantages are:

(i) Our established track record and reputation in the market place

We have been in the recycling industry for more than 17 years. Throughout the years, we have grown into a licensed and integrated waste oil recycler, with the capabilities to recycle and produce a wide range of finished products from waste oil. Unlike most industry players who are only able to produce semi-finished products such as recycled base oil, we have invested in technologies, which have given us the platform to become an integrated waste oil recycler.

(ii) Our strong branding which makes us a recognisable brand name

We are one of the few waste oil recyclers in Malaysia that has invested in corporate branding. We reinforced our long-standing market presence by having our "Hiap Huat" logo trademarked, our packaging redesigned and our corporate web content improved to align our corporate beliefs. We are presently in the midst of preparing our applications to trademark our product brand names.

We believe that our branding must go hand in hand with our corporate social responsibility message, which is to ensure the sustainability of our environment. This message is strongly embedded in our logo. We believe that through strong branding, along with our endeavour in improving product quality, our "Hiap Huat" brand name will be synonymous with ensuring the long-term sustenance of our environment and ultimately, become the choice waste oil recoverer and recycler in Malaysia.

(iii) Our investments in technologies

One of the key emphases of our Group's business is honing our knowledge and investing in technology (which consists of machineries) to produce recycled end products that are well demanded in the marketplace. This positioning allows us to stand out from many of our competitors as the majority of them currently focus, and have technological capabilities, mainly in production up to the stage of semi-finished raw materials. Purchasers of these semi-finished raw materials would have to take additional processing steps to transform them into finished products before they can be used.

For the past 5 years up to the LPD, we have invested a total of approximately RM10 million in technologies and machinery (which are sourced from Australia, China, Germany, Malaysia, Sweden and Taiwan) as a testament to our commitments in technologies. The information on type of technologies and machineries invested by us at our production facilities are as follows:

FYE/FPE	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Investment in technology and machinery by function:						
Paint and grease blender	-	-	112	240	27	76
Centritherm short path evaporator	-	-	-	197	4,136	-
Decanter	-	-	-	75	75	-
Filter press	-	-	120	25	-	-
Drum/Container flushing system	-	-	46	32	-	-
Membrane filtration system	-	-	522	-	-	-
Ultimate vacuum distiller	409	333	-	30	-	-
WFE	-	375	215	387	1,892	221
Thermal oil boiler	-	-	-	343	-	-
Solvent distillation system	-	-	-	-	115	-
Total invested amount	409	708	1,015	1,329	6,245	297

We constantly keep ourselves abreast of new and applicable technologies that are available in the marketplace. We believe that these are essential as they sharpen our capabilities, allowing us to recover more from the waste we collect, and at the same time, produce recycled end products that command a higher value. With ever-increasing knowledge and technologies, coupled with the experience we have accumulated in producing end products, we have become a more flexible and responsive company, with heightened abilities to receive, and ultimately process, new types of waste.

(iv) Better profit margins as our business model provides us an edge in securing key raw materials

Our Group's business model capitalises on the technological platform to realise our capabilities to recycle products from the Scheduled Waste we collect. On top of semi-finished products, the application of technologies acquired have allowed us to take our business a step further by giving us the capabilities to refine and formulate our semi-finished products into finished products, such as grease and lubricants, which can be used by end users. As finished products have higher commercial values than semi-finished products, our Group, thus, enjoy better profits as compared to those who are solely engaged in producing products up to the semi-finished stage. As a result of higher margins, we have the advantage of stronger purchasing power in securing waste oil supplies. In addition, we are able to appeal to our existing and new waste oil suppliers by offering them more attractive rates for their supplies thereby putting us in a better position to secure our key raw materials.

(v) Reliable environmental solutions provider

We have a proven track record of 17 years in providing responsible environmental solutions that meet the needs of our customers and the communities we serve under our Schedule Waste collection services. We are the among the 11 waste oil recovery companies in Malaysia that maintains an EMS that conforms to the ISO 14001 standards, thereby enhancing our compliance performance and our brand with our target customers. With our proven expertise and environmentally-responsible protocols, we are able to reduce our customers' liability and assure regulatory compliance when providing these environmental services to our customers. In addition, our closed-loop processes ensure that waste oil and solvent are collected, transported, processed and then re-introduced into the marketplace. These methods of handling both hazardous and non-hazardous waste throughout a full product recovery cycle minimise the introduction of such waste into the ground and water. As environmental awareness increases, we believe customers will look to providers like us with a demonstrated track record of providing responsible environmental solutions.

(vi) Integrated operations allows for significant operating leverage

In the waste oil recycling business, our integrated operations allow us to capture more of the value of waste oil throughout its product recovery cycle, from collection to the eventual reuse. We believe we generate significant cost advantages and revenue opportunities by eliminating the incremental costs we would have to pay to third-party waste oil collectors if we did not have our own waste oil collection network. In addition, we generate greater revenues from the re-refining and recycling of waste oil we collect and process into high quality recycled base oil and blended recycled lubricating oils and their ultimate sale than what we would obtain from selling our partially processed waste oil in the fuel markets.

(vii) Recurring revenue stream from a large, diverse customer base

Our customers require regular service calls for collection, replenishment, maintenance and technical assistance. This recurring service demand generates a stable source of revenue under our Scheduled Waste collection services. These recurring visits with our customers allow us to build lasting relationships, create a dependable recurring revenue stream and the opportunity to cross-sell our products and service offerings. In addition, we have a large and diverse customer base. As at the LPD, we have a wide base of customer with approximately 903 customers in a wide range of industries. In addition, in the FPE 2012, our top 10 customers accounted for less than 60% of our total revenue, with no customer accounting for more than 27% of our revenue.

(viii) Strong environmental, health and safety performance in highly regulated industries

We believe many customers choose our services because of our technical expertise and our environmentally-responsible processes. Our EMS, which is compliant with ISO 14001 standards, is a testament to our commitment to environmental stewardship. In addition, we are also accredited with OHSAS 18001 for our health and safety management systems. We are among the 6 waste oil recyclers in Malaysia with full-fledged accreditations for EMS and health and safety management systems.

6.17 QUALITY CONTROL

We place great emphasis on quality control of all our products to strive to meet the highest standard for the recycled end products that we produce. Each of our production facilities has its own quality control unit and the quality management system employed by each of them is certified to the appropriate ISO standards, i.e. ISO 9001. We were accredited with BS EN ISO 9001 since August 2010. Our quality management systems in place at each of our production facilities undergo both annual internal and external audits to ensure compliance to established procedures and measure effectiveness of control systems. External audits of our quality management systems are conducted and certified by Moody International Certification.

Our quality control processes for our products and facilities are conducted at each of our plants through "batch" testing of products at various stages of production to effectively detect and remedy any deviation from our established product quality standards. We have 5 personnel dedicated to quality control and management systems led by our certified chemical engineer.

All our products undergo final quality inspection immediately after being produced, packaged and labelled to ensure that all products and packaging satisfy our internal quality criteria. Our end products are stored in our warehouse before delivery to customers. Our quality control staffs continue to monitor and check that our products are properly handled and stored to prevent damage. Finally, checks are also made to ensure that our products are not damaged before they are delivered to our customers.

To maintain our machinery and equipment in good order, regular maintenance and repairs are carried out by our in-house maintenance team. Machine downtime for such major maintenance activities ranges from 1 to 2 days, and is conducted on a quarterly basis. Since maintenance is typically carried out during the low demand season or at night, it has minimal impact on our operations. Although we adopt stringent maintenance policies, we have not faced any stoppages or disruptions in our production processes as a result of machinery breakdown or malfunction.

There have been no material rejections of our products by our customers, nor have there been any material write-offs due to spoilage for the last 4 FYE 2008, FYE 2009 FYE 2010 and FYE 2011 and the FPE 2012.

6.18 HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We regard compliance with applicable environmental regulations and the health and safety of our workforce and communities we serve as critical components of our overall operations. We are accredited with BS EN ISO 14001 by Moody's International Certification for the development of an EMS that governs all our activities and helps to achieve high levels of compliance. We are also accredited with OHSAS 18001 by Moody's International Certification for our health and safety management systems. We are among the 11 waste oil recovery companies in Malaysia that maintains an EMS that conforms to ISO 14001 standards, thereby enhancing our compliance to quality performance and our brand with our target customers.

Following guidance from the DOE, we developed a set of processes and practices that enable us to systematically assess and manage the compliance of our operations. In our EMS, we have mapped every job position that impacts compliance to each regulation that governs that job, allowing us to assess risk and clearly identify roles and responsibilities at every level of our company, as well as apply specific state and local regulatory requirements for each job. The backbone of our EMS is the comprehensive set of documentation and procedures, our Standard Operating Procedures, which specifically identify the manner in which the job must be completed in order to comply with specific local regulatory regulations. In addition, a majority of our internal operating requirements are more stringent than those imposed by the relevant authorities. Our commitment to compliance with health, safety and environmental regulations also enhances our operating performance.

Our compliance staffs are centrally managed but support all aspects of our operations. They are responsible for supporting the facilities, permitting and regulatory compliance, health and safety compliance and initiatives, regulatory training, transportation compliance, remediation projects and all related record keeping. To ensure the effectiveness of our EMS and related regulatory reporting, our compliance organisation monitors daily operational activities and automatically generates and sends weekly reports to senior management, informing of the status of our environmental compliance and health and safety programs. Additionally, environmental compliance is a core part of our overall company audit program. Our dedicated auditors evaluate not only the performance of the facilities but also of the environmental professionals assigned to support our facilities, allowing us yet another chance to identify any weaknesses or opportunities for improvement in our ongoing compliance programs. The internal environmental audit team also evaluates the risk associated with third-party disposal vendors and helps us ensure we minimise any potential future liabilities.

Our facilities are frequently inspected by local regulatory agencies. Although our facility based in Kepong has been cited on occasion for regulatory violation (Please refer to Section 5.1.3 of the Prospectus for further details), we have adopted remedial measures to prevent recurrent violations and believe that each facility operates in substantial compliance with all applicable regulations. Between agency oversight and our own environmental, health and safety team and internal audit function, we believe our facilities are under constant oversight and review which further helps reinforce our culture of compliance.

6.19 SALES AND MARKETING

As at the LPD, our sales department comprises of 9 full time employees, with an average of 6 years of experience in the oil recycling industry. They are trained and equipped with the technical knowledge and competency to effectively market our products and services to our customers.

6.19.1 Marketing activities

The marketing strategies we adopt allow us to position our Group as a long-term player in the oil recycling industry.

We firmly believe that one of the keys to our success is our branding strategy. We believe that by positioning our company as a provider of "cradle to cradle" recycling programmes and services, we will be able to contribute to the sustainable development of Malaysia and encourage other people to do so. We pride ourselves on our ability to recover as much economic value from a wide range of waste types as possible. Our approach to provide minimal discharge services puts us one step ahead from the earlier, more common practice of "cradle to grave" in waste recycling.

We have initiated the rebranding of our products and services, with an emphasis on environmental awareness and conservation. Our website has been redesigned to be aligned with our branding. Our logo and slogan, "Let's recycle today for a better tomorrow", connotes our commitment to practice cleaner and greener activities and adhere to the principle of "4Rs" – Reduce, Reuse, Recycle, and Recover.

Our sales teams also conduct direct marketing to potential and existing customers in order to grow our existing customer base in Malaysia. Based on the information gathered, our management and production department will analyse the demand and supply for our products, and adjust our production and sales strategies according to the changing market needs.

Our sales staffs regularly visit our existing customers to obtain feedback regarding our products and to introduce our new product offerings. We believe such visits enable our customers to better understand our products and to enhance our customers' confidence in our products and services.

In the long run, we are determined to successfully continue fulfilling our role as a waste recycler. In addition, we will extend our knowledge to the people, and endeavour to educate them better on the importance and benefits of recycling. Our intention to utilise modern media tools and channels to reach out to various target audiences are detailed in our future development plans.

Presently, we have not participated in any trade fair/exhibition or listed our company in trade directories. Nevertheless, as we expand our business, we will engage ourselves in more advertising and promotion activities to reach out to a larger pool of customers. To boost our international sales component, we will capitalise on the support of a number of authorities and organisations, including the Malaysia External Trade Development Corporation, to establish an international network.

6.19.2 Sales and distribution

We have established an extensive sales and distribution network, comprising internal and external channels, to ensure a wider outreach for the products we produce and market.

Our internal sales team

We have an internal sales team that is responsible for marketing our products within the entire Peninsular Malaysia. Our sales team is actively involved in 3 main functions, as follows:

- Expanding the sales of our recycled products;
- Promoting our Scheduled Waste collection services to customers; and
- Proactively supporting our recycling operations by means of establishing two-way relationships with our clients.

Our knowledgeable sales executives are able to attend to queries by customers, and extend their product understanding to potential new customers. They work in close collaboration with other departments of the Group to provide the most satisfying support possible to our customers.

We recognise the importance of building strong and long-term rapports with our customers. This approach allows us to not only stabilise and boost the sales of our products and services, but also to ensure the sustainability and growth of our supply of raw materials. On our part, we deliver a wide range of products and services to our customers and satisfactorily meet all their needs. In return, an increasing number of our customers will be willing to become our new supply sources of raw materials.

Our sales team members are based at our headquarters, which allows the team to be continually informed and updated on the actual operations and inventories of our company, and be able to attend to customers within a wider geographical coverage. This helps us improve our efficiency and minimise any possible miscommunication.

Our external sales and distribution channel

In conjunction with our internal sales efforts, we also work hand in hand with local third party agents to secure a wider geographical coverage domestically. Our agents, each having their strengths in particular areas, are located nationwide. Together, they constitute an extensive network and provide us with assistance in securing raw material supplies and transportation/ collection activities. In doing this, we are able to focus our resources on our recycling activities, and cater to a larger pool of customers.

To reach out to customers outside of the country, we have listed our contact details on online portals such as Bizearch (bizearch.com), Global Traders List (global.mingluji.com) and Alibaba.com. We try our best to respond to all queries and entertain orders from overseas customers. Despite the relatively smaller size of our international sales, we put in every effort to deliver the best products and services, and uphold our position as an established waste oil recycler.

6.20 SEASONALITY

Our Group is generally not affected materially by any seasonal factors. However, we note that supply of waste oil and demand for automotive lubricants can decrease during the festive seasons (Hari Raya and Chinese New Year), and subsequently, increase markedly after the festivities. This is caused by a rise in the demand for automobile servicing due to heavier-than-usual usage of automobiles by Malaysians over the festive seasons.

6.21 INTELLECTUAL PROPERTY RIGHTS

Save for the trade mark as disclosed below, we have no other registered patent and trade mark:

Proprietor	Trademark logo	Class	Description of class	Date registered/ Date of expiry
HHC	Hiap Huat chemicals	4	Industrial oils and greases; lubricants; dust absorbing, wetting and binding compositions; fuels (including motor spirit) and illuminants; candles, wicks for lighting included in Class 4; all included in Class 4	26 May 2009/ 26 May 2019

We have registered the above trade mark with the Intellectual Property Corporation of Malaysia. The term of a registered trademark is 10 years from the date of the approval of the registration and is renewable for another 10 years.

As at the LPD, we have also submitted the following trademark, which has been gazetted on 21 June 2012, for registration with the Intellectual Property Corporation of Malaysia:

Proprietor	Trademark logo	Class	Description of class	Date of application/ Application no.
HHC		4	Industrial oils and greases, lubricants, dust absorbing, wetting and binding compositions, fuels (including motor spirit) and illuminants, candles, wicks for lighting included in Class 4	20 April 2011 / 2011007155

6.22 DEPENDENCY ON PATENTS, LICENCES, INDUSTRIAL, COMMERCIAL OR FINANCIAL CONTRACTS OR NEW MANUFACTURING PROCESSES

(i) Dependency on the patent and intellectual property rights

Save for our proprietary patent and intellectual property rights disclosed in Section 6.21 of this Prospectus, our Group is not dependent on any patents and intellectual rights for our business operations.

(ii) Dependency on major licences

Save for the major licences disclosed in Section 6.23 of this Prospectus, our Group is not dependent on any other major licences.

(iii) Dependency on industrial, commercial and financial contracts

There are no material agreements or contracts (including informal arrangements or understanding or understandings), as at the LPD, which have been entered into by our Group and which our Group is highly dependent upon.

6.23 APPROVAL, MAJOR LICENCES AND PERMITS

Save as disclosed below, our Group has not obtained any other approvals and does not hold any regulatory licences or permits.

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
1.	HHC	Business/Advertisement licence No. A6, Jalan MIEL, Kawasan Perindustrian Bentong, 28700 Bentong, Pahang - Paint factory Licence no.: 01778	Bentong Municipal Council	Expiring on 31 December 2012	Licence must be renewed not later than 30 January each year.	-
2.	HHC	Business/Advertisement licence Lot A6, Jalan MIEL, Kawasan Perindustrian Bentong, 28700 Bentong, Pahang – Secondhand items/scrap metal, used drums, spent solvents and spent oil Licence no.: 01966	Bentong Municipal Council	Expiring on 31 December 2012	Licence must be renewed not later than 30 January each year.	-
3.	HHC	Business/Advertisement licence Lot A-3, A-4, Jalan MIEL, Kawasan Perindustrian Bentong, 28700 Bentong, Pahang – Waste solvent, spent oil, scrap metal and drums Licence no.: 01538	Bentong Municipal Council	Expiring on 31 December 2012	Licence must be renewed not later than 30 January each year.	-

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
4.	HHC	Business/Advertisement licence Lot A2, Jalan MIEL, Kawasan Perindustrian Bentong, 28700 Bentong, Pahang – Processing of grease Licence no.: 01982	Bentong Municipal Council	Expiring on 31 December 2012	Licence must be renewed not later than 30 January each year.	-
5.	HHC	Business/Advertisement licence Lot A1, Jalan MIEL, Kawasan Perindustrian Bentong, 28700 Bentong, Pahang – Waste solvent / oil and used filter factory Licence no.: 04185	Bentong Municipal Council	Expiring on 31 December 2012	Licence must be renewed not later than 30 January each year.	-
6.	HHC	Business/Advertisement licence Lot A5, Jalan MIEL, Kawasan Perindustrian Bentong, 28700 Bentong, Pahang – Lubricant oil processing factory Licence no.: 04183	Bentong Municipal Council	Expiring on 31 December 2012	Licence must be renewed not later than 30 January each year.	-
7.	HHC	BusinessAdvertisement licence Lot B1, Jalan MIEL, Kawasan Perindustrian Bentong, 28700 Bentong, Pahang - Paint factory Licence no.: 04184	Bentong Municipal Council	Expiring on 31 December 2012	Licence must be renewed not later than 30 January each year.	-
8.	HHC	Temporary Building Permit on Lot A6, Jalan MIEL, Kawasan Industri Bentong, 28700 Bentong, Pahang Bill No.: 26522	Bentong Municipal Council	For the year 2012 only	-	-

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
9.	HHC	Temporary Building Permit for the construction of a temporary open shed on the existing semi-detached factory on Lot PT 15677 – PT 15681, PT 18216 and PT 18210 Jalan MIEL, Kawasan Perindustrian Bentong, Pahang Darul Makmur Bill No.: 26532	Bentong Municipal Council	1 January 2012 to 31 December 2012	-	-
10.	HHC	Off Site Scheduled Waste Recovery Facility License for approved Scheduled Waste codes (SW 303, SW 322, SW 323, SW 324, SW 429, SW 430, SW 308, SW 309, SW 310, SW 314, SW 315, SW 327 and SW 410) at Lot A1, Jalan MIEL, Kawasan Perindustrian Bentong, 28700 Bentong, Pahang. Licence no.: 004390	DOE, Pahang	1 May 2012 to 30 April 2013	The types of waste other than specified in the approval of the Environmental Impact Assessment (EIA) report reference no. AS C(S)35/210/101/003 Vol 5 (55) dated 16.03.2010 or other types of waste that do not meet the waste acceptance criteria are forbidden to be processed for recovery purposes without prior written permission from the Director General. The location and layout of the premises must be in accordance with the Layout Plan numbered BA2.01. The production process must be in accordance with the recovery method as stated in the EIA report which was approved via a letter by the department dated 16.03.2010. The design and specification of equipment used must be in accordance to the approved Written Permission issued by the DOE, Pahang on 23.08.2010.	Complied

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
11.	HHC	Off Site Scheduled Waste Recovery Facility License for approved Scheduled Waste codes (SW 409) at Lot A3, Jalan MIEL, Kawasan Perindustrian Bentong, 28700 Bentong, Pahang. Licence no.: 000281	DOE, Pahang	1 May 2012 to 30 April 2013	The types of waste other than specified in the approval of the Environmental Impact Assessment (EIA) report reference no. AS(B) 50/013/905/019 dated 20.06.2001 and the AS:CT 35/210/101/002 Vol 9 (31) dated 18.12.2007 or other types of waste that do not meet the waste acceptance criteria are forbidden to be processed for recovery purposes without prior written permission from the Director General. The location and layout of the premises must be in accordance with the drawing plan numbered SD/KL/9707/01 entitled Location and Site Plan. The process of recovery of the containers used is that of washing by using 'Toluene' and 'Kerosene' only.	Complied

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6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
12.	HHC	Off Site Scheduled Waste Recovery Facility License for approved Scheduled Waste codes (SW 322, SW 323, SW 305, SW 306, SW 307, SW 312, SW 410, SW 418) at Lot A4, Jalan MIEL, Kawasan Perindustrian Bentong, 28700 Bentong, Pahang. Licence no.: 000278	DOE, Pahang	1 May 2012 to 30 April 2013	The types of waste other than specified in the approved Environmental Impact Assessment (EIA) report reference no. AS (B) 50/013/902/053 (30) dated 20.04.1998 and the AS.:CT 35/210/101/002 Vol 9 (31) dated 18.12.2007 or other types of waste that do not meet the waste acceptance criteria are forbidden to be processed for recovery purposes without prior written permission from the Director General. The location and layout of the premises must be in accordance with the drawing plan numbered SD/KL/9707/01 entitled Location and Site Plan. The production process of solvent / thinner from waste solvent must go through the process of recovery by distillation method. The production process of reconstituted fuel oil from waste oil must go through the process of recovery by centrifugation method. The design and specification of equipment used must be in accordance to the approved Written Permission No.2.4a issued by the Head Office of Department of the Environment on 28.08.1998.	Complied
13.	HHC	Off Site Storage Facility License for the purposes of collection, transfer and transport of Scheduled Waste for approved Scheduled Waste codes (SW 322, SW 417, SW 306, SW 307 and SW 418) at Lot A-6, Jalan MIEL, Bentong Industrial Estate, 28700 Bentong, Pahang for Licence no.: 000279	DOE, Pahang	1 May 2012 to 30 April 2013	Other types of waste other than those stated in this license are not allowed to be transported. Each container/barrel used must be clearly label in accordance with the Third Schedule (Regulation 10) of the Environmental Quality (Scheduled Wastes) Regulations 2005.	Complied

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
14.	HHC	Off Site Storage Facility License for the purposes of collection, transfer and transport of Scheduled Waste for approved Scheduled Waste codes (SW 303, SW 305, SW 306, SW 307, SW 308, SW 309, SW 310, SW 312, SW 314, SW 315, SW 322, SW 323, SW 324, SW 327, SW 409, SW 410, SW 417, SW 418, SW 429, SW 430) at Lots A1, A3, A4 and A6, Jalan MIEL, Kawasan Perindustrian Bentong, 28700 Bentong, Pahang. Licence no.: 000877	DOE, Pahang	1 May 2012 to 30 April 2013	Other types of waste other than those stated in this license are not allowed to be transported. The appropriate labels in accordance with the Third Schedule (Regulation 10), the Environmental Quality (Scheduled Wastes) Regulations 2005 shall be labelled on all containers containing Scheduled Wastes.	Complied
15.	HHC	Off Site Storage Facility License : Collection, transfer and transport of Scheduled Waste – TAIKO 1 ship for approved Scheduled Waste codes (SW 303, SW 305, SW 306, SW 307, SW 308, SW 309, SW 310, SW 312, SW 314, SW 315, SW 322, SW 323, SW 327, SW 409, SW 410, SW 417, SW 418, SW 429 and SW 430) at Lots A1, A3, A4 and A6, Jalan MIEL, Kawasan Perindustrian Bentong, 28700 Bentong, Pahang. Licence no.: 004412	DOE, Pahang	1 May 2012 to 30 April 2013	Other types of waste other than those stated in this license are not allowed to be transported. The appropriate labels in accordance with the Third Schedule (Regulation 10), the Environmental Quality (Scheduled Wastes) Regulations 2005 shall be labelled on all containers containing Scheduled Wastes.	Complied

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
16.	HHC	Additional Transportation for the Licensee 1 unit pontoon to transport Scheduled Waste from Langkawi Island to Kuala Kedah, Kedah Boat number: KKD00130T Boat name: PERTIWI VII Official pontoon number: 327447 Approval letter's reference no.: AS (B)K 50/013/911/312	DOE, Kedah	Up to 30 April 2013	This approval only applies for the transportation of Scheduled Waste under the codes SW305, SW306, SW307, SW322, SW323 and SW410 only and the Company is not allowed to transport any other waste besides those stated herein. The transportation of the abovementioned Scheduled Waste from Langkawi to the Kuala Kedah Jetty, Kedah and subsequently to the licensed premise that is Hiap Huat Checimals Sdn Bhd, Lot A-4, Jalan MIEL, Kawasan Perindustrian Bentong, 28700 Bentong, Pahang shall only use those vehicles registered with the Department of Environment Pahang (Appendix B Compliance Schedule No. 000887).	Complied
17.	HHC	Certificate of Unfired Pressure Vessel Qualification Registration No.: PH PMT 11 Manufacturer Name: Tong Cheng Iron Works Co. Ltd Manufacturer No.: 1803995 Type of Vessel: Air Receiver Address of Installation: HHC, Kawasan MIEL, Bentong Industrial Estate, 28700 Bentong, Pahang. Licence No.: PMT – PH 39350	Department of Occupational Safety and Health, Pahang	Expiring on 5 September 2013	This certificate is valid until the stated expired date, unless it has been suspended, revoked or otherwise terminated earlier under the provisions of The Factories and Machineries Act 1967 and provided that the provisions of The Factories and Machineries Act 1967 and regulations applicable to the unfired pressure vessels are not violated.	-

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
18.	HHC	Certificate of Unfired Pressure Vessel Qualification Registration No.: PH PMT 491 Manufacturer Name: Tong Cheng Iron Works Co. Ltd Manufacturer No.: 9801162 Type of Vessel: Bekas Udara Address of installation: HHC, Kawasan MIEL, Bentong Industrial Estate, 28700 Bentong, Pahang. Licence No.: PMT – PH 39351	Department of Occupational Safety and Health, Pahang	Expiring on 5 September 2013	This certificate is valid until the stated expired date, unless it has been suspended, revoked or otherwise terminated earlier under the provisions of The Factories and Machineries Act 1967 and provided that the provisions of The Factories and Machineries Act 1967 and regulations applicable to the unfired pressure vessels are not violated.	-
19.	HHC	Certificate of Unfired Pressure Vessel Qualification Registration No.: PH PMT 1166 Manufacturer Name: Tong Cheng Iron Works Co. Ltd Manufacturer No.: 1800456 Type of Vessel: Bekas Udara Address of Installation: HHC, Kawasan MIEL, Bentong Industrial Estate, 28700 Bentong, Pahang. Licence No.: PMT –PH 39352	Department of Occupational Safety and Health, Pahang	Expiring on 5 September 2013	This certificate is valid until the stated expired date, unless it has been suspended, revoked or otherwise terminated earlier under the provisions of The Factories and Machineries Act 1967 and provided that the provisions of The Factories and Machineries Act 1967 and regulations applicable to the unfired pressure vessels are not violated.	-

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
20.	HHC	Certificate of Unfired Pressure Vessel Qualification Registration No.: PH PMT 3908 Manufacturer Name: 514 – Puma Ind. Co. Ltd., Taiwan Manufacturer No.: TX6070080N Type of Vessel: Air compressor Address of Installation: Lot A4, Jalan MIEL, Kawasan MIEL Bentong, 28700 Pahang. Licence No.: PMT – PH 40252	Department of Occupational Safety and Health, Pahang	Expiring on 11 December 2013	This certificate is valid until the stated expired date, unless it has been suspended, revoked or otherwise terminated earlier under the provisions of The Factories and Machineries Act 1967 and provided that the provisions of The Factories and Machineries Act 1967 and regulations applicable to the unfired pressure vessels are not violated.	-
21.	HHC	Certificate of Unfired Pressure Vessel Qualification Registration No.: PH PMT 3906 Manufacturer Name: 408 – Tong Cheng Iron Works Co. Ltd., Taiwan Manufacturer No.: 09180592 Type of Vessel: Air receiver tank Address of Installation: Lot A4, Jalan MIEL, Kawasan MIEL Bentong, 28700 Pahang. Licence No.: PMT – PH 40251	Department of Occupational Safety and Health, Pahang	Expiring on 11 December 2013	This certificate is valid until the stated expired date, unless it has been suspended, revoked or otherwise terminated earlier under the provisions of The Factories and Machineries Act 1967 and provided that the provisions of The Factories and Machineries Act 1967 and regulations applicable to the unfired pressure vessels are not violated.	-

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
22.	HHC	Certificate of Unfired Pressure Vessel Qualification Registration No.: PH PMT 3907 Manufacturer Name: 514 – Puma Ind. Co. Ltd., Taiwan Manufacturer No.: TX6070079N Type of Vessel: Air compressor Address of Installation: Lot A4, Jalan MIEL, Kawasan MIEL Bentong, 28700 Pahang. Licence No.: PMT – PH 40253	Department of Occupational Safety and Health, Pahang	Expiring on 11 December 2013	This certificate is valid until the stated expired date, unless it has been suspended, revoked or otherwise terminated earlier under the provisions of The Factories and Machineries Act 1967 and provided that the provisions of The Factories and Machineries Act 1967 and regulations applicable to the unfired pressure vessels are not violated.	-
23.	HHC	Licence to trade used products at Lot A6, Jalan MIEL , Kawasan Industri MIEL Bentong Licence no.: 143712 Licence no.: 143713	Royal Malaysian Police, Pahang	Expiring on 31 December 2012	Sale/purchase of scrap metal and used drum only. Sale/purchase of waste solvent and waste oil only.	-
24.	HHC	Permission to Import/Purchase Materials and Components Free of Sales Tax For the Use in Manufacture of Goods Licence no.: A025678	Royal Customs and Excise Malaysia	1 July 2012 to 31 December 2012	-	-
25.	HHC	Licence under Sales Tax Act 1972 Low grade paint (tariff code: 3209.10.190) Oil-based paint (tariff code: 3403.19.100) Licence no.: A 025678	Royal Customs and Excise Malaysia	-	-	-

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
26.	HHC	Licence to carry out port ancillary services within the limits of the port, Port Klang. Activities: Acceptance of Scheduled Wastes from ships. Licence No.: LPK:JPH/100-16/54(2)	Port Klang Authority	1 January 2012 to 31 December 2012	This licence must be presented whenever required and shall not be transferred or leased. This licence is only valid in the premises of Port Klang (North Port, South Port and West Port). This licence shall not be defined as: (i) Guarantee for work, and (ii) Compliance with the other applicable laws, including any act, by-laws made under it.	-
27.	HHC	Permit for the recycling of oil based waste and spent solvent to produce reconstituted fuel oil and distillation solvent at Lot A4, Jalan MIEL, Kawasan Perindustrian Bentong, 28700 Bentong Pahang Darul Makmur Serial No.: 000314 Permit No.: 000056	Ministry of International Trade & Industry	From 20 January 2000	The composition of the Board of Directors shall generally reflect the equity structure of the company and the Ministry of International Trade and Industry shall be informed of the appointment and of any changes in the Board of Directors. The company shall take and train Malaysians in order to reflect the multi-ethnic composition of the state population for all levels of employment, The maximum capacity of recycling allowed for waste solvent is 500 barrels per month and for waste oil is 2,200 barrels per month. Any increase in the capacity of recycling shall first obtain the approval from the Secretary General of the Ministry of International Trade and Industry in advance.	-
28.	HHC	Certificate of Registration Certificate No.: R: 11239	Boustead Naval Shipyard Sdn Bhd	24 August 2011 to 23 August 2013	This certificate must be renewed no later than 30 days prior to expiration.	-

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
29.	HHC	Certificate of Registration as a Supplier & Service Contractor TNB registration No. : 3003093	Tenaga Nasional Berhad	Expiring on 29 June 2014	The validity date of the registration is subject to the validity period of the registration certificates issued by the Ministry of Finance, Public Contractor Services Centre, Electrical Contractor Services Centre and any other related professional certificates	-
30.	HHC	Company Registration Declaration Certificate Registered in the following field codes - 020500, 100101, 100102, 110100, 110200, 140100, 180200, 220401, 220402, 220403, 220406, 220801, 220803, 221301 Licence no.: K2085690504904529	Ministry of Finance	30 June 2011 to 29 June 2014	Any changes to information previously provided by the company should be updated online on www.eperolehan.gov.my within 21 days from the date the change occurred. The Company must ensure that the fields that have been registered in this certificate does not overlap with fields that have been approved on any of the following companies: (a) have an owner or board of directors / directors, management and employees of the same, or (b) operate in the same premises. Failure to apply for renewal of registration after one year from the date of expiry of registration may result in registration with the Ministry of Finance Malaysia being canceled and removed automatically from the eProcurement system. The company must make a new application.	-
31.	HHC	Permit to Purchase, Store and Use of Sodium Hydroxide Licence no.: 030700	Department of Health, Pahang	Expiring on 31 December 2012	This permit is issued subject to the provision of the Poison Ordinance 1952 and the Poisons (Sodium Hydroxide) Regulations 1962.	-
32.	HHC	Permit for marketing and wholesale distribution of Recycled Fuel Oil - In the local area of Peninsular Malaysia. PDA serial No. A 005814 PDA Permit No: 15918	Ministry of Domestic Trade, Co-Operatives and Consumerism	24 September 2010 to 23 September 2013	-	-

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
33.	HHC	Scheduled Article Permit For the purchase of Scheduled Articles: 50 liters of petrol 50 liters of diesel Licence serial No. C 004746	Enforcement Division, Ministry of Domestic Trade, Co-Operatives and Consumerism	20 July 2012 to 19 January 2013	The Permit Holder shall only store the Scheduled Articles at Lot A6, Jalan MIEL, 28700 Bentong, Pahang. This Permit is not transferable. This Permit is valid for the duration of the issued date and the renewals should be submitted to the Controller at least one month prior to the expiration date.	-
34.	HHC	Licence for the following: 1. Production of Paint/Cellulose/ Chemical materials – Paint Products Wholesalers 2. Storing of Paint/Cellulose/Chemical materials – Storing of Paint Products 3. Illuminated Advertisement for Hiat Huat Chemicals 4. Illuminated Advertisement at Hiap Huat Chemicals' place of business. Serial No. 201200007276	Selayang Municipal Council	Expiring on 31 December 2012	This licence must be displayed within the licensed premises and shall be renewed upon expiry	Complied
35.	HHC	Permit to Buy and Remove Used Materials From the Perai Industrial Free Zone Licence no.: 01026	Seberang Perai Municipal Council	13 March 2012 to 12 March 2013	-	-
36.	HHC	Licence to buy rubber for the manufacture of rubber products Licence no.: C01-17765-001-1	Malaysian Rubber Board	29 December 2011 to 28 December 2012	Required to dispose/destroy vulvanized rubber residues in accordance to the authorizing Malaysian Rubber Board's instructions	Complied
37.	HHC	Licence to purchase, remove and store palm fatty acid at Lot A2, Jalan MIEL, Kawasan MIEL, Bentong Industrial Estate, Bentong, Pahang Licence no.: 549737012000	Malaysian Palm Oil Board	1June 2012 to 31 May 2013	-	-

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
38.	HHC	Certificate of Registration as Vendor Declaration Eligibility to participate in the tender / quotation or tender in Felda Group of Companies Registration no.: NB-01101100222-01	Felda Holdings Bhd	1 October 2011 to 30 September 2013	This registration will be suspended / blacklisted / revoked in the event Shareholders / Partners / Directors are convicted in any criminal / illegal activities and found guilty by the courts in Malaysia or overseas of any crime / offence.	-
39.	HHC	Permission to transport: 1. Lubricating oil (40,000 L) between Kota Kinabalu and Port Klang 2. Lubricating oil (40,000 L) between Sandakan and Port Klang 3. Lubricating oil (40,000 L) between Labuan and Port Klang 4. Lubricating oil (60,000 L) between Tawau and Port Klang 5. Other diesel fuel (400,000 L) between Sibu and Port Klang 6. Lubricating oil (400,000 L) between Sibu and Port Klang 7. Lubricating oil (60,000 L) between Kuching and Port Klang 8. Lubricating oil (40,000 L) between Bintulu and Port Klang 9. Lubricating oil (60,000 L) between Miri and Port Klang Reference no.: Pek Am/bil.133 Appendix D	Royal Customs and Excise Malaysia, Internal Taxes Division (Industry, Petroleum & Gas Section)	20 September 2012 to 19 December 2012 for No. (1) – (4) dan No. (6) – (9) except for No. (5) where the validity period is from 29 September 2012 to 28 December 2012	-	-

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
40.	HHC	Registration of Contractor under the categories of sewage disposal, Scheduled Waste treatment, Scheduled Waste transportation and Scheduled Waste disposal to offer the supply of goods and services to Malaysia Marine and Heavy Engineering Sdn Bhd Approval letter reference no.: MMHE/SCM-VR/061/12	Malaysia Marine and Heavy Engineering Sdn Bhd	21 September 2012 to 20 September 2014	-	-
41.	XFH	License for the storage of paint/cellulose/chemical - Paint Products Wholesaler Licence serial no.: 201200007275	Selayang Municipal Council	Expiring on 31 December 2012	-	-
42.	XFH	Wholesaler's poisons licence (Type B licence) Granted to Chow Pui Ling to import, store and sell by wholesale hydrochloric acid (9% and over as HCl) Licence no.: 023891	Selangor Health Department	1 January 2012 to 31 December 2012	The licence holder can only import for its own business purposes and not import the poison as an agent.	-

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
43.	Transada	Off Site Scheduled Waste Recovery Facility License for approved Scheduled Waste codes (SW 305, SW 306, SW 307, SW 322 and SW 323) at Lot 71 & 72, Jalan Industri 4/2, Gopeng Industrial Estate, 31600 Gopeng, Perak Licence no.: 004166	DOE, Perak	1 May 2012 to 30 April 2013	The types of waste other than specified in the approval of the Environmental Impact Assessment (EIA) report reference no. AS 50/013/902/095 (12) dated 11.02.2003 or other types of waste that do not meet the waste acceptance criteria are forbidden to be processed for recovery purposes without prior written permission from the Director General of Environmental Quality. The location and layout of the premises must be in accordance with the drawing plan numbered KP250/1770/96/AP-1B entitled Key Plan, Location Plan and Layout Plan. The production process of reconstituted fuel oil from waste oil must go through the process of recovery by centrifugation method. The production process of solvent / thinner from waste solvent must go through the process of recovery by distillation method. The design and specification of equipment used must be in accordance to the approved Written Permission from the Director General vide this department's letter dated 11.11.2003.	Complied
44.	Transada	Off Site Storage Facility License for the purposes of collection, transfer and transportation of Scheduled Waste for approved Scheduled Waste codes (SW 305, SW 306, SW 307 and SW 322) at Lot 71 & 72, Jalan Industri 4/2, Gopeng Industrial Estate, 31600 Gopeng, Perak. Licence no.: 004167	DOE, Perak	1 May 2012 to 30 April 2013	Other types of waste other than those stated in this license are not allowed to be transported. The appropriate labels in accordance with the Third Schedule (Regulation 10), the Environmental Quality (Scheduled Wastes) Regulations 2005 shall be labelled on all containers containing Scheduled Wastes.	Complied

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Company	Description of licence / Licence no.	Authority	Validity period	Salient conditions	Status of compliance
45.	Transada	Additional Transportation for the Licensee 1 unit pontoon to transport Scheduled Waste from Langkawi Island to Kuala Kedah, Kedah Boat number: KKD00130T Boat name: PERTIWI VII Official pontoon number: 327447 Approval letter reference no.: AS (B)K 50/013/905/290 Vol 03(11)	DOE, Kedah	Expiring 30 April 2013	This approval only applies for the transportation of Scheduled Waste under the codes SW305, SW306, SW307 and SW322 only and the Company is not allowed to transport any other waste besides those stated herein, The transportation of the abovementioned Scheduled Wastes from Langkawi to the Kuala Kedah Jetty, Kedah and subsequently to licensed premise that is Transada Chemicals Sdn Bhd at Gopeng shall only use those vehicles registered with the Department of Environment Perak (Appendix B Compliance Schedule No. 004167).	Complied
46.	Transada	Approval for additional transport vehicles bearing the registration number SU 8134, SA 2613X and SS 7596B for the transportation licence No. 004167 for Transada Chemicals Sdn Bhd Approval letter reference no.: (B) A35/400/104/005	DOE, Perak	-	-	Complied
47.	Transada	Licence to manufacture alkaline/acid/solvents/baits etc. Advertising licence Licence no.: L-0008476-6	Kampar District Council	From January to December 2012	-	-

6.24 INTERRUPTIONS IN OPERATIONS DURING THE PAST 12 MONTHS

Our Group has not experienced any disruptions in business which has significantly affected our operations during the 12 months period prior to the date of this Prospectus.

6.25 EXCEPTIONAL FACTORS AFFECTING THE BUSINESS

Save for the risk factors highlighted in Section 5 of this Prospectus, we do not foresee any exceptional factors which may affect our business.

6.26 PROPERTY, PLANT AND EQUIPMENT

6.26.1 Properties owned by our Group

Details of the land and buildings owned by our Group as at the LPD are as follows:

No.	Name of registered owner/beneficial owner and postal address / Title identification / Tenure	Description of property/Existing use	Date of issuance/ approval of certificate of fitness	Land area/ Gross built-up area (sqm)	Restriction in interest	Encumbrances on property	Audited net book value as at 30 June 2012 (RM'000)
1.	HHC Lot No. A-1, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* PN 11605 Lot 18211 (formerly held under HS(D) 12163, PT No. 15677), Mukim and District of Bentong, State of Pahang. Leasehold for 66 years, expiring on 22.03.2053	Industrial land with a 1½ storey semi-detached factory building used as factory	Certificate No. 38/93 dated 27.09.1993	Land area: 2,088 Gross built-up area: 926.7	The land shall not be transferred, leased or charged without the consent of the YAB Menteri Besar Pahang	Charged to Alliance Islamic Bank Berhad	806

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Name of registered owner/beneficial owner and postal address / Title identification / Tenure	Description of property/Existing use	Date of issuance/ approval of certificate of fitness	Land area/ Gross built-up area (sqm)	Restriction in interest	Encumbrances on property	Audited net book value as at 30 June 2012 (RM'000)
2.	HHC Lot No. A-2, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* PN11606 Lot 18212 (formerly held under HS(D) 12164, PT No. 15678), Mukim and District of Bentong, State of Pahang Leasehold for 66 years, expiring on 22.03.2053	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse	Certificate No. 38/93 dated 27.09.1993	Land area: 1,864 Gross built-up area: 926.7	The land shall not be transferred, leased or charged without the consent of the YAB Menteri Besar Pahang	Charged to United Overseas Bank (Malaysia) Bhd	649
3.	HHC Lot No. A-3, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* PN 11607 Lot 18213 (formerly held under HS(D) 12165, PT No. 15679), Mukim and District of Bentong, State of Pahang Leasehold for 66 years, expiring on 22.03.2053	Industrial land with a 1½ storey semi-detached factory building used as administrative office and factory	Certificate No. 38/93 dated 27.09.1993	Land area: 1,716 Gross built-up area: 926.7	The land shall not be transferred or charged without the consent of the YAB Menteri Besar Pahang	Charged to United Overseas Bank (Malaysia) Bhd	643

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Name of registered owner/beneficial owner and postal address / Title identification / Tenure	Description of property/Existing use	Date of issuance/ approval of certificate of fitness	Land area/ Gross built-up area (sqm)	Restriction in interest	Encumbrances on property	Audited net book value as at 30 June 2012 (RM'000)
4.	HHC Lot No. A-4, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* PN 11609 Lot 18214 (formerly held under HS(D) 12166, PT No. 15680), Mukim and District of Bentong, State of Pahang Leasehold for 66 years, expiring on 22.03.2053	Industrial land with a 1½ storey semi-detached factory building used as factory	Certificate No. 38/93 dated 27.09.1993	Land area: 1,553 Gross built-up area: 926.7	The land shall not be transferred or charged without the consent of the YAB Menteri Besar Pahang	Charged to United Overseas Bank (Malaysia) Bhd.	631
5.	HHC Lot No. A-5, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* PN 11610 Lot 18215 (formerly held under HS(D) 12167, PT No. 15681), Mukim and District of Bentong, State of Pahang Leasehold for 66 years, expiring on 22.03.2053	Industrial land with a 1½ storey semi-detached factory building used as staff canteen, factory and warehouse	Certificate No. 38/93 dated 27.09.1993	Land area: 1,538 Gross built-up area: 926.7	The land shall not be transferred or charged without the consent of the YAB Menteri Besar Pahang	Charged to Malaysian Industrial Development Finance Berhad	543

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Name of registered owner/beneficial owner and postal address / Title identification / Tenure	Description of property/Existing use	Date of issuance/ approval of certificate of fitness	Land area/ Gross built-up area (sqm)	Restriction in interest	Encumbrances on property	Audited net book value as at 30 June 2012 (RM'000)
6.	HHC Lot No. A-6, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* PN 11611 Lot 18216 (formerly held under Pajakan Negeri 2486, Lot 15403), Mukim Bentong, Daerah Bentong, Negeri Pahang Leasehold for 66 years, expiring on 22.03.2053	Industrial land with a 1½ storey semi-detached factory building used as production office, factory and warehouse	Certificate No. 38/93 dated 27.09.1993	Land area: 2,073 Gross built-up area: 926.7	The land shall not be transferred or charged without the consent of the YAB Menteri Besar Pahang	-	811
7.	HHC Lot B-1, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* PN 11598 Lot No. 18210, Mukim Bentong, Daerah Bentong, Negeri Pahang Leasehold for 66 years, expiring on 22.03.2053	Industrial land with a 1½ storey semi-detached factory building used as factory and warehouse	Certificate No. 38/93 dated 27.09.1993	Land area: 1,582 Gross built-up area: 587	The land shall not be transferred or charged without the consent of the YAB Menteri Besar Pahang	Charged to Alliance Bank Malaysia Berhad	619

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Name of registered owner/beneficial owner and postal address / Title identification / Tenure	Description of property/Existing use	Date of issuance/ approval of certificate of fitness	Land area/ Gross built-up area (sqm)	Restriction in interest	Encumbrances on property	Audited net book value as at 30 June 2012 (RM'000)
8.	HHC Lot No. A352, Taman Rimba, Janda Baik, 28700 Bentong, Pahang *Title identification:* HS (D) 9885, PT 13760, Mukim Bentong, Daerah Bentong, Negeri Pahang Leasehold for 99 years, expiring on 08.09.2095	Agricultural land that is currently vacant	N/A	Land area: 4,150 Gross built-up area: Nil	The land shall not be transferred, leased, or charged without the consent of the State Authority	-	485
9.	HHC 46, Jalan E 1/2, Taman Ehsan Industrial Park, 52100 Kepong, Selangor *Title identification:* HS (M) 22259, PT No. 8440, Batu 8 Jalan Kepong, Bandar Kepong, District of Gombak, State of Selangor Leasehold for 99 years, expiring on 09.07.2078	Industrial land with a single storey detached factory annexed with a 3 storey office building and other ancillary buildings used as head office and warehouse	Certificate No. LAM/S/No. 3508 dated 10.10.2011	Land area: 4,618.67 Gross built-up area: 1,746.50	-	Charged to Alliance Bank Malaysia Berhad	4,605

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Name of registered owner/beneficial owner and postal address / Title identification / Tenure	Description of property/Existing use	Date of issuance/ approval of certificate of fitness	Land area/ Gross built-up area (sqm)	Restriction in interest	Encumbrances on property	Audited net book value as at 30 June 2012 (RM'000)
10.	HHC No. 71, Jalan Indusrial 4/2, Gopeng Industrial Park, 31600 Gopeng, Perak *Title identification:* Pajakan Negeri 330083, Lot 300226, Mukim Teja, Daerah Kampar, Negeri Perak Leasehold for 99 years, expiring on 14.07.2096	Industrial land with a single storey semi-detached factory building with a 2 storey office portion used as production office and factory	Certificate of Fitness reference no. KPR 116/98 dated 27.10.1998 Certificate of Completion No. Bil (10)ImMDKpr (B)(G)45/ 2003 dated 19.05.2011	Land area: 668 Gross built-up area: 229	The land may be transferred or leased with the written consent of the state authorities	-	153
11.	HHC No. 72, Jalan Indusrial 4/2, Gopeng Industrial Park, 31600 Gopeng, Perak *Title identification:* Pajakan Negeri 330093, Lot 300227, Mukim Teja, Daerah Kampar, Negeri Perak Leasehold for 99 years, expiring on 14.07.2096	Industrial land with a single storey semi-detached factory building with a 2 storey office portion used as production office and factory	Certificate of Fitness reference no. KPR 116/98 dated 27.10.1998 Certificate of Completion No. Bil (10)ImMDKpr (B)(G)45/ 2003 dated 19.05.2011	Land area: 683 Gross built-up area: 229	The land may be transferred or charged with the written consent of the state authorities	-	153
12.	HHC Lot No. B2, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* PN 11600 Lot 18209 Mukim and District of Bentong, State of Pahang. Leasehold for 66 years, expiring on 22.03.2053	Industrial land with a 1½ storey semi-detached factory building currently under renovation to be used as warehouse	Certificate of Fitness No. 38/93 dated 27.09.1993	Land area: 1,261 Gross built-up area: 587	The land shall not be transferred, leased or charged without the consent of the YAB Menteri Besar Pahang	Charged to Alliance Islamic Bank Berhad	-[(1)]

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Name of registered owner/beneficial owner and postal address / Title identification / Tenure	Description of property/Existing use	Date of issuance/ approval of certificate of fitness	Land area/ Gross built-up area (sqm)	Restriction in interest	Encumbrances on property	Audited net book value as at 30 June 2012 (RM'000)
13.	HHC Lot No. B3, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* PN 11602 Lot 18208 Mukim and District of Bentong, State of Pahang. Leasehold for 66 years, expiring on 22.03.2053	Industrial land with a 1½ storey semi-detached factory building currently under renovation to be used as warehouse	Certificate of Fitness No. 38/93 dated 27.09.1993	Land area: 1,222 Gross built-up area: 587	The land shall not be transferred, leased or charged without the consent of the YAB Menteri Besar Pahang	Charged to Alliance Islamic Bank Berhad	-[(1)]
14.	HHC Lot No. B4, Jalan MIEL, Kawasan Perindustrian MIEL, 28700 Bentong, Pahang *Title identification:* PN 11603 Lot 18207 Mukim and District of Bentong, State of Pahang. Leasehold for 66 years, expiring on 22.03.2053	Industrial land with a 1½ storey semi-detached factory building currently under renovation to be used as warehouse	Certificate of Fitness No. 38/93 dated 27.09.1993	Land area: 1,390 Gross built-up area: 587	The land shall not be transferred, leased or charged without the consent of the YAB Menteri Besar Pahang	Charged to Alliance Islamic Bank Berhad	-[(1)]

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Name of registered owner/beneficial owner and postal address / Title identification / Tenure	Description of property/Existing use	Date of issuance/ approval of certificate of fitness	Land area/ Gross built-up area (sqm)	Restriction in interest	Encumbrances on property	Audited net book value as at 30 June 2012 (RM'000)
15.	TMP Lot 21, Jalan Sungai Pinang 5/3, Phase 2A Taman Perindustrian Pulau Indah, Klang, Selangor *Title identification:* Individual Title PN 24351, Lot 102521, in the Mukim of Klang, District of Klang, State of Selangor Leasehold for 99 years, expiring on 24.02.2097	Industrial land with a single storey refinery and recycling factory and a 2 storey office building(2)	N/A(2)	Land area: 12,386 Gross built-up area: 5,748.57	The land shall not be transferred, leased or charged without the consent of the state authority	Charged to United Overseas Bank (Malaysia) Berhad	13,865

Notes:

(1) The purchase of the property was only completed in July 2012.

(2) As at the LPD, the construction of our office building and production facility has been completed (The building plan approval for the construction of the production facility was obtained on 11 January 2011). The Company is currently in the midst of obtaining the necessary approvals from the local authorities for the said production plant and expects to obtain the Certificate of Completion and Compliance by Dec 2012. The said production plant is anticipated to be commissioned by the first quarter of 2013.

None of the properties disclosed above are in breach of any land use conditions and/or is in non-compliance with current statutory requirements, land rules or building regulations. No valuations have been conducted on any of the properties disclosed above.

6.26.2 Properties rented by our Group

Details of the land and buildings rented by our Group as at the LPD are as follows:

Name of landlord/tenant / Location/Postal address	Description of property/Existing use	Built-up area (square feet)	Tenure	Rental per annum (RM)
Elizabeth Rose Stork (as landlord)/HHC (as tenant) No. 55 (Upper level),Kawasan Perindustrian Bentong, Jalan Karak, 28700 Bentong, Pahang	2 bedroom shophouse used as hostel for employees	1,600	1 year expiring on 31 October 2012[(1)]	5,760
Lew Youn Faak (as landlord)/HHC (as tenant) C4-18, Taman Benus Jaya, 28700 Bentong, Pahang	2 bedroom flat/apartment used as hostel for employees	517	2 years expiring on 24 February 2013	2,160
Poy Heng Choy (as landlord)/HHC (as tenant) No. 62, Mutiara Height, Jalan MH5, 28700 Bentong, Pahang	4 bedroom double storey house used as hostel for employees	1,700	1 year expiring on 31 March 2013	8,160
Yong Yew Voon (as landlord)/HHC (as tenant) C4-4, Taman Benus Jaya, 28700 Bentong, Pahang	2 bedroom flat/apartment used as worker's hostel	517	2 years expiring on 30 June 2013	1,680
Tharumalingam A/L S. Maniam (as landlord)/HHC (as tenant) C3-22, Taman Benus Jaya, 28700 Bentong, Pahang	2 bedroom flat/apartment used as worker's hostel	517	1 year expiring on 26 June 2013	2,160
Haron Bin Abu Hassan (as landlord)/HHC (as tenant) CD1-3P, Taman Benus Jaya, 28700 Bentong, Pahang	Shoplot used as worker's hostel	940	1 year expiring on 6 October 2012[(2)]	4,200
Wong Sam @ Wong Kiew (as landlord)/HHC (as tenant) C4-12, Taman Benus Jaya, 28700 Bentong, Pahang	2 bedroom flat/apartment used as worker's hostel	517	1 year expiring on 21 September 2013	2,160

6. INFORMATION ON OUR GROUP (*Cont'd*)

Name of landlord/tenant / Location/Postal address	Description of property/Existing use	Built-up area (square feet)	Tenure	Rental per annum (RM)
Ng Wing Nyet (as landlord)/HHC (as tenant) D1-13, Taman Benus Jaya, 28700 Bentong, Pahang	2 bedroom flat/apartment used as worker's hostel	517	1 year expiring on 12 November 2012[(3)]	2,160
Veerapathi A/L Jeyasingam (as landlord)/HHC (as tenant) D2-24, Taman Benus Jaya, 28700 Bentong, Pahang	2 bedroom flat/apartment used as worker's hostel	517	1 year expiring on 12 November 2012[(4)]	2,160
Chin Ah Faa (as landlord)/HHC (as tenant) D3-8, Taman Benus Jaya, 28700 Bentong, Pahang	2 bedroom flat/apartment used as worker's hostel	517	1 year expiring on 7 March 2013	2,160
Tiang Soon Ee (as landlord)/XFH (as tenant) DS 5-3-P, Block 5, Desa Satu Apartment, Desa Aman Puri, Off Lorong D1/5, 52100 Kepong, Selangor	3 bedroom apartment used as worker's hostel	655	1 year expiring on 6 October 2013	4,800

Note:

(1) The tenancy was subsequently renewed 1 year expiring on 31 October 2013 at a rental per annum of RM6,000.
(2) The tenancy was subsequently not renewed or extended upon its expiry.
(3) The tenancy was subsequently terminated on 24 September 2012.
(4) The Company intends to renew the tenancy for another year and is currently in the midst of preparing the tenancy agreement.

To best of our Directors' knowledge, none of the rented properties disclosed above are in breach of any land use conditions and/or is in material non-compliance with relevant land rules and building regulations.

6.26.3 Material plant and machinery

As at the LPD, our material plant and machinery are as follows:

Plant and machinery	Description/Function	No of units	Audited net book value as at 30 June 2012 (RM'000)
Paint mixer	Blending of paint	11	255
Milling machine	Milling of pigments	2	124
Solvent distiller	Distillation of waste solvents	4	373
Decanter (Centrifuge System)	Separation of waste oil – oil, water and sludge	2	125
Homogenizer mixer	Produce viscosity improver for lubricating oil	2	14
Grease mixer	Mixing of grease products	2	90
Ultrafiltration membrane system	Waste water treatment	6	433
Filter press	Waste oil filtration	4	106
High temperature thermo oil boiler	Thermal oil heating unit	1	286
Base oil evaporation system	Distillation of waste oil	2	6,444
Intermediate Bulk Container flushing system	Cleaning of intermediate bulk container tank system	2	58

The total audited net book value for all our material plant and machinery as at 30 June 2012 is approximately RM8.31 million.

For information on production capacity, please refer to Section 6.12 of this Prospectus.

6.27 FUTURE PLANS AND STRATEGIES OF OUR GROUP

Our objective is to maximise our shareholder value by consolidating our position as a market leader in the oil recycling industry in terms of integration of operations, profitability and return on capital. In the shorter term, we intend to focus on expanding and reinforcing our supply chain. In the medium to longer term, we will look to expand our product portfolio and production capacity.

6.27.1 Expanding and reinforcing our supply chain

Our Group currently depends on the continued support of our long-standing customers as well as third-party contractors for our current supply of waste oil and other key raw materials.

We intend to expand and reinforce our supplies of waste oil through the following three modes:

(i) Setting up a supplier call centre

Through a supplier call centre, we are able to keep our existing and potential suppliers updated of our competitive rates on a more regular basis. A survey was embarked and completed in the first of quarter 2011 to gather feedback, requirements and expectations, and the results thereof will provide the framework for our supplier management system. We intend to schedule the launch of our supplier call centre by the first quarter of 2013.

(ii) Launching loyalty programmes for our suppliers

We also hope to increase loyalty amongst our suppliers by rolling out our loyalty programmes to reward our long-standing suppliers. Our survey was completed in the third quarter of 2011 and we expect to roll out our supplier loyalty programme by the third quarter of 2013.

(iii) Expanding our pool of alternative suppliers such as the marine sector

We intend to forge more tie-ups to reach out to alternative suppliers operating in other industries, in particular, the marine industry which generates a lot of waste oil. By 2013, we expect to have more collaboration with strategic partners in this sector.

Our three-prong approach would not only attract new suppliers, thus growing our existing supply pool, it will also promote supplier retention.

6.27.2 Increase permitted treatment capacities

Currently, our production facilities are centred at 2 separate locations in Malaysia, Bentong, Pahang and Gopeng, Perak. Combined, our 2 production facilities are permitted to treat and recycle approximately 50.88 million litres of waste oil, approximately 15.22 million litres of waste solvent and approximately 0.52 million pieces of used drums and containers per year.

As part and parcel of our expansion plans to cope with extended demand for our end products and to widen our revenue stream with the sale of recycled base oil, we are in the midst of building a third production facility at Pulau Indah, Selangor. As at the third quarter of 2012, the construction of our office building and production centre has been completed. The Company is currently in the midst of obtaining the necessary approvals from the local authorities for the said production plant.

We anticipate our new treatment and production outfit in Pulau Indah to be operational by the first quarter of 2013. Once fully operational, our Group's Pulah Indah plant will be permitted to treat and recycle up to 61.2 million litres of waste oil, 19.68 litres of waste solvents and 0.42 million pieces of used drums/containers per year. This raises our overall Group's permitted treatment and recycling capacities of waste oil, waste solvents and used drums and containers by approximately 2 times, 2 times and 1.80 times respectively.

6.27.3 Market expansion

Currently, the main market for our products is in Malaysia itself, with negligible amounts of exports overseas. We currently do serve some overseas orders via Singapore, but only on an occasional basis. However, we have seen an increase in queries from potential overseas customers about our products and services signifying that there are untapped potential and growth opportunities in the overseas market.

We have plans to expand our market beyond Malaysia. By way of trade portals and existing potential overseas customer contacts (obtain during their enquiries about our products and services), we will aggressively embark on this market expansion in tandem with the completion and commission of our third production facility at Pulau Indah. Our marketing efforts will step in by end 2013, and will continue for the next five years. We intend to increase the export of our products to account for 50% of our total revenue. Four countries that we are targeting are Indonesia, Vietnam, the Philippines and Myanmar, which has a high concentration of automobiles and motorcycles.

6.27.4 Increase focus on products with higher margins

Solvents and other chemicals have been our key products in recent history. However, the market for solvents is shrinking as factories are moving out of Malaysia and into countries with cheaper production costs, such as the People's Republic of China and Vietnam. Factories in Malaysia are also taking various measures to reduce production costs, one of which is prolonging the use of oil, lubricants, and solvents used by their machineries and equipment. Therefore, both supply (of waste solvents) and demand of solvents and chemicals are on the downward trend. With supply on the decline, the cost of purchasing solvents will likely rise, thus reducing the profit margins.

Hence, we are switching our focus from selling recycled solvents to recycled oil products. We have existing technologies to recycle waste oil, which is easier and safer to handle and process, compared to waste solvents and chemicals.

Raw materials for the production of recycled base oil are also easier to procure. Base oil can be recovered from waste engine oil. With approximately 600,000 new passenger vehicles registered in 2011, Malaysia has emerged as one of the biggest passenger vehicle markets in South East Asia. Over the years, waste oil generated by automotive car workshops is on an upward trend, which is in line with the increase in car sales, and we expect this trend to continue. Therefore, we will have an abundant supply of raw materials for the production of base oil.

6.27.5 Strategic expansion to increase outreach to customers and suppliers

We intend to establish our Group as the Scheduled Waste recycler and producer of recycled oil for the whole of Malaysia, including East Malaysia. To achieve this, we are seeking to expand our production facilities by identifying strategic growth locations in the country.

One of our ongoing projects is the establishment of a production plant at Pulau Indah. Pulau Indah is an island located off the west coast of Selangor. The island is home to Westport, the biggest super port in the region, and has also been earmarked for several developments, one of which is the Pulau Indah Industrial Park ("PIIP"), an integrated industrial park that covers an area of 5,324 acres, and Selangor Halal Hub Pulau Indah ("SHHPI"). By setting up our next production plant in Pulau Indah, we will be located within close proximity to the marine sector, which we intend to tap upon, as well as the current and upcoming industries operating within the PIIP and SHHPI. This gives us easy and natural access to a wider pool of potential suppliers of waste oil and customers of recycled oil products.

(Prepared for inclusion in this Prospectus)

D&B

Decide with Confidence

08 October 2012

The Board of Directors
Hiap Huat Holdings Berhad,
No. 46, Jalan E1/2,
Taman Ehsan Industrial Park,
52100 Kepong,
Selangor Darul Ehsan.

Dear Sirs,

EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT ("EXECUTIVE SUMMARY") FOR HIAP HUAT HOLDINGS BERHAD ("HIAP HUAT" OR THE "COMPANY")

This Executive Summary has been prepared for inclusion in the Prospectus to be dated 5 NOV 2012 pursuant to the listing of Hiap Huat on the ACE Market of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview of the oil recycling market in Malaysia. The research methodology includes both primary research, involving in-depth interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, Government literatures, in-house databases, Internet research and online databases.

Dun & Bradstreet (D&B) Malaysia Sdn Bhd ("D&B Malaysia") has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, D&B Malaysia acknowledges that if there are significant changes affecting the contents of the Executive Summary after the issue of the Prospectus and before the issue of securities, then D&B Malaysia has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

Yours faithfully,
for and on behalf of
DUN & BRADSTREET (D&B) MALAYSIA SDN BHD

AUDREY CHIA
CHIEF EXECUTIVE OFFICER

D&B

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1 EXECUTIVE SUMMARY

1.1 BRIEF OVERVIEW OF MALAYSIA'S ECONOMY

Since 2002, Malaysia's economy has seen robust growth in both nominal and real terms, except for the contraction in 2009 due to the 2008 global economic crisis. Total population has been growing at approximately between 1% to 2% per annum and is projected to be 29.3 million by mid 2012. The economy is estimated to have grown 5.1% in 2010. Gross Domestic Product ("GDP") per capita has been increasing since 2001, except the decline in 2009. This generally indicates consumers' increasing purchasing power in Malaysia.

In the first two quarters of 2012, further economic recovery has ensued, following stronger domestic demand. Projected growth rates for 2011 and 2012 are estimated at 4.6% and 5.0% respectively. Consumer Price Index ("CPI") is expected to average at 3.3% in 2012, largely due to rising food prices and transport costs.

In the past six years, the manufacturing sector has been contributing 23% to 28% of Malaysia's GDP. From 2005 to 2008, the sector has seen consistent positive growth, and peaked at RM189.1 billion in 2008. In 2009, the sector experienced a 10.3% contraction due to the 2008 global economic crisis. In 2010 and 2011, this sector generated approximately RM195.3 billion and RM214.6 billion for the respective years, which accounted for 24.4% to 24.6% of GDP. This reflected a year-on-year growth of 15.3% in 2010 and 9.9% in 2011, signifying the sector's rebound. The manufacturing sector for the first two quarters in 2012 grew as compared to the corresponding quarters in 2011. Petroleum, chemical, rubber and plastic products were reportedly the main catalyst due to the higher production in refined petroleum products. Transport equipment and other manufactures also registered a growth, led by double-digit production of motor vehicles.

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The manufacturing sector has been one of the key drivers for Malaysia's economy. However, this growing industry has also led to an increasing volume of wastes. This is in addition to wastes generated by other sectors in the expanding economy. It is essential and challenging for the country to establish systems to efficiently manage the wastes to minimise environmental issues and recover valuable contents, to make up for the depleting resources as a result of industrialisation and economic growth.

In 2010, the Malaysian government launched the Economic Transformation Programme ("ETP"), which contains a set of reform and growth measures to boost the country's gross national income ("GNI"). As of early November 2011, the programme has realised approximately RM10.0 billion worth of investments and RM5.0 billion worth of investments is expected to come on board before the end of 2011. It was further reported that 70 out of the 131 entry point projects have already taken off. These 70 projects are expected to bring in RM106.4 billion in investment, RM153.83 billion in GNI and create 298,865 jobs.

(Source: The Oil Recycling Industry 30 September 2012, D&B, Malaysia)

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1.2 Overview of the Oil Recycling Industry in Malaysia

In Malaysia, wastes are classified as either solid wastes or hazardous wastes. Hazardous wastes are also known as Scheduled Waste in Malaysia. The management of hazardous wastes is mainly regulated by the Department of Environment ("DOE"), which is under the Ministry of Natural Resources and Environment. The DOE has identified 29 generating sources of Scheduled Wastes. In 2011, the top 10 highest quantities of scheduled wastes categories are[1]:

- Dross/Slag/Clinker/Ash;
- Gypsum;
- Mineral Sludge;
- Heavy Metal Sludge;
- E-Waste;
- Oil & Hydrocarbon;
- Clinical/Pharmaceutical;
- Batteries;
- Acid & Alkaline; and
- Used Container/Oil Filter.

The DOE has classified Scheduled Wastes into five broad categories, namely:

- SW1 – Metal and metal-bearing wastes;
- SW2 – Wastes containing principally inorganic constituents which may contain metals and organic materials;
- SW3 – Wastes containing principally organic constituents which may contain metals and inorganic materials;
- SW4 – Wastes which may contain either inorganic or organic constituents; and
- SW5 – Other wastes.

Waste management activities in Malaysia are categorised based on the type of waste that is involved in the process and composes of the separation, storage, collection, transportation, transfer, processing, recycling, treatment and disposal of wastes.

[1] Department of Environment Malaysia, Environmental Quality Report 2011

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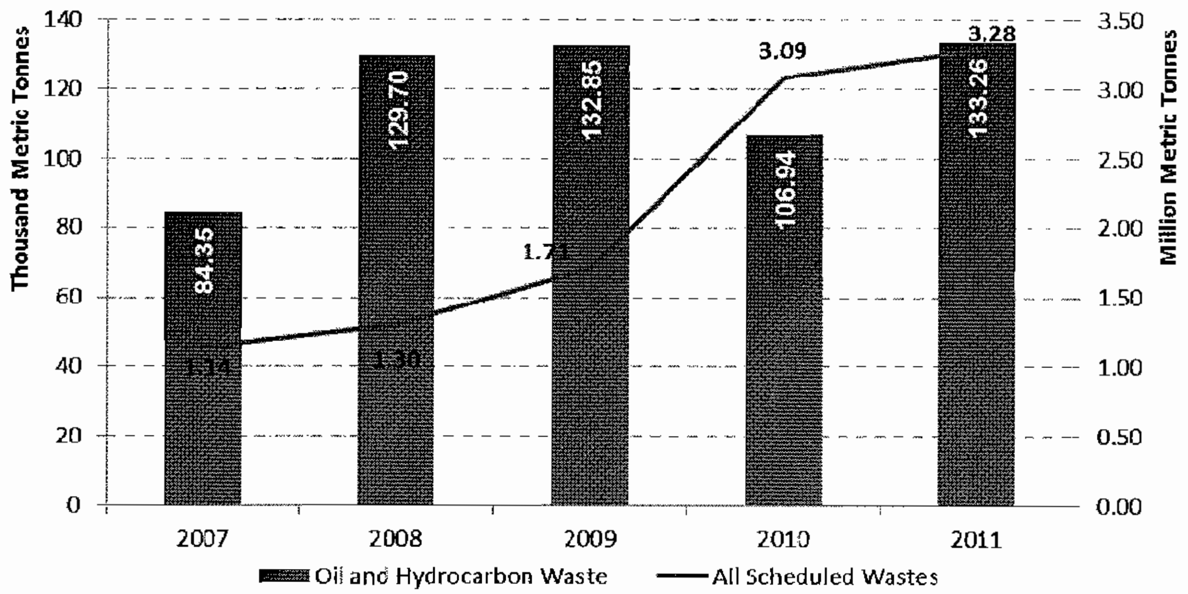
According to statistics released by the DOE, since 2005, the total amount of Scheduled Wastes that was generated by Malaysia has been on the rise, reaching almost 3.28 million metric tonnes in 2011. Oil and hydro carbon waste has been among Scheduled Waste categories that registered the highest volume. Not inclusive of scheduled waste managed under special management approval stipulated under Regulation 7, Environmental Quality (Scheduled Waste) Regulation, 2005, in 2007, oil and hydrocarbon waste accounted for 7.4% of the total amount of Scheduled Wastes generated in Malaysia, making this category the third highest category in terms of volume. In 2011, the category accounted for 8.2% of the total volume of Scheduled Wastes generated, placing it sixth in terms of volume, after Dross/Slag/Clinker/Ash, Gypsum, Mineral Sludge, Heavy Metal Sludge, and E-Waste ..

The volume of oil and hydrocarbon waste has been on the rise, with the exception of 2010. In 2011, the volume, increased 24.6% as compared to 2010. The automotive/ workshop industry is amongst the primary sources of waste engine oils in Malaysia.

Figure 1.1: Quantity of Scheduled Waste Generated in Malaysia



Source: Department of Environment, Ministry of Natural Resources and Environment

The Malaysian government recognises the importance of industrial waste recycling and recovery, and has identified it as an important environmental and economic activity. Waste encompasses all types of waste materials that may be hazardous or non-hazardous. Used oil is classified as a toxic and hazardous substance that has to be treated and processed under strict guidelines. Various programmes have been initiated to raise awareness about the importance of waste recycling and recovery. Recovery of wastes, particularly industrial wastes, has been identified as an emerging economic activity in the past decade. In line with increasing demand for limited natural resources, waste recovery provides an alternative resource and helps reduce reliance on natural assets.

Waste oil is classified as Scheduled Waste under the First Schedule of the Environment Quality (Scheduled Wastes) Regulations 2005. Due to the hazardous nature and toxicity of waste oil, proper disposal and treatment of waste oil is important.

In Malaysia, oil recycling is at its infancy stage. Oil recycling activities emerged in the early 1990s, as a result of increased awareness and development in environmental legislation. Malaysia's legislations on Scheduled Wastes, and particularly waste oil, have been focused more on treating and disposing of wastes than recovering the economic value of wastes. However, there is a need for more sustainable approaches to waste management to be implemented due to known issues such as the increasing cost of pollution control, limited landfills and disposal capacity, or illegal dumping of wastes. Thus, policies have been shifted towards measures and incentives to encourage waste minimisation, reuse and recovery.

The Malaysian government has put in efforts to encourage industries to practise the 3Rs (Reduce, Reuse and Recycle) and extend such practices to both solid and hazardous wastes. In line with this, there has been an increased number of licenses being issued by the DOE to Scheduled Waste facilities. In 2008, the number of licensed off-site recovery facilities that handle Scheduled Wastes was 341, of which 29 were involved in waste oil. In 2011, the total number of such facilies increased to 404, with 38 facilities handling waste oil. Although the number of off-site waste oil recovery facilities makes up less than 10% of the total number of recovery facilities in Malaysia, this segment is amongst the top 10 in terms of both facilities and volume of wastes generated. Players in the industry see great opportunities for the industry to grow. In 2011, the oil recycling industry in Malaysia was estimated to be worth approximately RM140 million to RM180 million. The overall outlook of the industry is positive, on the back of favourable economic conditions, improved environmental awareness, more active "green" practices, and support from both the public and private sectors. The industry is projected to grow at a rate of approximately 8% to 15% per annum.

(Source: The Oil Recycling Industry 30 September 2012, D&B, Malaysia)

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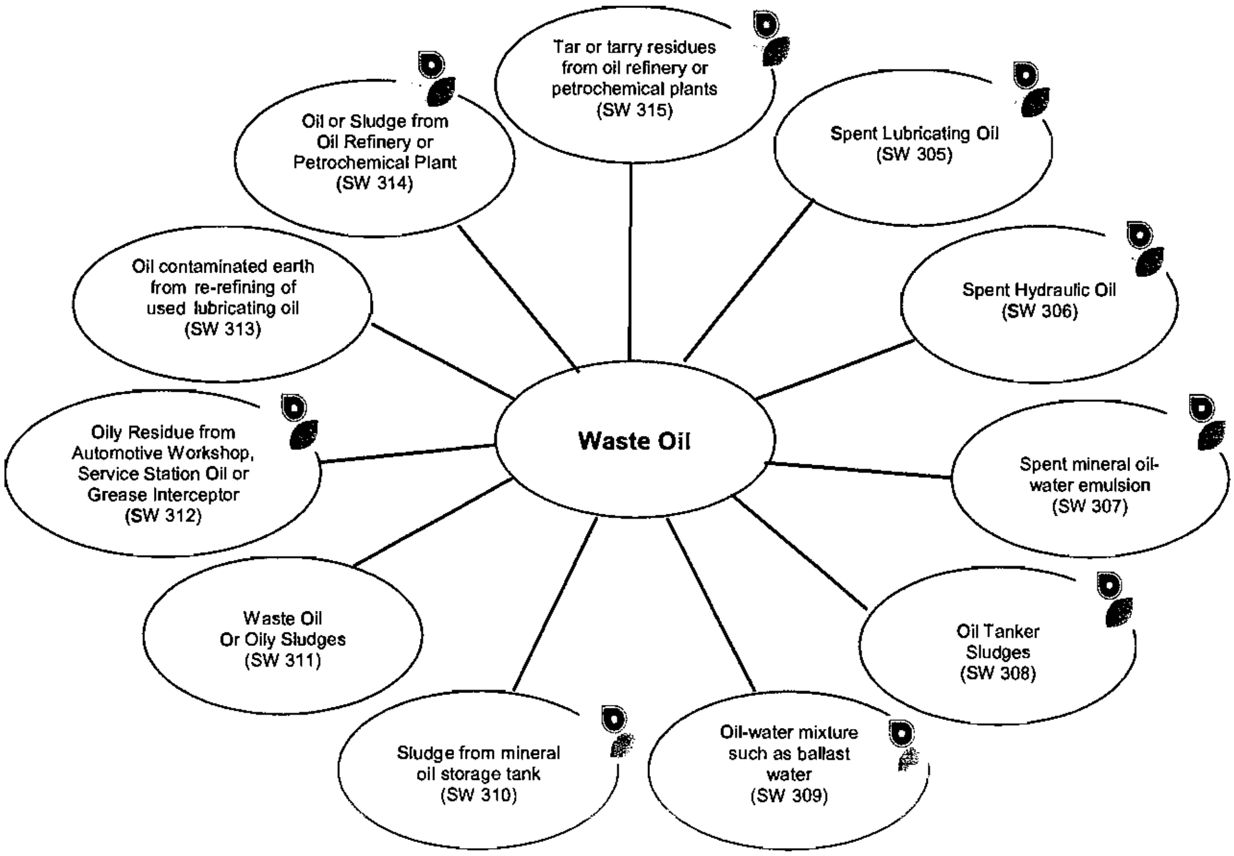
1.3 DIFFERING SEGMENTS IN THE OIL RECYCLING INDUSTRY

The oil recycling industry is divided into two general categories of outputs, namely semi-processed products and end products. The recycling activities of Hiap Huat and its subsidiaries ("the Hiap Huat Group") encompass the recycling of three categories in the end products segment, namely lubricating oil, grease and fuel oil. The Hiap Huat Group is then able to produce semi-processed and end products from the recycling process implemented.

The waste oil sector is divided into the following 11 segments, as defined by the DOE:

Figure 1.2: Eleven Segments of Waste Oil (By Source)



Source: Department of Environment, Ministry of Natural Resources and Environment

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As per the figure above, the Hiap Huat Group operates within nine out of the 11 segments of waste oil. In addition to the Scheduled Waste codes in Figure 1.2, some of Hiap Huat Group's activities also involve the following:

- SW 303 Adhesive or glue waste containing organic solvents excluding solid polymeric materials SW 315 Tar or tarry residues from oil refinery or petrochemical plant
- SW 322 Waste of non-halogenated organic solvents;
- SW 323 Waste of halogenated organic solvents;
- SW 327 Waste of thermal fluids (heat transfer) such as ethylene glycol
- SW 409 Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or Scheduled Wastes;
- SW 410 Rags, plastics, papers or filters contaminated with Scheduled Wastes
- SW 417 Waste of inks, paints, pigments, lacquer, dye or varnish; and
- SW 418 Discarded or off-specification inks, paints, pigments, lacquer, dye or varnish products containing organic solvent.
- SW 429 Chemicals that are discarded or off-specification
- SW 430 Obsolete laboratory chemicals

The output of the process of recovering waste oil can vary, depending on the method/ technology used. Base oil, which is of the highest value among all semi-processed materials that are produced by recycling waste oil, is the main material for the production of lubricating oil.

(Source: The Oil Recycling Industry 30 September 2012, D&B, Malaysia)

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1.4 INDUSTRY VALUE CHAIN

The oil recycling industry in Malaysia comprises of three main components, namely the waste generators, the waste management contractors and the treated wastes. The waste generators are either industries or households who generate wastes. Waste management contractors are contractors that are licensed by the DOE to transport, store or treat waste oil. Treated wastes are wastes that are either treated to recover its economic value or sent to licensed facilities for final disposal. The main product from waste oil recycling is recycled base oil. Recycled base oil can be blended with additives to produce recycled lubricating oil that can be used for engines.

Other than semi-processed products, the Hiap Huat Group also produces end products, which may be used directly by its customers. Most other players in the industry focus on producing semi-processed products, which are required to be further processed by their customers before they can be used. The Hiap Huat Group is one of the few producers in Malaysia that are engaged in the production of end products.

(Source: The Oil Recycling Industry 30 September 2012, D&B, Malaysia)

1.5 RESTRAINTS AND CHALLENGES

The main challenge for the industry is the current low awareness in the community and among companies about waste oil recycling. Very few are aware of the hazardous impacts of waste oil or the possibility of waste oil recovery. This has led to unnecessary amounts of waste oil being improperly handled or illegally disposed of. Thus, it is challenging for waste oil recyclers to source for input materials for their production. The limited volume of waste oil suitable for recycling also put a restraint on the growth potential of the industry.

In Malaysia, more attention is paid to solid waste management than Scheduled Waste management. Within the Scheduled Waste management sector, e-waste has received more focus than waste oil, which is a relatively young industry. Although the Malaysian government recognises the importance of recovery and recycling, the current legislation centers more on constraining the negative impacts of hazardous wastes on the environment than promoting waste recycling activities. Waste oil generators are required by law to monitor the flow of waste oil as well as to ensure the oil is properly stored or disposed of.

However, there is limited legislation pertaining to the responsibility of manufacturers/ producers to conduct recycling activities. There has been discussion on the possibility to impose Extended Producer Responsibilty on manufacturers/ producers, or to introduce a take-back system, but relevant regulations to implement these in Malaysia have not yet been formulated.

Recently, more efforts have been put into raising awareness in the community about waste management in general and Scheduled Waste management in particular. Starting 2008, the DOE has developed and implemented the Environmentally Hazardous Substance Notification and Registration Scheme ("EHSNR"). This scheme encourages manufacturers and importers to be engaged in the monitoring of the flow of hazardous wastes and chemicals in Malaysia. The scheme started and is still carried out on a voluntary basis. It is expected to be made mandatory once relevant legislation is gazetted.

(Source: The Oil Recycling Industry 30 September 2012, D&B, Malaysia)

1.6 COMPETITIVE LANDSCAPE

The oil recycling industry is a regulated sector in Malaysia and requires good know-how and technical expertise in the chemical process. As such, there are a limited number of players involved in waste oil recycling.

Size and Capabilities of Most DOE-Licensed Waste Oil Players

Majority of licence-holders for activities related to waste oil in Malaysia mainly comprise small-to-medium companies. Most players are involved in the collection, storage, disposal of Scheduled Waste, and processing of waste oil into semi-processed products or lower-value end products. For most, the process often stops at turning waste oil into raw materials for the production of other oil products. Only a few players have the capability to treat waste oil and transform it into finished end products of higher value. In addition, few players have implemented packaging and branding for their products. In this regard, the Hiap Huat Group has the competitive advantage, since it produces end-products that are ready for use by consumers.

The Real Competition

Competition in the oil recycling industry in Malaysia primarily pertains to securing input materials for production, that is, waste oil, instead of efforts to increase sales. Normally, players have established long-term rapports with their suppliers for the acquisition of their waste oil. However, it continues to be

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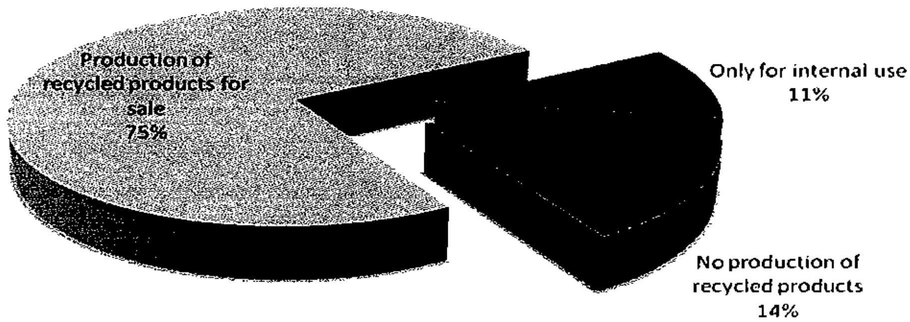
challenging for players to secure stable supplies of good quality waste oil for their recycling activities. Industry players also face competition that arises from the waste collection and recovery activities by unlicensed players.

Number of DOE-Licensed Waste Oil Players

Industry players differ in staff size, business scale, recovery/ recycling activities, technology used and output types, to name a few. As at 2 August 2012, there are 40 contractors in Malaysia that are licensed by the DOE as local off-site recovery facilities for oil/ mineral sludge/ spent coolant.

Out of these, our interviews revealed that 28 are currently actively engaged in activities related to waste oil recycling in Malaysia. Only eight are licensed to collect waste oil from vessels. Majority of these players are small-to-medium companies. Their staff size of companies can be as small as comprising only three employees. Bigger players can have a staff size of over 100 employees. While several established players have been actively involved in the industry for over 20 years, a number of companies, especially the smaller ones, have only been in the industry for five to less than 10 years.

Figure 1.3: Segmentation of Industry Players by Type of Sale of Output



Source: D&B's interviews

Interviews revealed that a minority (approximately 25%) of these active players do not produce output for sales. Instead, they treat waste oil as a waste management service for their customers, or process waste oil into other re-usable products for their internal use. The remaining 75% of these players have the

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capabilities to process waste oil into semi-processed or end products for sale to external customers. Fuel oil comprises the bulk of end-products for sale by these players. It is estimated that only eight players are capable of producing recycled lubricating oil or finished end products. One of these companies is Hiap Huat Chemicals Sdn Bhd.

In addition to recycling activities and product types, industry players differ in their business scale, the technology involved in their operations, as well as the area that they have presence in. Smaller players are mainly engaged in the collection/ transportation of waste oil, and less technically advanced treatment of waste oil to recover fuel oil. Bigger players can afford to invest in equipment for better filtering of waste oil to produce base oil and/or blending base oil with additive(s) to produce lubricating oil. These players may have more than one premise for their recycling activities, and presence in different states in Malaysia. The Hiap Huat Group is one of these companies with such wide outreach. It currently has two production facilities that are spread out to serve the Central and Northern regions of Malaysia. Several smaller players have opined their interest in possible investment in systems that allow them to produce higher-value products from oil recycling.

Most players have established long-time customers who purchase their recycled products. Due to a number of reasons, including their limited capacity and the maximum handling quantity that they are allowed as per licences granted by the DOE, smaller players are often engaged in contracts with a small number of regular customers/ purchasers, and are not able to service new customers unless their capacity can be increased.

(Source: The Oil Recycling Industry 30 September 2012, D&B, Malaysia)

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1.7 BARRIERS TO ENTRY

High Start-up Costs

The business of oil recycling often requires large investment in land, building, machineries, vehicles and utilities, amongst others. These costs vary, depending on the business scale and operations. In order to recover the maximum usable substances from waste oil, a recycler may need to utilise more than one recycling process. This is because waste oil can be treated through several stages, with the waste from one stage being the feedstock for the next stage, to produce different outputs. Thus, a new player may need to face high outlay investments in multiple waste recycling systems. In addition, industry players are also faced with the cost of purchasing, licensing and operating transportation for their collection of waste oils.

Strict Regulations and Compliance

Existing regulations in Malaysia require industry players that are engaged in oil recycling services to obtain several written approvals and licences before they can operate. Time and resources are also needed for the renewal of licences, as well as application for increases in handling capacity or additional types of Scheduled Wastes to be managed by a company/ business. In addition, safety requirements during the normal course of business in the oil recycling industry are usually more stringent than a number of other industries.

Skilled and Loyal Workers

It is challenging for industry players to attract and retain employees, especially skilled and loyal ones, due to the less appealing nature of the industry and the increased job opportunities in other industries. This translates into possibly higher costs of recruitment and training, amongst others. Recycling of Scheduled Wastes such as waste oil requires certain skills and expertise that can only be obtained after a process of training. This, however, requires companies / businesses to have already established know-how, or have in-house experts / professionals, or outsource training programmes from third parties.

Supply of Raw Materials

Securing stable sources of raw materials for oil recycling has become more challenging, due to reasons such as low awareness of proper waste management which causes illegal dumping or inappropriate disposals of waste oils, increased number of industry players, and higher costs of raw materials and securing supplies or raw materials, amongst others. Some waste generators have also started treating their own wastes to save costs, as they can take advantage of incentives offered by the government for environment conservation, thus potentially decreasing the supply of raw materials for waste recyclers. In addition, the costs of retrieving and transporting raw materials to treatment facilities have also been driven upward.

(Source: The Oil Recycling Industry 30 September 2012, D&B, Malaysia)

1.8 LEGISLATIONS, INCENTIVES AND POLICIES

National Policy on the Environment ("NPE")

Introduced in 2002, the NPE was formulated to facilitate environmentally sound and sustainable development, encompassing all three economic, social and environmental aspects in line with the goal of developing Malaysia into a high-income status nation, as envisaged in its Vision 2020. The NPE sets forth seven key areas under Malaysia's green strategies. The NPE plays an important role in guiding policy makers and other parties to ensure their activities are in the interest of the nation's sustainable development.

The Environmental Quality Act 1974 ("EQA")

Scheduled Wastes and recycling activities of these wastes are under the purview of the DOE. The function of the DOE is to administer and enforce the EQA, and Section IV of the Economic Exclusive Zone Act 1984. EQA sets forth regulations on the prevention, abatement, control of pollution, and enhancement of the environment in Malaysia. This act is the main legislation on environmental activities in Malaysia. The Director General of Environmental Quality ("Director General") has been appointed to administer EQA and any regulations and orders made thereunder. Under EQA and its subsidiary legislations, prescribed activities, including activities related to waste oil, are required to obtain certain approvals and licences prior to their implementation. Contravention of EQA can lead to imprisonment for a period not exceeding five years, and a fine not exceeding RM500,000. Companies are also subject to compounds or fines for failing to comply with conditions set out in their operating licences. Licences are generally valid for one year, unless otherwise specified, and require renewals within a certain time frame. Licences for recovery activities dictate the maximum amount of wastes that the licence holder is allowed to handle, based on the capacity, the technology used, and the site of their project, amongst other factors.

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Subsidiary Legislation on Scheduled Wastes Management

The main regulations that govern any facility that generates, stores, transports, treats or disposes Scheduled Waste are as follows:

i) Environmental Quality (Scheduled Wastes) Regulations 2005;
ii) Environmental Quality (Prescribed Conveyance)(Scheduled Wastes) Order 2005;
iii) Environmental Quality (Prescribed Premises) (Scheduled Wastes Treatment and Disposal Facilities) Order 1989;
iv) Environmental Quality (Prescribed Premises) (Scheduled Waste Treatment and Disposal Facilities) Regulations 1989;
v) Customs (Prohibition of Export) Order 2008, and;
vi) Customs (Prohibition of Import) Order 2008.

Under these regulations, specific licences and permits are required for the implementation of any activity pertaining to Scheduled Waste management. Accordingly, the disposal of Scheduled Wastes should only be carried out at prescribed premises. The treatment and recovery of Scheduled Wastes are only allowed at prescribed premises or on-site treatment facilities, and the residuals from these processes should be treated or disposed at prescribed premises. Vehicles that are used to collect/ transport Scheduled Wastes are required to be licensed. Guidelines are also provided by the DOE on the labelling of containers that are used to store Scheduled Wastes. Operators of vehicles that are used to transport Scheduled Wastes are required to attend training programmes.

Import or export of waste oil requires written approval issued by or on behalf of the Director General. The importation/ exportation of Scheduled Wastes are also regulated under subsidiary legislations pursuant to the Customs Act 1967, as follows:

- Export of hazardous wastes for final disposal is not allowed if the hazardous wastes could be treated at local facilities;
- Export of hazardous wastes for recovery is subject to the export guidelines on minimum percentage for recoverables;
- Import of hazardous wastes for final disposal from non Organisation for Economic Co-operation Development ("OECD") countries requires special permission and total prohibition for hazardous wastes from OECD; and
- Import of hazardous wastes for recovery requires written approval.

Incentives

The Malaysia government has put in efforts to encourage activities in environmental protection, conservation, and improvement. Various policies and measures have been formulated to promote waste recycling and management. Several incentives for activities related to Scheduled Waste management are as follows:

- Pioneer Status;
- Investment Tax Allowance;
- Accelerated capital allowance; and
- Other tariff-related incentives and allowance for the utilisation of environmental-protection equipment.

These incentives are under the discretion of the Malaysian Industrial Development Authority ("MIDA") and the Inland Revenue Board Malaysia ("IRB").

The pioneer status of companies directly involved in the storage, treatment and disposal of toxic and hazardous wastes offers income tax exemption of 70%, or 100% for promoted areas, of the statutory income for a period of five years, amongst others. The Investment Tax Allowance allows for the allowance of 60%, or 100% for promoted areas, on the qualifying capital expenditure incurred within a period of five years and can be offset against 70%, or 100% for promoted areas, of the statutory income in each year of assessment. The Accelerated Capital Allowance allows companies that undertake waste recycling activities an initial 40% allowance and an annual 20% allowance on the qualifying capital expenditure for the use of environmental protection equipment.

Additionally, there are also tariff related incentives, such as possible zero import duty or full exemption of import duty and sales taxes on machinery and equipment that is used directly in the manufacturing process, and not produced locally. An initial allowance of 40% and an annual allowance of 20% on the capital expenditure incurred on environmental-protection equipment are available for companies using such equipment.

(Source: The Oil Recycling Industry 30 September 2012, D&B, Malaysia)

1.9 Demand and Supply Conditions of the Oil Recycling Service Industry

1.9.1 Demand

Demand for Base Oils

Industrialisation and development in both the domestic market and overseas, especially in developing countries, are normally associated with investment in machinery and equipment. This will have an impact on demand for base oils and lubricating oils that are produced in Malaysia. As long as recycled oil products meet the desired specifications set by purchasers, there is always demand for services and products of oil recyclers as base oils are one of the key end products of waste oil recycling and are used for the production of lubricating oils.

Higher Spending Power

The population of people with middle-to-high income in Malaysia is on the rise as a result of the country's robust economic growth and further recovery from the recent global crisis. Consumption and manufacture of items such as cars and other motor vehicles will see increases, affecting the demand for lubricants and consequently, base oils and recycling services.

Development in Other Industries

Growth and trends in other industries, such as automobile manufacturing, construction and quarry, will have an impact on the demand for oil recycling services. First, the increase in volume of industrial wastes being generated calls for proper management of these wastes. Second, the fast-growing automotive industry will boost demand for both engine oil and management services of waste engine oil.

Environmental Regulations and Awareness

At present, motor oils are changed more frequently than in the past, due to different recommendations by manufacturers to ensure compliance with the increasingly stringent emission standards. Recycling services are needed to handle this bigger volume of used oil. Recycled oil products may gain appeal to end-consumers in the future, in view of environmental concerns and given better education and promotion of "green" concepts and practices.

In addition, through the EQA, the Malaysian government is constantly keeping abreast of the needs for proper management of Scheduled Waste. After the EQA was introduced in 1974, more specific legislation on industrial and hazardous wastes was introduced, for example, the Environmental Quality (Prescribed

Premises) (Crude Palm Oil) Order 1977, the Environmental Quality (Prescribed Premises) (Raw Natural Rubber) Order 1978 and the Environmental Quality (Sewage and Industrial Effluents) Regulations 1979. Amendments to the relevant legislation and other initiatives have been effected by the Malaysian government in view of every-increasing needs for proper waste oil management.

Oil Prices

Oil prices have been on the rise due to the depleting stock worldwide. This leads to the search for alternatives for oil and oil products, of which recycled oil is one. Price-wise, recycled oil is generally cheaper than new oil. Used oil can be recycled indefinitely, which makes recycled oil a stable source. Thus, the demand for oil recycling services can be considered to be positively correlated to oil prices. Increases in oil prices will likely boost demand for substitutable oil products (i.e. recycled oil), thus, increasing the demand for oil recycling services, and vice versa.

1.9.2 Supply

Oil Prices

Prices of waste oils (which are the raw materials for oil recycling activities) are dependent upon fluctuations in prices of original oil products, which, in turn, are affected by world oil prices. As such, the supply of oil recycling services will be subject to changes accordingly.

Competition and Insufficient Raw Materials

Due to the rising awareness on environment conservation as well as the huge potential for investment in the recycling industry in Malaysia, there have been more participants in the sector, which translates into tougher competition. Meanwhile, a number of waste generators have started to treat their own wastes, instead of engaging a third party to treat or dispose the wastes. Under the current legislation, provided specific conditions are met, waste generators are not required to obtain a licence for on-site treatment of their own wastes. The Malaysian government has also put in place incentives for companies/ businesses that initiate green practices.

As such, it has become increasingly difficult for waste recyclers to secure quality raw materials (i.e. waste oil). The competition that comes from unlicensed waste collectors causes reduction in the supply of raw materials for licensed players. The insufficient supply of raw materials will put a constraint on the supply of oil recycling services.

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Regulations

The oil recycling industry is under strict regulations, including various requirements on licences, permits, and safety guidelines and practices. In addition, the activities of recyclers are limited by the quantity of wastes that they are licensed by DOE to handle. The possible future adoption of new regulations may deter players from being involved in the industry, therefore, affecting the supply of oil recycling services.

Development in the Automotive Industry

Under Malaysia's Economic Transformation Programme ("ETP"), the automotive industry can expect to witness a lot of development and changes, as one of the key economic areas under the ETP involves car workshops. This, in turn, will affect the supply of raw materials to oil recyclers. The stability of supply might be improved, creating more incentives for oil recyclers to expand their business activities.

Development in the Shipping Industry

Development in the shipping industry will also affect the supply of waste oil, specifically marine waste oil. An increase in port and shipping activity will imply a larger supply. In 2011, activity at major ports in Malaysia was robust. From 2007 to 2011, ship calls to selected ports in Peninsular Malaysia grew by a Compounded Annual Growth Rate ("CAGR") of 2.3% and 1.6% at selected ports in Sabah and Labuan.

(Source: The Oil Recycling Industry 30 September 2012, D&B, Malaysia)

1.10 INDUSTRY RELIANCE ON, AND THE VULNERABILITY TO IMPORTS

Under Malaysia's current legislation framework, importation of Scheduled Wastes into the country is restricted. Written approval is required for such importation, subject to the economic value or recoverable economic value of the Scheduled Wastes to be imported as well as the purpose for which the wastes are imported. Other countries may also have in place restrictions on exporting Scheduled Wastes to Malaysia. As such, the influence of imports on the supply of raw materials (waste oils) for oil recycling in Malaysia is insignificant. Players in the industry do not perceive imports as one significant factor that affects their businesses.

With regard to the semi-processed and end-product of waste oil recycling (mainly base oil and lubricating oil), the industry may be subject to some impacts from the importation of substitutable oil products. In 2011, Malaysia imported approximately RM70.0 billion worth of mineral fuels and lubricants. However, the country's exports of mineral fuels and lubricants for the same year amounted to a much higher value of approximately RM127.8 billion. This can be attributed to Malaysia being an oil exporting country, the appreciation of its currency and the increasing oil prices worldwide.

The importation of additives, which are essential in the production of recycled lubricating oil from recycled base oil, can also have an impact on the domestic oil recycling industry. Different grades or types of lubricating oil can be produced by blending different additives or combination of additives to the recycled base oils. The stronger Malaysian Ringgit may be favourable for companies importing additives, as the prices of imports become relatively cheaper.

(Source: The Oil Recycling Industry 30 September 2012, D&B, Malaysia)

1.11 SUBSTITUTE PRODUCTS

Recycled lubricating oil, which is the main end product output of the Hiap Huat Group, is commonly viewed as substitutes of original lubricants. Generally, original lubricants are preferred over recycled ones due to quality differences. This is especially for engine oils as car manufacturers often provide their recommendations on specific engine oil specifications that are suitable for their manufactured cars. However, recycled lubricants are increasingly gaining favour due to their competitive pricing.

Industry sources opined that their recycled products are mainly catered to the industrial sector. Most of the recycled products available in Malaysia are of medium-to-low quality, as compared to original products. These recycled products can be used to substitute energy fuels in industrial burners and factories. As world oil prices continue to increase, recycled products become more attractive mainly due to their lower price range.

(Source: The Oil Recycling Industry 30 September 2012, D&B, Malaysia)

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1.12 INDUSTRY PLAYERS, COMPETITION AND POSITIONING

The industry mainly comprises small-to-medium players. Some players focus their activities within a specific area, while bigger players may have presence nationwide. Players in the industry primarily cater to customers in Malaysia.

Players in the industry also differ by recovery/ recycling activity, technical capability and product type. Some players are mainly involved in the collection and trading of waste oil, or treatment of waste oil for disposal. Others are offering waste management services, or are engaged in the recovery and treatment of recycled oil products. The types of recycled oil products that players are capable of producing depend significantly on their technical capability. While over 80% of active players are capable of processing waste oil into re-usable products, these mainly comprise fuel oil, which is of lower value among recycled oil products. Only a few players have in place recycling systems that allow them to move up the value chain and produce higher-value outputs, such as grease, base oil or lubricants, amongst others. Industry research revealed that there are approximately eight waste oil players that are able to produce finished end waste oil products - one of which is the Hiap Huat Group.

Table 1.1: Active Players in the Oil Recycling Services Industry in Malaysia

No.	Contractor	Waste Groups
1	5E Resources Sdn Bhd	SW206, SW305, SW306 & SW307, SW312, SW322, SW323, SW409, SW410, SW416, SW417 & SW418
2	KB Enviro Sdn Bhd (Kotor Bina Sdn Bhd)	SW 309, SW 308
3	OLST Petroleum (M) Sdn Bhd.	SW306, SW305, SW307
4	Perniagaan Saudara Baru	SW305, SW306, SW307, SW410
5	Rengkas Maju Sdn Bhd	SW306, SW305, SW307
6	Techno Indah Sdn Bhd	SW308, SW309, SW310
7	Yozai (M) Sdn Bhd	SW323, SW322, SW418, SW305, SW306, SW307, SW312, SW314, SW315, SW327, SW409, SW410, SW416, SW417
8	Kualiti Kitar Alam Sdn Bhd	SW322, SW323, SW417, SW418, SW206, SW423, SW305, SW306, SW307, SW314, SW401, SW104, SW325, SW110, SW204, SW409

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No.	Contractor	Waste Groups
9	Hiap Huat Chemicals Sdn Bhd	SW322, SW323, SW327, SW303, SW305, SW306, SW307, SW 308, SW 309, SW310, SW312, SW314, SW315, SW417, SW418; SW409; SW410, SW429, SW430
10	Urban Environmental Industries Sdn Bhd	SW305, SW306, SW307, SW309, SW312, SW409, SW410, SW322, SW323, SW418, SW429
11	Aliran Segar S/B	SW305, SW306, SW307
12	Primochem Sdn. Bhd	SW305, SW306, SW307, SW323, SW322
13	SL Recycling (M) Sdn Bhd	SW305, SW306, SW312
14	SPM Oil & Gas Sdn Bhd	SW305, SW306, SW307, SW309, SW311, SW312
15	Transada Chemicals S/B	SW305, SW306, SW307, SW323, SW322
16	CLM Conservation (PG) Sdn Bhd	SW204, SW206, SW307, SW322, SW323, SW409, SW410
17	Five Good Recycling (M) Sdn Bhd	SW305, SW306, SW307
18	Nasdeem Ventures Sdn Bhd	SW305, SW306, SW307
19	Syntax System Solutions Sdn Bhd	SW305, SW306, SW307, SW410
20	A & C Technology Waste Oil Sdn Bhd	SW305, SW306
21	Alivirgo Sdn Bhd	SW305, SW306
22	Chem Specialties Sdn Bhd	SW314, SW305, SW306; SW307, SW323, SW322, SW417, SW410, SW409
23	IOT Petroleum Sdn Bhd	SW305, SW306
24	Malik Family Resources Technology Sdn Bhd.	SW305, SW306, SW307, SW312
25	Riyaland Sdn Bhd	SW305, SW306, SW307, SW323, SW322, SW417
26	Tensidchem Sdn Bhd	SW323, SW322, SW418, SW305, SW306, SW307, SW409, Used cloth, plastic, paper or filters contaminated with oil or organic solvents from motor vehicle assembly plants, metal working, electronics and semiconductor plants and packaging plants, SW314
27	NRS Waste Management Sdn Bhd	SW305, SW308, SW309, SW310, SW311, SW313, SW314, SW315, SW408
28	Sin Chan Hoo Sdn Bhd	SW305, SW306, SW308, SW312

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Note:

- The list of the active players featured in the table above was extracted on 2 August 2012 from "List of Scheduled Waste Contractors in Malaysia" which falls under the category of Oil/Mineral, Sludge/Spent Coolant.
- The "List of Scheduled Waste Contractors in Malaysia" under the said category, extracted on 2 August 2012, contains 40 Scheduled Waste contractors.
- Primary research was conducted to verify the principal activities of the listed Scheduled Waste contractors. Note that only those who are actively involved in waste oil recycling, and are contactable at the time of this research, are included in the table of active players in waste oil recycling.

Source: Department of Environment, Ministry of Natural Resources and Environment; D&B

As at 2 August 2012, there are 28 players that are active in the industry. Please refer to the table below for a summary of financial information and business activities of major companies that are involved in oil recycling services in Malaysia.

According to these financial data, Hiap Huat Chemicals Sdn Bhd, the main operating entity of the Hiap Huat Group, is among the top three major players in the oil recycling industry in Malaysia. In 2009, HHC recorded RM24,347,729 in sales. This figure increased to RM30,162,818 in 2010 and RM36,437,607 in 2011. Based on Hiap Huat Chemicals Sdn Bhd's revenue in 2011, Hiap Huat Group's market share in the waste oil recycling industry in Malaysia is estimated to be approximately 20% to 26%.

Table 1.2: Latest Financial Data of Players in the Oil Recycling Services Industry in Malaysia

No.	Company	FYE	Revenue (RM)	Profit Before Taxation (RM)	Principal Activities
1	Hiap Huat Chemicals Sdn Bhd	31-Dec-11	36,437,607	6,562,493	Transportation, waste oil collection, treatment, and manufacturing of end waste oil products.
2	IOT Petroleum Sdn Bhd	30-Sep-10	36,385,083	2,357,473	Distributor of gas and gasoline, agent of lubricants, petroleum, diesel and kerosene

Decide with Confidence

No.	Company	FYE	Revenue (RM)	Profit Before Taxation (RM)	Principal Activities
3	Kualiti Kitar Alam Sdn Bhd	31-Dec-11	13,784,359	(260,214)	Provision of waste recycling and recovery services
4	5E Resources Sdn Bhd	31-Dec-10	8,303,826	1,354,568	Collection, treatment, recovery and recycling of waste oil and chemical products.
5	Rengkas Maju (M) Sdn Bhd	31-Dec-10	8,039,646	673,005	Providing transportation services and trading in motor oil
6	SL Recycling (M) Sdn Bhd	31-Dec-10	6,740,731	241,014	Waste oil recycling
7	OLST Petroleum (M) Sdn Bhd	31-May-09	5,126,274	366,791	Transportation, waste oil collection and oil spill cleaning
8	Urban Environmental Industries Sdn Bhd	31-Dec-10	4,153,318	(1,397,315)	Processing and manufacturing
9	Malik Family Resources Technology Sdn Bhd	31-Mar-11	4,006,463	6,776	Waste oil recycling
10	Riyaland Sdn Bhd	31-Dec-10	3,366,700	780,297	Waste oil recycling
11	Techno Indah Sdn Bhd	31-Mar-11	2,497,861	737,057	Sludge disposal management
12	SPM Oil & Gas Sdn Bhd	31-Dec-10	2,431,136	132,910	Waste oil recycling

Decide with Confidence

No.	Company	FYE	Revenue (RM)	Profit Before Taxation (RM)	Principal Activities
13	CLM Conservation (PG) Sdn Bhd	31-Mar-11	2,363,648	415,482	Treatment solvent recovery and its related services.
14	Five Good Recycling (M) Sdn Bhd	31-Dec-10	2,125,021	42,052	Waste Oil Recycler
15	Sin Chan Hoo Sdn Bhd	31-Dec-10	2,052,298	15,304	Waste oil recycling and dealing in lubricants and fuel
16	Aliran Segar Sdn Bhd	31-Dec-10	2,025,386	97,112	Waste oil recycling
17	Syntax System Solutions Sdn Bhd	30-Apr-10	1,952,298	908,993	Collection, treatment, recovery and recycling of industrial waste and sale of recycled products
18	Yozai (M) Sdn Bhd	31-Dec-10	1,949,966	(66,334)	Treatment, recovery and recycling of industrial Scheduled Waste
19	A & C Technology Waste Oil Sdn Bhd	31-Dec-09	1,529,811	19,775	Waste oil recycling
20	Primochem Sdn Bhd	31-Jul-11	815,058	(475,195)	Recycling engine oil and lubricants
21	KB Enviro Sdn Bhd	31-Dec-10	409,662	(649,496)	Waste oil recycling
22	Transada Chemicals Sdn Bhd	31-Dec-11	55,080	(104,314)	Recovery and recycling of petroleum-based products
23	Nasdeem Ventures Sdn	30-Jun-10	12,852	(1,079,908)	Recycling of spent oil

Decide with Confidence

No.	Company	FYE	Revenue (RM)	Profit Before Taxation (RM)	Principal Activities
	Bhd				

Note:

- *This table excludes companies whose latest financial records available are prior to 2009, and those that are reported to have ceased operations.*
- *Financials for Perniagaan Saudara Baru, Alivirgo Sdn Bhd, Tensidchem Sdn Bhd, Chem Specialities Sdn Bhd and NRS Management Sdn Bhd were not available at the time of this research.*
- *Cents have been rounded up for consistency.*

Source: Companies Commission of Malaysia, Interviews, HH Group

(Source: The Oil Recycling Industry 30 September 2012, D&B, Malaysia)

1.13 INDUSTRY PROSPECTS AND OUTLOOK

The outlook of the oil recycling industry in Malaysia remains positive and is expected to grow at approximately 8% to 15% per annum, on the back of the following factors:

Solid Economic Performance, Stronger Demand and Supply

The performance of Malaysia's economy will be an important determinant in spurring the growth across industries in the country. Malaysia's economy has shown strong signs of rebound from the 2008 global economic crisis, resuming its double-digit GDP growth in 2010. Recovery has continued in 2011 and the first two quarters of 2012, albeit at a slower pace.

Budget 2012 hadfurther propelled the development of Malaysia's economy. Under the budget, RM232.8 bullion was allocated for government plans. This included RM184.6 billion for management and RM51.2 billion for development. It was further reported that RM29.38 billion has been allocated for investments in infrastructure, industrial and rural development and another RM13.6 billion has been allocated for the social sector, encompassing education and training, welfare, housing and community development.

Decide with Confidence

Improved economic conditions will lead to better consumer confidence and higher willingness to spend, as chances of employment and salary increments are higher. Demand for various items, including automobiles, is expected to increase, giving rise to the need of both waste oil recycling services and recycled products.

On the other hand, further expansion in several industries within the manufacturing sector is probable, in response to the economy's performance and the government's development policies. Many of industries generate waste oil, while many have started to adopt the use of recycled oil products. As such, the waste oil recycling industry can anticipate further growth.

Promotion of Green Initiatives and Adoption of Green Practices

Malaysia has seen higher awareness on environmental issues, due to efforts by its government to educate the people. The environment has remained one of the focused areas of the Malaysian government under its Ninth and Tenth Malaysia Plans. Attractive incentives and allowances are offered to parties who employ practices or technologies that contribute to environment conservation.

Within industry clusters, there has been higher demand for waste management services. The use of recycled oil products has also increased and is expected to expand. This is due to not only the increased awareness among industry clusters, but also their recognition of the cost effectiveness of recycled products. In view of the increases in oil prices worldwide, alternative energy sources, including fuel oil, are gaining more demand. In the industrial sector in Malaysia, industry players foresee larger purchase volumes of recycled fuel oil. Recycled lubricating oil products have also become more popular. The use of recycled oil products is expected to extend to the consumer sector, when higher-quality recycled products are made available to end-consumers.

A Young Industry Set for Growth

The infancy state of the waste oil industry signifies a lot of untapped growth potential and opportunities. There are currently less than licensed 30 players serving the whole country. While several established players have been actively involved in the industry for over 20 years, a number of companies, especially the smaller ones, have only been in the industry for five to less than 10 years. Demand for their products and services are increasing and come from both the local market and overseas, while larger volumes of properly managed waste oil are anticipated as are result of better education and improved awareness. The industry is set for growth, in view of favourable demand and supply factors.

Decide with Confidence

Overall, the outlook of the oil recycling industry in Malaysia remains positive. The rebound in the economy after the 2008 crisis is slowly gaining consumer confidence. A growing Malaysian population, with increased income levels and better education, results in growth in the middle and upper middle class segment. This segment offers a large market potential for the automotive industry and, in turn, boosts demand for oil products, both original and recycled ones.

The continued support from the Malaysian government in promoting green initiatives as well as the ongoing and forward-looking expansion of players in the industry will open more avenues for the industry to continue to grow. Increasing proactive activities to raise awareness on environmental issues and environment conservation by the public and private sectors will create favourable conditions for the industry, as consumers become more willing to accept, purchase and use recycled products. Meanwhile, the industrial and commercial sectors, upon acknowledging the benefits and cost effectiveness of oil recycling, will likely see increased recycling activities. These dynamics are present at both the national and global levels. As such, the demand for oil recycling services and products in Malaysia remains healthy, and comes from both the local market as well as overseas.

The domestic market is generally perceived by industry players as having potentials for expansion, despite challenges in securing stable supplies of raw materials. Further expansion will be seen in terms of both larger business size and scale, and more products moving up the value chain, as an increased number of players will adopt new technology for their production. As this industry is still considered to be at its infancy stage, it is expected to grow at a faster rate than saturated/ saturating industries.

(Source: The Oil Recycling Industry 30 September 2012, D&B, Malaysia)

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

The profiles of the Promoters, substantial shareholders, Directors and the key members of the management team are set out in the ensuing paragraphs.

8.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

8.1.1 Promoters' and substantial shareholders' shareholdings in Hiap Huat

The Promoters' and substantial shareholders' shareholdings in our Company before and after the IPO are as follows:

Promoters/ Substantial shareholders	Nationality	Before the IPO				After the IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
Chan Say Hwa	Malaysian	86,905,460	35.00	-	-	69,405,460	20.82	-	-
Soo Kit Lin	Malaysian	86,905,460	35.00	(1)74,490,410	30.00	69,405,460	20.82	(1)59,490,410	17.85
Chan Ban Hin	Singaporean	74,490,410	30.00	(2)86,905,460	35.00	59,490,410	17.85	(2)69,405,460	20.82

Notes:

(1) *By virtue of the direct interest held by her spouse, Chan Ban Hin.*
(2) *By virtue of the direct interest held by his spouse, Soo Kit Lin.*

Save as disclosed above, our Company is not aware of any other persons who are directly or indirectly, jointly or severally, have control over our Company.

8.1.2 Background information on our Promoters and substantial shareholders

(a) Chan Say Hwa

Chan Say Hwa, a Malaysian aged 33, is our Group Managing Director. He is mainly responsible for our Group's overall strategy and development of our Group's overall vision. In addition, he oversees the development of our sales and marketing strategies and the implementation of sales plans and marketing of products to existing and new customers, the Company's growth, quality assurance, policy and strategy as well as monitoring the Company's overall profitability. He is also in charge of the review of appointments of sub-contractors and suppliers and enhancing the Company's reputation in the market from time to time. He graduated from the Vocational School of Chung Hua Independent High School, Klang majoring in Machinery in 1998. He is currently pursuing his Masters in International Business with Mantissa College, Kuala Lumpur.

Chan Say Hwa joined HHC in year 2000 as the Factory Operation Supervisor. He was then promoted to Factory Manager in year 2002 and subsequently became the General Manger in year 2004. In 2008, he was appointed to the Board and later became the Group Managing Director at the end of the same year. He has more than 10 years of experience in the recycling business mainly involved in manufacturing, marketing and general management.

(b) Soo Kit Lin

Soo Kit Lin, a Malaysian aged 57, is the Non-Independent Non-Executive Director of our Company. She is one of the co-founders of HHMT and thereafter our Group. She has more than 25 years of experience in the business of waste recycling, paint manufacturing and distribution of environmental friendly products. Her expertise and contribution extends to resource planning and management where her prudent management has contributed to the continuing business success and growth of our Group.

(c) Chan Ban Hin

Chan Ban Hin, a Singaporean aged 58, is the Adviser of our Company. He is one of the co-founders of HHMT and thereafter the Hiap Huat group of companies. He has more than 25 years of experience in the business of waste recycling, paint manufacturing and distribution of environmental friendly products. He retired from the Group in 2010 on his own will after 25 years of hard work in building the Group and currently advises the Company on the promotion of the Group's recycled products. Chan Ban Hin presently resides on the Board of Directors of Golden Star Engineering Works Sdn Bhd, a property investment company.

8.1.3 Changes in shareholdings of Promoters and substantial shareholders in Hiap Huat

The changes in the shareholdings of our Promoters and substantial shareholders in our Company since the date of incorporation up to the LPD are as follows:

Promoters/ Substantial shareholders	As at 9 December 2009				As at 18 August 2010			
	Direct		Indirect		Direct		Indirect	
	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
Chan Say Hwa	1	33.34	(1)1	33.33	5,190,546	35.00	-	-
Soo Kit Lin	1	33.33	-	-	5,190,546	35.00	(2)4,449,041	30.00
Chan Ban Hin	-	-	-	-	4,449,041	30.00	(3)5,190,546	35.00
Chow Pui Ling	1	33.33	(4)1	33.34	-	-	(4)5,190,546	35.00

Promoters/ Substantial shareholders	As at 9 September 2011				As at the LPD			
	Direct		Indirect		Direct		Indirect	
	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
Chan Say Hwa	8,690,546	35.00	-	-	86,905,460	35.00	-	-
Soo Kit Lin	8,690,546	35.00	(2)7,449,041	30.00	86,905,460	35.00	(2)74,490,410	30.00
Chan Ban Hin	7,449,041	30.00	(3)8,690,546	35.00	74,490,410	30.00	(3)86,905,460	35.00
Chow Pui Ling	-	-	(4)8,690,546	35.00	-	-	(4)86,905,460	35.00

Notes:

(1) By virtue of the direct interest held by his spouse, Chow Pui Ling.
(2) By virtue of the direct interest held by her spouse, Chan Ban Hin.
(3) By virtue of the direct interest held by his spouse, Soo Kit Lin.
(4) By virtue of the direct interest held by her spouse, Chan Say Hwa.

There has been no change in the Promoters' and substantial shareholders' interest in our Shares since the LPD up to the date of this Prospectus.

8.2 DIRECTORS

8.2.1 Directors and their shareholdings in Hiap Huat

Our Directors and their shareholdings in our Company before and after the IPO are as follows:

		Before the IPO^				After the IPO			
		Direct		Indirect		Direct		Indirect	
Name	Nationality	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
Zulkifly bin Zakaria	Malaysian	-	-	-	-	-	-	-	-
Chan Say Hwa	Malaysian	86,905,460	35.00	-	-	69,405,460	20.82	-	-
Soo Kit Lin	Malaysian	86,905,460	35.00	(1)74,490,410	30.00	69,405,460	20.82	(1)59,490,410	17.85
Chow Pui Ling	Malaysian	-	-	(2)86,905,460	35.00	-	-	(2)69,405,460	20.82
Wong Kah Ming	Malaysian	-	-	-	-	-	-	-	-
Woo Yew Tim	Malaysian	-	-	-	-	-	-	-	-

Notes:

^ *Based on the enlarged issued and paid-up share capital of 248,301,330 Shares pursuant to the Bonus Issue and Share Split.*
(1) By virtue of the direct interest held by her spouse, Chan Ban Hin.
(2) By virtue of the direct interest held by her spouse, Chan Say Hwa.

8.2.2 Profiles of Directors

Save for the profiles of Chan Say Hwa and Soo Kit Lin which are set out in Section 8.1.2 above, the profiles of the other Directors are as follows:

(a) Zulkifly bin Zakaria

Zulkifly bin Zakaria, a Malaysian aged 58, is the Independent Non-Executive Chairman of our Company. He graduated from University Technology MARA with a Diploma in Banking in 1976 and subsequently obtained his Masters in Business Administration from the University of Wales, Cardiff, United Kingdom in 1998.

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

Zulkifly bin Zakaria is presently the Group Advisor of the Dal Mar Hasil Sdn Bhd's group of companies and resides on the Board of Directors of Eastern Pacific Industrial Corporation Berhad and LS Travel Retail Malaysia Sdn Bhd as a Non-Executive Director. In addition, he is also a member of the Board of Directors of the Malaysia-China Business Council. He is also the National Council Member of the Malaysia-China Chamber of Commerce and the Vice President of the Malaysia-China Friendship Society.

(b) Chow Pui Ling

Chow Pui Ling, a Malaysian aged 31, is the Executive Director of our Company. She is responsible for the daily operations of the business and reviewing the planning, operations and control of the business processes from time to time. She graduated from FTMS Institute with an Advance Diploma in Certified Accounting Technician in 2002. She is currently pursuing her Masters in International Business with Mantissa College, Kuala Lumpur.

Chow Pui Ling joined HHC in year 2004 as a Management Trainee and was initially assigned to the Administrative Department to work as an Administrative Executive. Thereafter in the same year, she was promoted and assigned to the Logistic Department as an Assistant Logistic Manager. In year 2005, she was promoted to Accounts and Human Resources Manager. In 2009, she subsequently was appointed to the Board as a Director.

(c) Wong Kah Ming

Wong Kah Ming, a Malaysian aged 33, is the Independent Non-Executive Director of our Company. He graduated with a Bachelor of Commerce majoring in Accounting and Finance from Curtin University of Technology, Australia in 2000. He is a Member of CPA Australia since 2004 and a member of the Malaysia Institute of Accountants since 2004. He has over 10 years of experience in the areas of accounting, internal audit, legal affairs, financial planning, corporate affairs, corporate finance and investor relations.

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

(d) Woo Yew Tim

Woo Yew Tim, a Malaysian aged 34, is the Independent Non-Executive Director of our Company. He graduated with a Bachelor of Business majoring in Accounting and Finance from the University of Technology Sydney, Australia. He is a Member of CPA Australia since 2005. He has over 10 years of combined experience in the areas of accounting, assurance, business advisory and corporate finance.

Woo Yew Tim began his career in 2002 as an audit assistant with a local accounting firm. Subsequently, he joined Shamsir Jasani Grant Thornton (presently known as SJ Grant Thornton), an international public accounting firm in 2003. He was an audit manager with SJ Grant Thornton before he joined the Corporate Finance and Advisory Department of Public Investment Bank Berhad as an Assistant Manager in 2008. In 2011, he joined K-Star Sports Limited, a company listed on the Main Market of Bursa Securities as the Chief Financial Officer.

8.2.3 Principal directorships and principal business activities outside our Company

Save as disclosed below, as at the LPD, none of our Directors have held any directorships in other business or corporations or are involved in business activities performed outside our Company in the past 5 years preceding the LPD.

Name of Director / Directorships	Principal activity	Involvement in business activities other than as a Director
<u>Zulkifly bin Zakaria</u>		
Present directorships:		
• Eastern Pacific Industrial Corporation Berhad	Investment holding	-
• LS Travel Retail Malaysia Sdn Bhd	Operation of duty free retail shop	-
Past directorships:		
• Arcus Malaysia Sdn Bhd	Trading in stainless steel pipes, flanges and fittings.	-
• Cladtek International Pty Ltd	Manufacture of cladded pipe for the oil and gas industry.	-
• Cladtek (Malaysia) Sdn Bhd	Dormant.	-
• CNOOC Tube-Cote Coating Tianjin Pipe Co Ltd	Provision of oil country tubular goods ("**OCTG**") coating services.	-
• First Space Holdings Limited	Investment holding.	-
• Helmsion Engineering Pte Ltd	Manufacture of industrial cranes and related products and services.	-
• Jiangsu Tube-Cote Shuguang Coating Co, Ltd	Provision of internal epoxy coating for OCTG and line pipes for the oil and gas industry.	-
• Lubetech Sdn Bhd	Blending and packaging of "Pennzoil" and other branded lubricants.	-
• Malaysian Industrial Development Authority	Promotion of the manufacturing and services sectors in Malaysia.	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

Name of Director / Directorships	Principal activity	Involvement in business activities other than as a Director
• Multicoat Coating Technologies Private Limited	Manufacture, produce, process, formulate and undertake research and development of refractory coatings, ceramic coatings, functional coatings, high emissivity coatings, nano coatings, new generation coatings and all types of advanced ceramic, composite and polymeric coatings.	-
• Offshore Construction Services Pte Ltd	Shipbuilding, repairing, marine construction and offshore equipment.	-
• Offshore Fabrication Pte Ltd	Fabrication of oil and gas steel structures.	-
• Oil-Tex (Thailand) Company Limited	Provision of logistic services for the oil and gas industry.	-
• PFP (Aust) Holdings Pty Ltd	Investment holding.	-
• PFP (Aust) Pty Ltd	Stockist and sales of pipes and fittings to the oil and gas industry.	-
• PFP Holdings Pty Ltd	Investment holding.	-
• PFP (Int) Holdings Pty Ltd (now known as Australasia Piping Products Pty Ltd	Dormant	-
• PFP (Malaysia) Sdn Bhd	Supply of materials to the marine process and petro-chemical industries.	-
• PFP (Shenzhen) Piping Materials Co, Ltd	Import and export of piping materials.	-
• PFP Singapore Pte Ltd	Sale of piping materials.	-
• PFP Taiwan Co, Ltd	Wholesale of metal building materials and international trade.	-
• PFP Technology Pty Ltd	Manufacturing of computerised machineries.	-
• PFP Tech Holdings Pty Ltd	Investment holding.	-
• Premium Tubular Services Sdn Bhd	Currently under liquidation.	-
• PT Cladtek Bi Metal Manufacturing	Pipe cladding.	-
• PT Cladtek International	Manufacture of bi-metal pipes.	-
• Shanghai Tube-Cote Petroleum Pipe Coating Co, Ltd	Provision of internal epoxy coating for OCTG and line pipes for the oil and gas industry.	-

Name of Director / Directorships	Principal activity	Involvement in business activities other than as a Director
• TPCO Pan Asia Pte Ltd	Treatment of tubular pipes.	-
• Tubulars International Pte Ltd	Investment holding.	-
• UMW ACE (BVI) Ltd	Investment holding.	-
• UMW Australia Ventures (L) Ltd	Investment holding.	-
• UMW China Ventures (L) Ltd	Investment holding.	-
• UMW Coating Technologies (Tianjin) Co, Ltd	Provision of oil and gas related equipment and pipe coating services.	-
• UMW Drilling Co Ltd	Leasing of oil and gas assets including hydraulic workover units and semi-submersible drilling rigs.	-
• UMW Fabritech Sdn Bhd	Providing sandblasting, testing, priming, coating, inspection, maintenance and repair services of equipment and tubes.	-
• UMW India Ventures (L) Ltd	Investment holding.	-
• UMW JDC Drilling Sdn Bhd	Provision of drilling operations for the oil and gas industry.	-
• UMW Linepipe (L) Ltd	Investment holding.	-
• UMW Malaysian Ventures Sdn Bhd	Investment holding.	-
• UMW Naga Two (L) Ltd	Investment holding.	-
• UMW Naga Three (L) Ltd	Investment holding.	-
• UMW Offshore Investment (L) Ltd	Investment holding.	-
• UMW Oil & Gas Berhad	Investment holding.	-
• UMW Oilfield Commerce Beijing Co Ltd	De-registered.	-
• UMW Oilfield International (L) Ltd	Supply of oil and gas products and services and investment holding.	-
• UMW Oilfield International (M) Sdn Bhd	Supply of oil and gas products and services.	-
• UMW Oilfield Services (Tianjin) Co, Limited	Provision of repair services for oil country tubular goods.	-
• UMW Oilpipe Services Sdn Bhd	Provision of threading and repair services for oil country tubular goods.	-
• UMW Oilpipe Services (Turkmenistan) Ltd	Provision of tubular inspection, repair and maintenance activities.	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

Name of Director / Directorships	Principal activity	Involvement in business activities other than as a Director
• UMW Pennzoil Distributors Sdn Bhd	Marketing, selling and distribution of "Pennzoil" and other branded lubricants.	-
• UMW Petrodrill (Malaysia) Sdn Bhd	Provision of workover operations for the oil and gas industry.	-
• UMW Petropipe (L) Ltd	Investment holding.	-
• UMW Sher (L) Ltd	Provide contract drilling and engineering services for the oil and gas industry and leasing of drilling rigs and vessels.	-
• UMW Standard 1 Pte Ltd	Ownership, construction and operation of drilling rigs and related activities.	-
• UMW Standard 3 Pte Ltd	Ownership, construction and operation of drilling rigs and related activities.	-
• UMW Standard Drilling Sdn Bhd	Contract offshore drilling business and operations and other engineering services for oil and gas exploration, development and production in Malaysia and overseas.	-
• UOT (Thailand) Limited	Provision of repair services for oil country tubular goods.	-
• Vietnam Offshore Fabrication & Engineering Co Ltd	Fabrication of oil and gas steel structures, and provision of offshore maintenance, hook-up and commissioning services.	-
• Vina Offshore Holdings Pte Ltd	Investment holding.	-
• Xi'an Changqing Tube-Cote Petroleum Pipe Co Ltd	Manufacturing of pipe coating.	-
• Zhongyou BSS (Qinhuangdao) Petropipe Co, Ltd	Manufacturing and marketing of Longitudinal Submerged Arc Welded steel pipes for oil and gas transmission lines and structural pipe for oil and gas applications; and internal gas applications; and internal services.	-
Chan Say Hwa *Past directorship:* • Delicious House Sdn Bhd	Operating of a restaurant. Dissolved on 4 November 2010.	Shareholder

Name of Director / Directorships	Principal activity	Involvement in business activities other than as a Director
Chow Pui Ling		
Past directorship:		
• Delicious House Sdn Bhd	Operating of a restaurant. Dissolved on 4 November 2010.	Shareholder
Soo Kit Lin		
Past directorships:		
• Mascro Chemical Industries Sdn Bhd	Manufacturing of paints. Dissolved on 4 November 2010.	-
• Perniagaan Cat Xia Fa Sdn Bhd	Trading in all kinds of industrial paint and solvent chemical products. Dissolved on 21 January 2010.	Shareholder
Wong Kah Ming		
Present directorship:		
• Excelton Management	Provision of corporate and accounting related services and investor relations services.	Sole proprietor

Our Directors are of the view that their involvement in other business activities outside our Company will not affect their contributions to our Group, and hence is not expected to affect the operations of our Group.

The involvement in other business activities outside our Company held by our Directors does not give rise to a conflict of interest with our business.

8.2.4 Directors' remuneration and material benefits-in-kind

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid for services rendered to our Group for FYE 2011 and FYE 2012 are as follows:

Name of Director	Remuneration, fees and material benefits-in-kind band	
	FYE 2011 (actual) RM'000	FYE 2012 (estimated) RM'000
Zulkifly bin Zakaria	-	0 - 50
Chan Say Hwa	500 - 550	600 - 650
Soo Kit Lin	500 - 550	50 - 100
Chow Pui Ling	150 - 200	200 - 250
Wong Kah Ming	-	0 - 50
Woo Yew Tim	-	0 - 50

The remuneration of our Directors, which includes salaries, bonuses, fees and allowances as well as other benefits, must be considered and recommended by our Remuneration Committee and subsequently be approved by the Board. Any change in Directors' fees, as set out in our Company's Articles of Association, must be approved by our shareholders pursuant to a resolution in a general meeting where notice of any proposed increase shall be given.

8.2.5 Board practices

According to our Company's Articles of Association, at the general meeting in each and every subsequent year, at least 1/3 of our Directors for the time being, or if the number is not 3 or a multiple of 3 then the number nearest to 1/3 shall retire from office provided that all Directors shall retire from office at least once every 3 years. However, a retiring Director is eligible for re-election at the meeting at which he retires. An election of Directors shall take place each year.

Any person appointed as Director, either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

(a) Directors' term of office

The dates of expiration of the current term of office for each of our Directors as at the LPD are set out below:

Director	Date of appointment	Date of expiration of the current term of office	No. of year(s) in office
Chan Say Hwa	09.12.2009	2014 annual general meeting	2 years
Soo Kit Lin	09.12.2009	2013 annual general meeting	2 years
Chow Pui Ling	09.12.2009	2013 annual general meeting	2 years
Zulkifly bin Zakaria	10.10.2011	2015 annual general meeting	<1 year
Wong Kah Ming	10.10.2011	2014 annual general meeting	<1 year
Woo Yew Tim	08.08.2012	2013 annual general meeting	<1 year

(b) Audit committee

The main functions of the audit committee will fall within the ambit of the Listing Requirements. The audit committee is responsible for the recommendation to our Board regarding the selection of the external auditors, reviewing the results and scope of audit and other services provided by our Group's external auditors and reviews and evaluates our Group's internal audit and control functions. The audit committee is also responsible for assessment of financial risk and matters relating to related party transactions and conflict of interests. The audit committee may obtain advice from independent parties and other professionals in performing their duties.

The members of the audit committee are as follows:

Name	Designation	Directorship
Zulkifly bin Zakaria	Chairman	Independent Non-Executive Chairman
Wong Kah Ming	Member	Independent Non-Executive Director
Woo Yew Tim	Member	Independent Non-Executive Director

(c) Remuneration committee

The main function of the remuneration committee is to recommend the remuneration package for our Executive and Non-Executive Directors. The determination of the remuneration package for the Executive and Non-Executive Directors shall be subject to the approval of our Board as a whole. The individuals concerned should abstain from discussion of their own remuneration and no Director shall be involved in deciding his own remuneration. The remuneration of Directors is generally based on market conditions, responsibilities held and our Company's overall financial performance. Decisions and recommendations of the remuneration committee shall be reported to our Board and shareholders for approval where required by the rules and regulations governing our Company.

The members of the Remuneration Committee of our Company are as follows:

Name	Designation	Directorship
Wong Kah Ming	Chairman	Independent Non-Executive Director
Zulkifly bin Zakaria	Member	Independent Non-Executive Chairman
Woo Yew Tim	Member	Independent Non-Executive Director

(d) Nomination committee

The nomination committee is responsible for:

(i) recommending to our Board the appropriate size of our Board;

(ii) formalising a transparent procedure for proposing new nominees and recommending on suitability of candidates nominated for appointment to our Board and committees of our Board;

(iii) assisting our Board in reviewing on an annual basis the required mix of skills, experience and other qualities, including core competencies of Non-Executive Directors; and

(iv) assessing the effectiveness of our Board as a whole and the contribution of each individual Director and Board Committee member.

The composition of the Nomination Committee of our Company is as follows:-

Name	Designation	Directorship
Woo Yew Tim	Chairman	Independent Non-Executive Director
Zulkifly bin Zakaria	Member	Independent Non-Executive Chairman
Wong Kah Ming	Member	Independent Non-Executive Director

The recommendations of the Nomination Committee are subject to the approval of the Board.

8.3 KEY MANAGEMENT PERSONNEL

8.3.1 Particulars and shareholdings of the key management personnel

Our key management personnel is responsible for our Group's day-to-day management and operations. Our key management personnel consist of experienced personnel in charge of matters relating to production, sales and procurement, quality control and finance.

The members of our key management personnel are as follows:

Name	Nationality	Designation
Chan Say Hwa	Malaysian	Group Managing Director
Chow Pui Ling	Malaysian	Executive Director
Lilian Au Yong	Malaysian	Financial Controller
Choy Wai Hong	Malaysian	Manager, Human Resource and Administration
Chow How Fai	Malaysian	Manager, Production

Save for Chan Say Hwa and Chow Pui Ling, who are also the Directors of our Company, none of our other key management personnel has any shareholdings direct or indirect in our Company before or after the IPO.

8.3.2 Profiles of key management personnel

Save for the profiles of Chan Say Hwa and Chow Pui Ling which are set out in Sections 8.1.2 and 8.2.2 respectively, the profiles of the other key management personnel are as follows:

(a) Lilian Au Yong

Lilian Au Yong, a Malaysian aged 37, is the Financial Controller of the Group who is responsible for the financial management processes, accounting and treasury functions. She completed her Association of Chartered Certified Accountants qualification in 2005. She is a Fellow of the Association of Chartered Certified Accountants since 2010 and a member of the Malaysia Institute of Accountants since 2007.

Lilian Au Yong began her career as an Audit Associate in Shan & Co in 2000 and was later promoted to Senior Audit Supervisor in year 2003. In 2004, she joined Modulasi Cekap Sdn Bhd, a wastewater engineering company, as its Chief Financial Officer.

Thereafter, in year 2006, she joined Rigel Technology (M) Sdn Bhd, a manufacturing and trading of sanitary ware company, as the Head of Finance. Before joining Hiap Huat Chemicals, she joined Wavelink Sdn Bhd, a company dealing with service and maintenance of government machineries, as a Corporate Planner. She joined our Group in 2009 as an Accounts Manager and was subsequently promoted as our Financial Controller in early 2011.

(b) Choy Wai Hong

Choy Wai Hong a Malaysian aged 32, is the Manager of the Human Resource and Administration ("**HRA**") Department. He graduated with a Bachelor of Science majoring in Business Information Systems from Campbell University, United States of America in 2001.

Choy Wai Hong started his career in 2002 when he joined our Group as the Manager of HRA. He is responsible for the administration of the payroll, employee relations, human resource development and retention, security administration and all other matters relating to human resource administration.

(c) Chow How Fai

Chow How Fai a Malaysian aged 29, is the Production Manager. He is responsible in overseeing the manufacturing process as well as installation and commissioning of all machineries. He is also involved in the management of production planning, scheduling and execution.

After secondary school, Chow How Fai started his career in year 2001 where he joined Giordano Bhd as a Senior Sales Executive. In year 2006 he left and joined CNT, a sister company of HHC and wholly-owned subsidiary of Hiap Huat, as a Production Supervisor. He was then promoted to Operation Manager in year 2010 and subsequently was promoted to his current position in 2011.

8.4 INVOLVEMENT OF EXECUTIVE DIRECTORS AND KEY MANAGEMENT PERSONNEL IN OTHER BUSINESSES/CORPORATIONS

As at the LPD, all of our Group's executive directors and key management personnel are employees of our Group and are not involved in the operations of other business/corporations outside our Group.

8.5 DECLARATION FROM THE PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

Save as disclosed below, none of our Promoters, Directors and key management personnel or any person nominated to become a Director or key management personnel is or has been involved in any of the following events (whether in or outside Malaysia):

(a) a petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel; or

(b) disqualified from acting as a director of any corporation, from taking part directly or indirectly in the management of any corporation; or

(c) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding; or

(d) any judgement entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(e) the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

In 2004, Chan Say Hwa, our Group Managing Director, who was then a partner of CNT Hardware & Petroleum Trading ("**CHPT**") (a partnership business involved in the trading of fuel oil and petroleum based products which was subsequently closed on 21 January 2004 and bought over by HHC), was charged together with his then business partner for an offence under Section 18(1) of the EQA for occupying without licence a prescribed premise under Regulation 3(a) of the Environmental Quality (Prescribed Premises) (Scheduled Wastes Treatment And Disposal Facilities) Regulations 1989 as an offsite storage facility for collection and transportation of Scheduled Waste namely used waste mineral oil. Both Chan Say Hwa and his then business partner (whom was fully managing the business of the said partnership), were fined RM10,000 jointly for the offence and they had paid the penalty on 21 September 2006. Chan Say Hwa has then developed standard operation procedures for his current business so as to stay abreast with regulatory requirements and best industry practices.

8.6 RELATIONSHIP AND ASSOCIATIONS

Based on the declaration by our Promoters, substantial shareholders, Directors or key management personnel and save as disclosed below, there are no family relationships (as defined in Section 122A of the Act) or associations between or amongst our Promoters, substantial shareholders, Directors or key management personnel:

(a) Chan Ban Hin is the spouse of Soo Kit Lin;

(b) Chan Say Hwa is the son of Chan Ban Hin and Soo Kit Lin;

(c) Chan Say Hwa is the spouse of Chow Pui Ling;

(d) Chan Say Hwa is the brother-in-law of Chow How Fai; and

(e) Chow Pui Ling is the sister of Chow How Fai.

8.7 AMOUNTS/BENEFITS PAID OR INTENDED TO BE PAID OR GIVEN TO ANY PROMOTER, DIRECTOR OR SUBSTANTIAL SHAREHOLDER

Save for the remuneration and benefits paid/accrued to the Promoters and Directors of our Company for services rendered in all their capacities within our Group as set out in Section 8.2.4 of this Prospectus and the allowance of RM5,600 per month paid to Chan Ban Hin since October 2010 as the Adviser to the Company, there is no other amount or benefit paid or intended to be paid or given to any of our Promoter, Director or substantial shareholder, within the 2 years preceding the date of this Prospectus.

8.8 SERVICE CONTRACTS

As at the LPD, there are no existing and proposed service contract between our Group and our Directors and key management personnel.

8.9 EMPLOYEES

As at the LPD, our Group has a total of 123 employees, which consists of 74 local employees and 49 foreign employees, all of which have been employed by our Group and carried out their roles and responsibilities in Malaysia. Our Group employs 4 contractual/temporary employees as at the LPD. Up to date, our Group has not encountered any major problems with its staff turnover and there has been no labour and/or industrial dispute taken against our Group. The contracts for foreign employees are renewed annually and our Group has not faced any major problems with contract renewals. As at the LPD, none of our Group's employees are members of any labour union and our Group does not have any industrial disputes with any labour union.

The table below sets out the number of employees of our Group by category as at the end of each of the past 4 financial years and the FPE 2012:

	No. of employees				
	As at 31 December				As at 30 June
Employees classification	2008	2009	2010	2011	2012
Managerial and professional	10	12	9	6	7
Technical and supervisory					
- Foreigner	-	-	-	1	1
- Local	5	6	7	12	15
Administration and clerical	29	26	35	27	25
Production (Unskilled):					
- Foreigner	53	42	41	49	51
- Local	30	43	26	9	9
Non-Production General Workers	11	14	27	16	18
Total	**138**	**143**	**145**	**120**	**126**

There is a decrease of 3 foreign employees during the period from 30 June 2012 to the LPD.

Training and development

Our Group's business is supported by competent senior personnel with sound industry knowledge and hands-on experience and expertise. We recognise the importance of staff training and development in order to equip our employees with the necessary knowledge and skills to promote an effective and efficient workplace. Our employees can also enhance their skills and knowledge through on-the-job informal training. Performance reviews are conducted on an individual basis to ensure and evaluate the effectiveness of all training programs developed. Some of the training courses attended by our employees in 2009, 2010, 2011 and 2012 are as follows:

Programme	Organiser
Implement a KPI System within an Organization	Malaysian Institute of Accountants
ISO 9001:2008 Awareness Training	Novo Quality Services Sdn Bhd
Certificate Program for Safety & Health Officer	National Institute of Occupational Safety & Health
UBS Stock Control Course	ProCom Computer Centre
Fire Prevention Awareness	Internal
Chemical Spills Containment Training	Internal

Programme	Organiser
Emergency Response Team Training	Internal
Chemical Labelling, Handling & Storage Training	Internal
Safety in the Use of Chemicals	National Institute of Occupational Safety and Health
First Aid Briefing	St. John's Ambulances Malaysia, Selangor
Fire Safety Seminar	Fire and Rescue Department Malaysia
Course for Certified Environmental in Scheduled Waste Management	DOE (EIMAS)
Environmental, Safety and Health briefing	Internal
Intergrated ISO 14001 & OHSAS 18001 Internal Audit	Novo Quality Services Sdn Bhd
World Class Supply Chain Management	World Class Training Centre
Public Program on Employment Act 1955	Alpha International Training & Consultancy
Goods and Service Tax	Persatuan Pegawai Kanan Kastam Malaysia Cawangan WPKL

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9. APPROVALS AND CONDITIONS

9.1 APPROVALS AND CONDITIONS

Our Listing is an exempt transaction under Section 213 of the CMSA and is therefore not subject to the approval of the SC.

The approval from SC under the equity requirements for public companies was obtained on 3 August 2012 and subject to the following conditions:

No.	Details on conditions imposed	Status of compliance
1.	Hiap Huat to submit its equity structure to the SC upon completion of its proposed listing;	To be complied
2.	Hiap Huat to allocate the difference between the prescribed equity requirement of 12.5% of its enlarged issued and paid-up share capital and the actual equity interests of Bumiputera investors, to Bumiputera public investors to be approved by the Ministry of International Trade and Industry within one year after achieving the profit track record requirement for companies seeking listing on the Main Market of Bursa Securities, or five years after being listed on the ACE Market of Bursa Securities, whichever is the earlier ("**Triggering Date**"); and	To be complied
3.	Hong Leong Investment Bank Berhad/Hiap Huat to submit to the SC a proposal to comply with the Bumiputera equity condition within 6 months from the Triggering Date.	To be complied

Bursa Securities had on 5 July 2012 granted its approval for the admission of our Company to the Official List of the ACE Market and the listing and quotation of our entire enlarged issued and paid-up share capital of 333,301,330 Shares.

The approval from Bursa Securities was subject to the following conditions:

No.	Details on conditions imposed	Status of compliance
1.	Hiap Huat to add another additional independent non-executive director;	Complied
2.	Submission of the following information in respect to the moratorium on the shareholdings of promoters to the Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**"); (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares.	Complied
3.	Approvals from other relevant authorities have been obtained for implementation of the listing proposal;	Complied
4.	Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Guidance Note 15 of the Listing Requirements;	To be complied

9. APPROVALS AND CONDITIONS *(Cont'd)*

No.	Details on conditions imposed	Status of compliance
5.	Furnish the Bursa Securities a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire issued and paid up share capital of Hiap Huat on the first day of listing;	To be complied
6.	Any director of the Company that has not attended the Mandatory Accreditation Programme must do so prior to listing of the Company;	Complied
7.	In relation to the public offering to be undertaken by Hiap Huat, please announce at least 2 market days prior to the listing date, the result of the offering including the following: (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/allocation; (iii) A table showing the distribution for placement tranche, in format attached in Appendix I; and (iv) Disclosure of places who become substantial shareholders of Hiap Huat arising from the public offering, if any.	To be complied
8.	Hiap Huat/HLIB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the admission to the Official List on the ACE Market is completed.	To be complied

9.2 MORATORIUM ON SHARES

Pursuant to Rule 3.19 of the Listing Requirements and pursuant to the conditions imposed under the approval letter by Bursa Securities, a moratorium will be imposed on the sale, transfer or assignment of shares held by our Promoters as follows:

(a) the moratorium applies to the entire shareholdings of our Promoters for a period of 6 months from the date of admission to the ACE Market ("**6-Month Moratorium**");

(b) upon the expiry of the 6-Month Moratorium, our Promoters' aggregate shareholdings amounting to at least 45% of the nominal issued and paid-up ordinary share capital of our Company shall remain under moratorium, for another period of 6 months; and

(c) thereafter, our Promoters may sell, transfer or assign up to a maximum of 1/3 per annum (on a straight-line basis) of the Shares held under moratorium.

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9. APPROVALS AND CONDITIONS *(Cont'd)*

Details of our Promoters whose Shares are subject to moratorium are as follows:

	Shares held under the 6-Month Moratorium upon Listing		Shares held under moratorium after the 6-Month Moratorium	
	No. of Shares	% of enlarged share capital	No. of Shares	% of enlarged share capital
Chan Say Hwa	69,405,460	20.82	52,494,960	15.75
Soo Kit Lin	69,405,460	20.82	52,494,960	15.75
Chan Ban Hin	59,490,410	17.85	44,995,679	13.50
	198,301,330	59.49	149,985,599	45.00

Chan Say Hwa, Soo Kit Lin and Chan Ban Hin have provided their respective undertakings that they will comply with the moratorium conditions as set out in Rule 3.19(1) of the Listing Requirements.

The restriction, which is fully acknowledged by the aforesaid Promoters, is specifically endorsed on the share certificates representing their shareholdings which are under moratorium to ensure that our Share Registrar will not register any transfer not in compliance with the aforesaid restriction imposed by Bursa Securities.

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS

10.1 RELATED PARTY TRANSACTIONS

Save as disclosed below, for the past 3 financial years up to the FYE 2011 and the FPE 2012, our Group has not entered into or are involved in any material on-going or proposed related party transactions (including recurrent related party transactions) that involve the interest, direct or indirect, of our Directors, substantial shareholders and/or persons connected to them as defined under the Listing Requirements:

Transacting parties	Nature of relationship	Description of transaction	Tenure/Date	Value transacted
Soo Kit Lin ("SKL")	SKL is a Director and indirect substantial shareholder of HHC	Rental of a double storey link house used as hostel for employees	1 July 2010 to 31 July 2011*	RM1,000 per month
Chan Say Hwa ("CSH"), SKL and Chan Ban Hin ("CBH")	CSH, SKL and CBH are the Promoters and substantial shareholders of our Company while CSH and SKL are also the Directors of our Company	Acquisition of the entire interest in HHC comprising of 3,649,912 ordinary shares of RM1.00 each by Hiap Huat from CSH, SKL and CBH	18 August 2010	RM7,862,723
CSH, SKL and CBH	CSH, SKL and CBH are the Promoters and substantial shareholders of our Company while CSH and SKL are also the Directors of our Company	Acquisition of the entire interest in HHP comprising of 85,100 ordinary shares of RM1.00 each by Hiap Huat from CSH, SKL and CBH	18 August 2010	RM277,560
SKL, CBH and Chan Meng Hwee	SKL and CBH are the Promoters and substantial shareholders of our Company and SKL is also a Director of our Company while Chan Meng Hwee is the daughter of both CBH and SKL	Acquisition of the entire interest in XFH comprising of 240,004 ordinary shares of RM1.00 each by Hiap Huat from SKL, CBH and Chan Meng Hwee	18 August 2010	RM1,965,868
CSH and SKL	CSH and SKL are Directors, Promoters and substantial shareholders of our Company	Acquisition of the entire interest in Transada comprising of 320,000 ordinary shares of RM1.00 each by Hiap Huat from CSH and SKL	18 August 2010	RM648,610
CSH and SKL	CSH and SKL are Directors, Promoters and substantial shareholders of our Company	Acquisition of the entire interest in TMP comprising of 1,000,000 ordinary shares of RM1.00 each by Hiap Huat from CSH and SKL	18 August 2010	RM2,274,585
HHC	CSH, SKL and CBH are the Directors and indirect substantial shareholders of CNT	Acquisition of the entire interest in CNT comprising of 100,000 ordinary shares of RM1.00 each by Hiap Huat from HHC	18 August 2010	RM1,698,006

Transacting parties	Nature of relationship	Description of transaction	Tenure/Date	Value transacted
HHC	CSH and SKL are the Directors and indirect substantial shareholders of HHS	Acquisition of the entire interest in HHS comprising of 100,000 ordinary shares of RM1.00 each by Hiap Huat from HHC	18 August 2010	RM95,538
HHC	CSH and SKL are the Directors and indirect substantial shareholders of HHC Labuan	Acquisition of the entire interest in HHC Labuan comprising of 10,000 ordinary shares of RM1.00 each by Hiap Huat from HHC	18 August 2010	RM7,240
CBH	CBH is the Promoter and substantial shareholder of our Company	Monthly allowance paid for advisory services provided	Since October 2010	RM5,600 per month

Note: * *The lease has ended and had not been renewed.*

Our Directors are of the opinion that these transactions have been entered into on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties.

Pursuant to Rule 10.09 of the Listing Requirements, a listed corporation may seek a mandate from its shareholders for a related party transaction which is recurrent, of a revenue or trading nature and which is necessary for day-to-day operations of a listed corporation or its subsidiaries subject to the following:

(a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;

(b) the shareholder mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under sub-Rule (1) of Rule 10.09 of the Listing Requirements;

(c) the listed corporation's circular to shareholders for the shareholder mandate includes the information as may be prescribed by Bursa Securities. The circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;

(d) in a meeting to obtain a shareholder mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and

(e) the listed corporation immediately announces to Bursa Securities when the actual value of a Recurrent Related Party Transaction entered into by the listed corporation, exceeds the estimated value of the Recurrent Related Party Transaction disclosed in the circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

To further strengthen controls in this area, our Board shall be assisted by the Audit Committee and senior management, to evaluate the intended related party transactions. Generally, our Group will seek third party quotations as a comparison to ensure that these transactions have been entered into on an arm's length basis.

10.2 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITIONS

As at the LPD, we have not entered into any transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we, or any of our subsidiaries was a party in respect of the FYE 2009, FYE 2010, FYE 2011 and FPE 2012.

10.3 OUTSTANDING LOANS TO OR FOR THE BENEFIT OF THE RELATED PARTY(IES)

There are no outstanding loans (including guarantees of any kind) made by us or any of our subsidiaries to or for the benefit of the related parties during the FYE 2009, FYE 2010, FYE 2011 and FPE 2012 and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

10.4 INTERESTS IN SIMILAR BUSINESS

As at the LPD, none of our Directors and substantial shareholders has any interest, whether direct or indirect, in any business or corporations which are carrying on a similar trade as our Group or are customers of and/or suppliers of our Group.

10.5 PROMOTION OF MATERIAL ASSETS

Save as disclosed in Section 10.1 of this Prospectus, none of the Directors nor substantial shareholders and/or key management personnel has any interest, whether direct or indirect, in the promotion of or in any material assets acquired or disposed of by, or leased to our Group, or are proposed to be acquired or disposed of by or leased to our Group within FYE 2009, FYE 2010, FYE 2011 and FPE 2012 up to the LPD.

10.6 CONFLICT OF INTERESTS

(a) HLIB declares that there is no existing or potential conflict of interest in its capacity as the Adviser, Sponsor, Underwriter and Placement Agent for the IPO;

(b) Messrs Jeff, Leong Poon & Wong declares that there is no existing or potential conflict of interest in its capacity as the Solicitors for the IPO;

(c) Messrs UHY declares that there is no existing or potential conflict of interest in its capacity as the Reporting Accountants for the IPO; and

(d) Dun & Bradstreet (D&B) Malaysia Sdn Bhd confirms that there is no existing or potential conflict of interest in its capacity as the IMR for the IPO.

11. FINANCIAL INFORMATION

11.1 HISTORICAL PROFORMA CONSOLIDATED FINANCIAL INFORMATION

The proforma consolidated financial information of our Group for the past 4 financial years from FYE 2008 to FYE 2011 and the FPE 2012 as well as the comparative period of FPE 2011 has been prepared on the assumption that the present structure of our Group has been in existence throughout the financial years under review.

There has been no audit qualification on our Company or any of our subsidiaries' audited financial statements for all the financial years/period under review. Our proforma consolidated financial information has been prepared in accordance with the applicable approved financial reporting standards in Malaysia and has been reviewed by our Reporting Accountants, Messrs. UHY. The bases and accounting policies used for the purpose of preparing our proforma consolidated financial information are consistent with those adopted in the preparation of the audited financial statements of the respective companies within our Group for the FYE 2008 to FYE 2011 and FPE 2012, and after taking into account adjustments appropriate for the purposes of preparing the proforma consolidated financial information, which are set out in the notes included in the Reporting Accountant's Letter on the Proforma Consolidated Financial Information as set out in Section 11.9 of this Prospectus.

Proforma consolidated statement of comprehensive income

The proforma consolidated statement of comprehensive income below have been prepared for illustrative purposes only and should be read together with the Reporting Accountants' Letter on the Proforma Consolidated Financial Information as set out in Section 11.9 of this Prospectus.

	FYE				FPE	
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2011[1] RM'000	2012 RM'000
Revenue	49,237	34,060	34,930	40,839	19,884	18,285
Cost of sales	(35,489)	(22,000)	(18,303)	(24,073)	(11,368)	(10,694)
Gross profit	13,748	12,060	16,627	16,766	8,516	7,591
Other operating income	112	227	27	325	23	64
Administration and operating expenses	(10,821)	(9,499)	(9,054)	(8,150)	(3,905)	(3,559)
Finance costs	(371)	(406)	(426)	(562)	(140)	(268)
PBT	2,668	2,382	7,174	8,379	4,494	3,828
Taxation	(718)	(694)	(1,989)	(2,323)	(1,154)	(1,087)
PAT/Total comprehensive income attributable to equity holders of the parent	1,950	1,688	5,185	6,056	3,340	2,741
EBITDA	4,041	3,780	8,918	10,752	5,429	5,108
No. of Shares assumed in issue[2] ('000)	248,301	248,301	248,301	248,301	248,301	248,301
Gross profit margin (%)	27.92	35.41	47.60	41.05	42.83	41.52
PBT margin (%)	5.42	6.99	20.54	20.52	22.60	20.94
PAT margin (%)	3.96	4.96	14.84	14.83	16.80	14.99
Gross EPS (sen)[3]	1.07	0.96	2.89	3.37	1.81	1.54
Net EPS (sen)[4]	0.79	0.68	2.09	2.44	1.34	1.10
Diluted net EPS (sen)[5]	0.59	0.51	1.56	1.82	1.00	0.82

Notes:
(1) Unaudited and for comparison purpose only.
(2) Being the number of Shares assumed in issue immediately prior to the Public Issue.
(3) Computed based on the PBT divided by the number of Shares assumed in issue.
(4) Computed based on the PAT divided by the number of Shares assumed in issue.
(5) Computed based on the PAT divided by the enlarged number of Shares after the Public Issue.

11.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following management discussion and analysis of our financial condition, results of operations together with the Reporting Accountants' Letter on the Proforma Consolidated Financial Information and the Accountant's Report as set out in Sections 11.9 and 12 of this Prospectus, respectively. The following management discussion and analysis of our financial condition, results of operations and prospects as set out below have been made based on our proforma consolidated financial information and the related notes thereon for the FYE 2008 to FYE 2011 and FPE 2012 as set out in Section 11.9 of this Prospectus.

This discussion and analysis contain data derived from our audited consolidated financial statements as well as forward-looking statements that involve risks and uncertainties. Our Group's actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those stated on the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 5 of this Prospectus.

11.2.1 Overview of results

(i) Revenue

We are an investment holding company. Through our wholly-owned subsidiaries, namely HHC, XFH, TMP, CNT, Transada, HHP, HHS and HHC Labuan, we are principally engaged as a licensed and integrated waste oil recycler, specialising in collecting, recycling, re-refining and producing recycled products from waste oil, waste solvents and used drums and containers we are licensed to collect, treat and process.

Within our Group, HHC and Transada are the 2 main companies responsible for collecting, recycling, re-refining and producing recycled products from waste oil, waste solvents and used drums and containers. HHC is licensed to operate our main production plant located in Bentong, Pahang while Transada is licensed to operate our second production plant located in Gopeng, Perak.

XFH is mainly responsible for the sales and marketing of our paint and solvent based end products derived mainly from our recycling and recovery process, while TMP and CNT are mainly engaged in the distribution of our recycled products to our overseas market and the trading and distribution of recycled fuel oil.respectively. HHP typically produces our grease based recycled lubricant products.

However, pursuant to an internal reorganisation to streamline our business operations at the beginning of the FYE 2011, CNT and HHP ceased its operations and were taken-over by HHC.

The breakdown of our revenue by the companies within our Group is set out as follows:

	<------	------	------	Audited	------	------	------	------>	Unaudited		Audited	
	FYE 2008		FYE 2009		FYE 2010		FYE 2011		FPE 2011		FPE 2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Hiap Huat	-	-	-	-	195	0.36	10,000	17.21	-	-	-	-
HHC	31,776	46.70	24,348	51.89	30,163	55.48	36,438	62.73	17,694	74.07	16,442	77.16
Transada	1,297	1.91	1,414	3.01	877	1.61	55	0.10	45	0.19	-	-
XFH	7,145	10.50	8,610	18.35	10,781	19.83	9,953	17.13	5,251	21.98	4,064	19.07
TMP	4,363	6.41	1,157	2.47	1,506	2.77	1,646	2.83	898	3.76	804	3.77
HHP	668	0.98	862	1.84	1,165	2.14	-	-	-	-	-	-
CNT	22,799	33.50	10,527	22.44	9,679	17.81	-	-	-	-	-	-
HHS	-	-	-	-	-	-	-	-	-	-	-	-
HHC Labuan	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	68,048	100.00	46,918	100.00	54,366	100.00	58,092	100.00	23,888	100.00	21,310	100.00
Consolidation adjustment	(18,811)	-	(12,858)	-	(19,436)	-	(17,253)	-	(4,004)	-	(3,025)	-
Total	49,237	100.00	34,060	100.00	34,930	100.00	40,839	100.00	19,884	100.00	18,285	100.00

Revenue by products and services

Our core revenue streams are derived from the recycling of Scheduled Waste into usable recycled end products which are then sold to industrial, commercial and individual customers. Our end products and services are segmented into 5 broad categories as follows:

(i) Recycled fuel oil;
(ii) Recycled lubricant products;
(iii) Recycled paint and solvent products;
(iv) Recycled drums and containers; and
(v) Scheduled Waste collection services

Recycled fuel oil and recycled lubricant products (collectively known as "recycled oil products") which are produced from the same raw material, namely waste oil, have been our main revenue contributor. These 2 products accounted for more than 50% of our total revenue, contributing approximately 69.78%, 53.02%, 50.80% and 56.89%for the past 4 financial years up to FYE 2011 and approximately 56.85% and 64.34% for the FPE 2011 and FPE 2012 respectively, whilst our recycled paint and solvent products and recycled drums and containers collectively accounted between 18% to 30% of our Group's revenue for the Period under Review. Our other business activity of Scheduled Waste collection services where we collect Schedule Waste from industrial and commercial establishments for a fee contributes towards the remaining of our Group's total revenue. The collection of Scheduled Waste entails the removal of Scheduled Waste products that our customers cannot or do not want to dispose of through conventional disposal methods, i.e. via incineration or landfilling. Fees vary depending on the type of Scheduled Waste. Examples of these Scheduled Waste products include paints, inks, used oil filters, brake fluids and other similar waste materials. These establishments can also be considered as our suppliers, as they provide the raw materials necessary to produce our end products.

As recycled oil products is one of the alternatives to virgin oil products and are also generally cheaper, the demand for recycled oil products can be considered positively correlated to oil prices. Hence, increases in oil prices will likely boost demand for recycled oil products.

The breakdown of our revenue by products and services is set out as follows:

	<----Audited						---->		Unaudited		Audited	
	FYE 2008		FYE 2009		FYE 2010		FYE 2011		FPE 2011		FPE 2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Recycled fuel oil	28,692	58.27	12,621	37.06	12,578	36.01	18,153	44.45	8,675	43.63	9,216	50.40
Recycled lubricant products	5,666	11.51	5,436	15.96	5,167	14.79	5,080	12.44	2,629	13.22	2,549	13.94
Sub-total	34,358	69.78	18,057	53.02	17,745	50.80	23,233	56.89	11,304	56.85	11,765	64.34
Recycled paint and solvent products	5,737	11.65	5,914	17.36	5,973	17.10	5,619	13.76	3,012	15.15	2,487	13.60
Recycled drums and containers	4,388	8.91	3,976	11.67	4,222	12.09	3,083	7.55	1,755	8.82	814	4.45
Schedule Waste collection services	4,754	9.66	6,113	17.95	6,990	20.01	8,904	21.80	3,813	19.18	3,219	17.61
Total	49,237	100.00	34,060	100.00	34,930	100.00	40,839	100.00	19,884	100.00	18,285	100.00

Revenue by geographic markets

Our revenue is predominantly derived from the domestic market, of which at least approximately 95% of our Group's revenue was derived from Malaysia, with the last 2 financial years seeing an increasing exposure to an overseas market, Singapore. The breakdown of our revenue by geographic markets is set out as follows:

	<----Audited						---->		Unaudited		Audited	
	FYE 2008		FYE 2009		FYE 2010		FYE 2011		FPE 2011		FPE 2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Domestic	49,237	100.00	33,675	98.87	33,725	96.55	39,192	95.97	18,986	95.48	17,481	95.60
Overseas - Singapore	-	-	385	1.13	1,205	3.45	1,647	4.03	898	4.52	804	4.40
Total	49,237	100.00	34,060	100.00	34,930	100.00	40,839	100.00	19,884	100.00	18,285	100.00

Our domestic sales and export sales are denominated in RM and USD respectively. For our export sales denominated in USD, our price quotes to our overseas customers are arrived at based on our RM denominated cost, our mark-up such cost to achieve expected margins and the prevailing RM/USD foreign exchange rate at the point of transaction.

Revenue is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to and accepted by our customers. We generally do not allow any sales returns by our customers unless due to product quality matters. For the Period under Review, we did not experience any material sales returns by our customers arising from product quality matters.

Our revenue is affected by, *inter-alia*, the following key factors:

(a) our ability to remain competitive against existing competitors and new market entrants;

(b) our ability to obtain adequate and continuous supply of direct materials for our production needs;

(c) our ability to build on our established track record and reputation as a supplier of quality recycled products and capability to deliver products in a timely manner; and

(d) our ability to maintain existing business relationships and to secure new customers, which may be affected by the general economic or political conditions in our local markets.

Please refer to the Sections 5 and 6.16 of this Prospectus for details of the above factors and other factors which may affect our business operations, revenue and overall financial performance.

(ii) Cost of sales

We set out below the breakdown of our cost of sales by products and services category for the Period under Review:

	<-------			Audited				------->	Unaudited		Audited	
	FYE 2008		FYE 2009		FYE 2010		FYE 2011		FPE 2011		FPE 2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Recycled fuel oil	26,469	74.58	11,903	54.10	9,679	52.88	13,777	57.23	6,379	56.11	6,912	64.64
Recycled lubricant products	2,042	5.75	2,330	10.59	1,989	10.87	1,467	6.10	571	5.02	472	4.41
Sub-total	28,511	80.33	14,233	64.69	11,668	63.75	15,244	63.33	6,950	61.13	7,384	69.05
Recycled paint and solvent products	4,311	12.15	4,608	20.95	3,080	16.82	3,655	15.18	2,040	17.95	1,678	15.69
Recycled drums and containers	2,007	5.66	2,367	10.76	2,754	15.05	2,501	10.39	1,237	10.88	649	6.07
Schedule Waste collection services	660	1.86	792	3.60	801	4.38	2,673	11.10	1,141	10.04	983	9.19
Total	35,489	100.00	22,000	100.00	18,303	100.00	24,073	100.00	11,368	100.00	10,694	100.00

Our cost of sales comprises purchase of direct materials which are performed under our Scheduled Waste recovery process, packing materials for our end products, direct labour and factory overheads. Our cost of sales accounted for approximately 72.08%, 64.59%, 52.40% and 58.95% of our revenue for the past 4 financial years up to FYE 2011 and approximately 57.17% and 58.49% of our revenue for the FPE 2011 and FPE 2012 respectively.

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The analysis of our cost of sales for the Period under Review is as follows:

	<-------	Audited	-------	-------	-------	-------	-------	------->	Unaudited		Audited	
	FYE 2008		FYE 2009		FYE 2010		FYE 2011		FPE 2011		FPE 2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Direct materials												
Waste oil	26,510	74.70	11,745	53.38	9,797	53.52	12,947	53.78	6,138	53.99	5,253	49.12
Waste solvents	1,024	2.89	1,141	5.19	210	1.15	449	1.87	842	7.41	416	3.89
Used drums	1,615	4.55	1,900	8.64	2,221	12.13	1,884	7.83	812	7.14	546	5.11
Other materials	2,013	5.67	2,820	12.82	1,466	8.01	1,601	6.65	522	4.59	482	4.51
	31,162	87.81	17,606	80.03	13,694	74.81	16,881	70.13	8,314	73.13	6,697	62.63
Packing materials	1,502	4.23	1,256	5.71	880	4.81	988	4.10	516	4.54	346	3.23
Direct labour	985	2.78	919	4.18	1,090	5.96	1,188	4.93	585	5.15	638	5.97
Factory overheads	1,840	5.18	2,219	10.08	2,639	14.42	5,016	20.84	1,953	17.18	3,013	28.17
Total	35,489	100.00	22,000	100.00	18,303	100.00	24,073	100.00	11,368	100.00	10,694	100.00

Cost of direct materials accounted for a significant portion of our total cost of sales, having contributed approximately 87.81%, 80.03%, 74.81% and 70.13% of the cost of sales for the past 4 financial years up to FYE 2011 and approximately 73.13% and 62.63% of the cost of sales for the FPE 2011 and FPE 2012 respectively. The major components of our direct materials which are recovered by us include waste oil which is used to produce recycled fuel oil and recycled lubricant products, used halogenated/non-halogenated solvents which are used to produce recycled paint and solvent products and used empty drums and containers which we recycle and resell.

For the Period under Review, we have procured the direct materials particularly waste oil based on the pricing and quality of the waste oil from our well diversified supplier base of 2,353 suppliers as at the LPD. We are not overly dependent on any particular supplier and we believe that we are able to source our direct materials from our well diversified supplier base, if the need arises. For further details on the availability of waste oil, please refer to Section 6.9 of this Prospectus.

Our packing materials are used to pack our recycled lubricant products and recycled paint and solvent products. Direct labour comprises mainly salaries and other staff related costs for our staff that are directly involved in the recycling of Schedule Waste into usable recycled end products. Our direct labour costs are dependent on the number of production staff employed, wage levels and availability of labour in the market with the required skill sets. Our factory overheads relate to depreciation charges of property, plant and equipment, utility charges and general upkeep of plant, machinery and factory premises, consumables and supplies and other factory related costs.

While it is possible to breakdown our revenue by the geographical regions based on customer sales information, the allocation of costs by geographical regions cannot be done in a similar manner with reasonable accuracy as we do not track the allocation of our cost of sales by geographical region/customer and any attempt to match these expenses to revenue to the various geographical region/customer is not meaningful.

The main factor that affects our cost of sales is the fluctuation in the prices of direct materials particularly waste oil. This is due to the correlation between oil prices and costs of raw materials for the recycling activities. As oil price increases, oil products become more expensive, and so do the used products (waste oil), albeit to a lesser extent.

(iii) Gross profit and gross profit margin

We categorise our products/services into 5 categories, namely recycled fuel oil, recycled lubricant products, recycled paint and solvent products, Scheduled Waste collection services and recycled drums and containers. A breakdown of our gross profit and gross profit margin for each of these categories is set out below:

Gross profit

	<---Audited						--->		Unaudited		Audited	
	FYE 2008		FYE 2009		FYE 2010		FYE 2011		FPE 2011		FPE 2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Recycled fuel oil	2,223	16.17	718	5.95	2,899	17.44	4,377	26.11	2,296	26.96	2,304	30.35
Recycled lubricant products	3,623	26.35	3,106	25.76	3,178	19.11	3,613	21.55	2,059	24.18	2,077	27.36
Recycled paint and solvent products	1,426	10.37	1,306	10.83	2,893	17.40	1,964	11.71	972	11.41	809	10.66
Recycled drums and containers	2,381	17.32	1,609	13.34	1,468	8.83	581	3.47	517	6.07	166	2.19
Schedule Waste collection services	4,095	29.79	5,321	44.12	6,189	37.22	6,231	37.16	2,672	31.38	2,235	29.44
Total	13,748	100.00	12,060	100.00	16,627	100.00	16,766	100.00	8,516	100.00	7,591	100.00

Gross profit margin

	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FPE 2011	FPE 2012
	%	%	%	%	%	%
Recycled fuel oil	7.75	5.69	23.05	24.11	26.47	25.00
Recycled lubricant products	63.94	57.14	61.51	71.12	78.32	81.48
Recycled paint and solvent products	24.86	22.08	48.43	34.95	32.27	32.53
Recycled drums and containers	54.26	40.47	34.77	18.85	29.46	20.39
Schedule Waste collection services	86.14	87.04	88.54	69.98	70.08	69.43
Overall	27.92	35.41	47.60	41.05	42.83	41.52

Our overall gross profit margin from year to year is affected by changes in gross profit margins of each of our product categories, and the respective revenue contribution by each of our product categories. The respective gross profit margins for our product categories may vary widely. As a result, our overall gross profit margin is affected by our sales mix.

Any decrease in the selling price of our products without a corresponding decrease in our cost of sales, or conversely any increase in our cost of sales without a corresponding increase in the selling price of our products would have an adverse effect on our gross profit margin. Accordingly, besides sales mix, the key factors, *inter alia*, that affect our revenue and our cost of sales would also affect our gross profit margins.

Our overall gross profit margin was approximately 27.92%, 35.41%, 47.60% and 41.05% for the past 4 financial years up to FYE 2011 and approximately 42.83% and 41.51% for the FPE 2011 and FPE 2012 respectively. While our revenue is mainly driven by the contributions from our Recycled Oil Products categories during the Period under Review, our overall gross profit margin was mainly driven by the gross profit of our recycled lubricant products and Scheduled Waste collection services during the Period under Review. The gross profit margins are analysed in the following paragraphs:

(i) The gross profit for our recycled fuel oil decreased from RM2.22 million in FYE 2008 to RM0.72 million in FYE 2009 with gross profit margin of our recycled fuel oil decreased from approximately 7.75% in FYE 2008 to approximately 5.69% in FYE 2009 largely due to the decrease in our selling prices of recycled fuel oil in order to foster demand in light of the plunge in global oil demand and prices. From FYE 2009 to FYE 2010, gross profit for our recycled fuel oil increased from RM0.72 million in FYE 2009 to RM2.90 million in FYE 2010 and the gross profit margin of our recycled fuel oil increased from approximately 5.69% in FYE 2009 to 23.05% in FYE 2010 due to the increase in selling prices of our recycled fuel oil as the market recovers from the 2008 global financial crisis and at the same time taking advantage of the relative stable price of waste oil purchased. From FYE 2010 to FYE 2011, gross profit for our recycled fuel oil increased from RM2.90 million in FYE 2010 to RM4.38 million in FYE 2011 due mainly to the increase in revenue for the same product category whilst gross profit margin increased marginally from 23.05% to 24.11% as a result of the increase in our selling price and also our purchase price of waste oil. From FPE 2011 to FPE 2012, gross profit of our recycled fuel oil remained consistent at RM2.30 million while the gross profit margins decreased from 26.47% in FPE 2011 to 25.00% in FPE 2012 as a result of the increase in our purchase price of waste oil.

(ii) The gross profit for our recycled lubricant products decreased from RM3.62 million in FYE 2008 to RM3.11 million in FYE 2009 with a corresponding decrease in the gross profit margin from 63.94% in FYE 2008 to 57.14% in FYE 2009 largely due to the decrease in our selling prices of recycled lubricant products in order to foster demand in light of the plunge in global oil demand and prices. From FYE 2009 to FYE 2010, gross profit for our recycled lubricant products increased from RM3.11 million in FYE 2009 to RM3.18 million in FYE 2010 and the gross profit margin of our recycled lubricant products increased from approximately 57.14% in FYE 2009 to 61.51% in FYE 2010 mainly due to the adoption of new technology during the 4th quarter of FYE 2010, namely wipe film short path evaporators in our lubricant production line that enhance production and cost efficiency. The new technology adopted enables the production of the required quality of recycled base oil from very low quality of waste oil that we collect, thereby eliminating the cost of purchasing higher quality waste oil to produce the required quality of base oil for the production of recycled lubricant products. From FYE 2010 to FYE 2011, gross profit for our recycled lubricant products increased from RM3.18 million in FYE 2010 to RM3.61 million in FYE 2011 while the gross profit margin increased from 61.51% in FYE 2010 to 71.12% in FYE 2011. The increase was mainly due to the increase in selling price taking into consideration the price adjustments made to virgin oil products and also the adoption of new technology, namely wiped film evaporators in our lubricant production line that enhance production and cost efficiency. From FPE 2011 to FPE 2012, gross profit of our recycled lubricant products increased from RM2.06 million in FPE 2011 to RM2.08 million in FPE 2012 and the gross profit margins increased from 78.32% in FPE 2011 to 81.48% in FPE 2012, mainly due to the increase in selling price and also the adoption the wiped film evaporators in our lubricant production line that continued to further enhance production and cost efficiency.

(iii) The gross profit for our recycled paint and solvent products decreased from RM1.43 million in FYE 2008 to RM1.31 million in FYE 2009, and the gross profit margin of our recycled paint and solvent products decreased from 24.86% in FYE 2008 to 22.08% in FYE 2009, mainly due to the reduction in selling price in order to foster demand in light of the 2008 global financial crisis. From FYE 2009 to FYE 2010, gross profit for our recycled paint and solvent products increased from RM1.31 million in FYE 2009 to RM2.89 million in FYE 2010 and the gross profit margin of our recycled paint and solvent products increased from 22.08% in FYE 2009 to 48.43% in FYE 2010, mainly due to the decrease in the cost of direct material used namely waste solvents from RM1.14 million in FYE 2009 to RM0.21 million in FYE 2010. The decrease was mainly due to better production efficiencies resulting from the introduction of a new blending formula for our paint products, which uses new types of raw materials which are generally cheaper and consumed lower quantities as compared to the old formula used thereby providing production and cost efficiency. In addition, the enhanced blending formula also enables the usage of lower quality waste solvents (which is very low in cost) for the production of the Group's recycled paint products. From FYE 2010 to FYE 2011, gross profit for our recycled paint and solvent products decreased by RM0.93 million from RM2.89 million in FYE 2010 to RM1.96 million in FYE 2011 while the gross profit margin decreased from 48.43% in FYE 2010 to 34.95% in FYE 2011. The decrease was mainly due to the increase in cost of other raw materials used for blending and also increased in overhead costs as the quality of waste solvents collected and used to produce our end products were below our required specification. From FPE 2011 to FPE 2012, gross profit of our recycled paint and solvent products decreased from RM0.97 million in FPE 2011 to RM0.81 million in FPE 2012 and the gross profit margin remained consistent at 32.53% in FPE 2012 as compared to 32.27% in FPE 2011.

(iv) The gross profit for our recycled drums and containers decreased from RM2.38 million to RM1.61 million in FYE 2008, and to RM1.47 million in FYE 2009 and the gross profit margin of our recycled drums and containers also decreased from 54.26% in FYE 2008 to 40.47% in FYE 2009, and to 34.77% in FYE 2010. The decreasing trend of the gross profit margin from FYE 2008 to FYE 2010 was mainly due to a combination of decrease in selling price and also increases in purchase price of used drums and containers due mainly to supply shortages of used drums in the market. Such supply shortages occurred as industry/waste drums generators are slowly switching their packaging to intermediate bulk containers and flexi bag in light of the 2008 global financial crisis. These supply shortages have put an upward pressure on the price of used drums purchased by Hiap Huat without a corresponding increase in selling prices. From FYE 2010 to FYE 2011, the gross profit decreased by RM0.89 million from RM1.47 million in FYE 2010 to RM0.58 million in FYE 2011 while the gross profit margin decreased from 34.77% in FYE 2010 to 18.85% in FYE 2011. The decrease was mainly due to the decrease in selling price to remain competitive and the increase in purchase price of used drums and containers due to the continuous supply constraints. From FPE 2011 to FPE 2012, gross profit of our recycled drums and containers decreased from RM0.52 million in FPE 2011 to RM0.17 million in FPE 2012 and gross profit margin also decreased from 29.46% in FPE 2011 to 20.39% in FPE 2012 due to the decrease in selling price to remain competitive and the increase in purchase price of used drums and containers due to continuous supply constraints.

Despite the decreasing trend of the gross profit margin for recycled drums and containers, this business segment still remains profitable to our Group as it provides an alternative source of revenue to our Group with a reasonable gross profit margin over the Period under Review. We will continuously monitor the profitability of this business segment to ensure that the economic benefits always outweigh its costs.

(v) The gross profit for our Scheduled Waste collection services increased from RM4.10 million in FYE 2008 to RM5.32 million in FYE 2009 and gross profit margin of our Scheduled Waste collection services also increased marginally from 86.14% in FYE 2008 to 87.04% in FYE 2009 in line with the increase in revenue. From FYE 2009 to FYE 2010, gross profit for our Scheduled Waste collection services increased from RM5.32 million in FYE 2009 to RM6.19 million in FYE 2010, with gross profit margin also increasing, from 87.04% in FYE 2009 to 88.54% in FYE 2010, largely due to the increase in our collection fees as overall industrial activities improves in FYE 2010 as compared to FYE 2009.

From FYE 2010 to FYE 2011, gross profit for our Scheduled Waste collection services increased marginally from RM6.19 million to RM6.23 million, while the gross profit margin of our Schedule Waste collection services decreased from 88.54% in FYE 2010 to 69.98% in FYE 2011 due mainly to the increase in our cost of sales by RM1.87 million or 233.71% from RM0.80 million in FYE 2010 to RM2.67 million in FYE 2011. The increase in cost of sales was mainly due to the increase in our transportation cost by RM1.44 million. During the second half of FYE 2011, we have managed to secure substantial orders from our customers for the collection of their Scheduled Waste. Due to the sudden increase in orders, we have decided to outsource part of the collection to our third party agents for transportation of Scheduled Waste back to our plant thus incurring additional costs. In addition, due to the sudden increase in volume, all other costs which include direct labour and other overhead costs also experienced an increase. The decrease in gross profit margin is also due to the decrease in our fees charged to our customers due mainly to the increased volume handled and also to remain competitive.

From FPE 2011 to FPE 2012, gross profit of our Scheduled Waste collection services decreased from RM2.67 million in FPE 2011 to RM2.24 million in FPE 2012, with gross profit margin remained fairly consistent at 69.43% in FPE 2012 as compared to 70.08% in FPE 2011. While the gross profit margin remained consistent, the decrease in gross profit is in line with the decrease in revenue.

Therefore, from FYE 2008 to FYE 2009, the improvement in our overall gross profit margin was primarily driven by the abovementioned increase in revenue from our Scheduled Waste collection services, which enjoyed a relatively higher gross profit margin (87.04% margin in FYE 2009). From FYE 2009 to FYE 2010, the improvement in our overall gross profit margin was primarily driven by the increase in gross profit margins of our recycled fuel oil and recycled paint and solvent products as well as the continued increase in the gross profit margins of our Scheduled Waste collection services. From FYE 2010 to FYE 2011, the decline in our overall gross profit margin was mainly driven by changes in market competitive conditions which affected our margins. Between FPE 2011 and FPE 2012, the main decrease in overall gross profit margin was mainly due to the decrease in revenue contribution from our Schedule Waste collection services due to lower volume handled during the period.

(iv) Other operating income

Other operating income represented approximately 0.23%, 0.67%, 0.08% and 0.80% of our revenue for the past 4 financial years up to FYE 2011 and approximately 0.12% and 0.35% of our revenue for the FPE 2011 and FPE 2012 respectively. Our other operating income comprises mainly gains from disposal of property, plant and equipment and interest income from fixed deposit placed with financial institutions.

The high other operating income for FYE 2009 was primarily due to the gains on disposal of property, plant and equipment of approximately RM0.15 million. For FYE 2011, we reported the highest other operating income as compared throughout the Period Under Review. The substantial increase in other operating income for FYE 2011 was primarily due to the gain on disposal of property, plant and equipment of RM0.27 million.

(v) Administration and operating expenses

Administration and operating expenses represented approximately 21.98%, 27.89%, 25.92% and 19.96% of our revenue for the past 4 financial years up to FYE 2011 and approximately 19.64% and 19.46% of our revenue for the FPE 2011 and FPE 2012 respectively.

Our administration and operating expenses comprised mainly salary and other staff-related expenses relating to our directors, management, administrative and support personnel, depreciation charges for property, plant and equipment, commissions and agent fees, transportation related expenses, insurance expenses and other administration and operating expenses.

Salary and other staff-related expenses of our directors, management, administrative and support personnel accounted for approximately 33.27%, 37.84%, 39.67% and 47.17% of our administration and operating expenses for the past 4 financial years up to FYE 2011 and approximately 49.48% and 52.80% of our administration and operating expenses for the FPE 2011 and FPE 2012 respectively. Depreciation charges for property, plant and equipment accounted for approximately 3.48%, 5.03%, 4.06% and 7.90% of our administration and operating expenses for the past 4 financial years up to FYE 2011 and approximately 8.25% and 7.80% of our administration and operating expenses for the FPE 2011 and FPE 2012 respectively. Commissions and agent fees accounted for approximately 11.90%, 11.59%, 11.27% and 7.42% of our administration and operating expenses for the past 4 financial years up to FYE 2011 and approximately 5.30% and 5.16% of our administration and operating expenses for the FPE 2011 and FPE 2012 respectively.

Transportation related expenses accounted for approximately 31.66%, 24.49%, 19.18% and 12.26% of our administration and operating expenses for the past 4 financial years up to FYE 2011 and approximately 10.25% and 7.01% of our administration and operating expenses for the FPE 2011 and FPE 2012 respectively. Insurance expenses accounted for approximately 1.76%, 1.20%, 2.91% and 3.25% of our administration and operating expenses for the past 4 financial years up to FYE 2011 and approximately 4.83% and 8.19% of our administration and operating expenses for the FPE 2011 and FPE 2012 respectively. The remaining administration and operating expenses are mainly made up by rental of premises, utility expenses, upkeep of office premises, motor vehicles and plant and machinery related expenses as well as other miscellaneous office expenses.

(vi) Finance costs

Our finance costs represented 0.75%, 1.19%, 1.22% and 1.38% of our revenue for the past 4 financial years up to FYE 2011 and approximately 0.70% and 1.47% of our revenue for the FPE 2011 and FPE 2012 respectively. These costs were mainly attributable to interest expenses arising from bank borrowings which consist of hire purchase for plant and machineries and motor vehicles, term loans and overdraft facilities to finance our Group's operations.

11.2.2 Review of historical financial performance

FYE 2008 as compared to FYE 2007

Revenue

Our revenue increased by RM13.52 million or 37.85% from RM35.72 million in FYE 2007 to RM49.24 million in FYE 2008. With global oil prices reached its peak in FYE 2008, representing an average increase of 37.78% as compared to FYE 2007, overall operating cost of all industrial activities increased and thereby triggering businesses to source for alternative supplies that are cheaper. In this respect, revenue for all of our recycled products registered an increase in the FYE 2008.

The increase in overall revenue was mainly due to the increase in revenue from our recycled oil products by RM8.80 million or 34.43%. Revenue from our recycled fuel oil registered the most increase amounting to RM8.34 million or 40.94% from RM20.36 million in FYE 2007 to RM28.69 million in FYE 2008 as a result of increase in selling price and also volume sold.

Our revenue from recycled drums and containers increased by RM2.01 million or 84.37% from RM2.38 million in FYE 2007 to RM4.39 million in FYE 2008. The increase was mainly due to the increase in selling price and volume sold.

Revenue from our recycled paint and solvent products also experienced an increase of RM1.19 million or 26.03% from RM4.55 million in FYE 2007 to RM5.74 million in FYE 2008. The increase was mainly due to the increase in our selling prices to take advantage of the overall rising cost in FYE 2008.

Revenue from our Scheduled Waste collection services registered an increase of RM1.53 million or 47.37% from RM3.23 million in FYE 2007 to RM4.75 million in FYE 2008 due mainly to the increase in fees charged.

Cost of sales

Our Group's cost of sales totaled RM24.56 million or 68.76% of our Group's revenue for FYE 2007. Cost of sales increased by 44.52% to RM35.49 million in FYE 2008 compared to FYE 2007, or approximately RM10.93 million. This was mainly due to the higher cost of direct materials consumed, the major component of cost of sales, and is in line with the higher revenue recorded in FYE 2008 as compared to FYE 2007.

Gross profit and gross profit margin

Our overall gross profit increased by RM2.59 million or 23.20% from RM11.16 million in FYE 2007 to RM13.75 million FYE 2008. The increase was mainly due to the increase in gross profit of our Scheduled Waste collection services by RM1.25 million from RM2.85 million in FYE 2007 to RM4.10 million in FYE 2008 and the increase in recycled drums and containers by RM1.24 million from RM1.14 million in FYE 2007 to RM2.38 million in FYE 2008 which is in line with the increase in revenue for the same product categories.

Our overall gross profit margin has reduced from 31.24% in FYE 2007 to 27.92% in FYE 2008. The decrease in overall gross profit margin was mainly was mainly due to the following:

(i) the decrease in gross profit margin of our recycled oil products where our recycled fuel oil products decreased from 12.19% in FYE 2007 to 7.75% in FYE 2008 and our recycled lubricant products decreased from 66.68% in FYE 2007 to 63.94% in FYE 2008. The decrease in gross profit margin was mainly due to the increase in the cost of waste oil purchased and also overall production cost during the FYE 2008 in light of the rise in global oil prices is higher than the increase in our selling price;

(ii) the slight decrease in gross profit margin of our recycled paint and solvent products from 26.76% in FYE 2007 to 24.86% in FYE 2008 which is mainly due to the increase in the cost of waste solvents and other raw materials purchased which is higher than the increase in selling price; and

(iii) the slight decrease in gross profit margin of our Scheduled Waste collection services from 88.41% in FYE 2007 to 86.14% in FYE 2008. The decrease was mainly due to the increase in overall operation cost under this segment which is higher than the increase in selling price.

The overall decrease in gross profit margin was partly mitigated with the increase in gross profit margin of our recycled drums and containers from 47.90% in FYE 2007 to 54.26% in FYE 2008. The increase in gross profit margin was mainly due to the increase in selling price which is higher than the increase in purchase price of used drums and containers.

Other operating income

Our other operating income increased by RM0.11 million or 2,140.00% from RM5,000 in FYE 2007 to RM0.11 million in FYE 2008. The increase was mainly due to the insurance claim amounting to RM0.05 million, gain on disposal of plant and machinery of RM0.03 million and interest received of RM0.03 million in FYE 2008.

Administration and operating expenses

Our administration and operating expenses increased by RM3.62 million or 50.26% from RM7.20 million in FYE 2007 to RM10.82 million in FYE 2008 due mainly to the increase in transport related charges by RM2.23 million or approximately 34.40% which is in line with the increase in overall revenue as well as the increase in oil prices. Our staff related expenses also experience an increase of RM0.76 million or approximately 40.92% due to staff salary adjustments taking into consideration the overall rising cost of living as a result of the increase in oil prices.

Finance costs

Our finance costs increased by RM0.14 million or 37.20% from RM0.23 million in FYE 2007 to RM0.37 million in FYE 2008. The increase was mainly due to the additional term loan interest of RM0.07 million in FYE 2008.

PBT and PBT margin

As a result of the above, our Group's PBT for FYE 2008 decreased by approximately RM1.06 million or 28.43% from RM3.73 million in FYE 2007 to RM2.67 million in FYE 2008 with PBT margin decreased from 10.44% in FYE 2007 to 5.42% in FYE 2008.

Taxation

Our taxation decreased by RM0.34 million or 32.14% from RM1.06 million in FYE 2007 to RM0.72 million in FYE 2008. The decrease is in line with the decrease in PBT from RM3.73 million in FYE 2007 to RM2.67 million in FYE 2008. In addition, the decrease in taxation was also due to the reduction of corporate tax rate from 27% to 26%.

FYE 2009 as compared to FYE 2008

Revenue

Our revenue decreased by RM15.18 million or 30.82% from RM49.24 million in FYE 2008 to RM34.06 million in FYE 2009. The decrease in revenue was mainly due to the global financial crisis which started from the last quarter of 2008 and continued to the first half of 2009. The far-reaching of the deepening global financial crisis had exerted downward pressure on the world economy, which in turn led to a plunge in oil demand and prices and thereby substantially affecting the local demand and also our selling prices of our recycled oil products during the first half of the FYE 2009. As such, revenue from our recycled fuel oil decreased by RM16.07 million or 56.01% from RM28.69 million in FYE 2008 to RM12.62 million in FYE 2009 whilst revenue from our recycled lubricant products has decreased by RM0.23 million or 4.06% from RM5.67 million in FYE 2008 to RM5.44 million in FYE 2009.

Our revenue generated from recycled drums and containers also experienced a decrease of RM0.41 million or 9.39% from RM4.39 million in FYE 2008 to RM3.98 million in FYE 2009 which is mainly due to the decrease in selling price in light of the global financial crisis.

Our revenue generated from recycled paint and solvent products, however, recorded an increase of RM0.18 million or 3.09% from RM5.74 million in FYE 2008 to RM5.91 million in FYE 2009 due to mainly to the increase in volume sold.

Despite the plunge in global oil demand and prices, we have nonetheless taken the advantage to concentrate our sales effort on Schedule Waste collection services. Through this effort we have managed to increase our revenue from Schedule Waste collection services by RM1.36 million or 28.59% from RM4.75 million in FYE 2008 to RM6.11 million in FYE 2009.

Cost of sales

Our Group's cost of sales totalled RM35.49 million or 72.08% of our Group's revenue for FYE 2008. Cost of sales decreased by 38.01% to RM22 million in FYE 2009 compared to FYE 2008, or approximately RM13.49 million. This was mainly as a result of the lower cost of direct materials consumed, the major component of cost of sales, and is in line with the lower revenue recorded in FYE 2009 as compared to FYE 2008.

Gross profit and gross profit margin

Our overall gross profit decreased by RM1.69 million or 12.28% from RM13.75 million in FYE 2008 to RM12.06 million in FYE 2009 mainly due to the decrease in gross profit of our Recycled Oil Products. Gross profit of our recycled fuel oil decreased by RM1.51 million or 67.70% from RM2.22 million in FYE 2008 to RM0.72 million in FYE 2009 whilst gross profit of our recycled lubricant products decreased by RM0.52 million or 14.29% from RM3.62 million in FYE 2008 to RM3.11 million in FYE 2009 which is in line with the decrease in revenue for the respective product category.

The decrease was partly mitigated with the increase in gross profit from our Scheduled Waste collection services by RM1.22 million or 29.97% from RM4.10 million in FYE 2008 to RM5.32 million in FYE 2009 in line with the increase in revenue.

Our overall gross profit margin has improved from 27.92% in FYE 2008 to 35.41% in FYE 2009. The increase in overall gross profit margin was mainly due to the increase revenue contribution from our Scheduled Waste collection services which has a gross profit margin of 87.04% in FYE 2009.

Save for the slight increase in gross profit margin of our Scheduled Waste collection services from 86.14% in FYE 2008 to 87.04% in FYE 2009, all of our other product categories experienced a decrease in gross profit margin with recycled drums and containers decreasing the most from 54.26% to 40.47% as a result of a combination of decrease in selling price and also increase in purchase price of used drums and containers due mainly to market competitive conditions and supply constraints in light of the global financial crisis.

Gross profit margin of each of our recycled oil products also decreased with recycled fuel oil decreased from 7.75% to 5.69% whilst recycled lubricant products from 63.94% to 57.14%. Gross profit margin of our recycled paint and solvent products decreased from 24.86% to 22.08%. The decrease in gross profit margin for these products was mainly due to reduction in selling price in order to foster demand in light of the global financial crisis.

Other operating income

Our other operating income increased by RM0.12 million or 102.68% from RM0.11 million in FYE 2008 to RM0.23 million in FYE 2009. The increase was mainly due to the gain on disposal of plant and machinery amounting to RM0.15 million.

Administration and operating expenses

Our administration and operating expenses decreased by RM1.32 million or 12.22% from RM10.82 million in FYE 2008 to RM9.50 million in FYE 2009 due mainly to the decrease in transportation related expenses by RM1.01 million or 32.10% which is in line with the decrease in overall revenue as well as the decrease in oil prices.

Finance costs

Our finance costs increased by RM0.04 million or 9.43% from RM0.37 million in FYE 2008 to RM0.41 million in FYE 2009. The increase was mainly due to the additional term loan interest of RM0.09 million in FYE 2009.

PBT and PBT margin

As a result of the above, our Group's PBT for FYE 2009 decreased by approximately RM0.29 million or 10.72% from RM2.67 million in FYE 2008 to RM2.38 million in FYE 2009. However, our PBT margin increased from approximately 5.42% in FYE 2008 to 6.99% in FYE 2009.

Taxation

There is no major fluctuation in our taxation during the financial period under review.

FYE 2010 as compared to FYE 2009

Revenue

Our revenue increased by RM0.87 million or 2.55% from RM34.06 million in FYE 2009 to RM34.93 million in FYE 2010. The increase in revenue was mainly due to the increase in revenue generated from Scheduled Waste collection services by RM0.88 million or 14.35% from RM6.11 million in FYE 2009 to RM6.99 million in FYE 2010. Revenue from Schedule Waste collection services improved as we managed to collect more Scheduled Waste as overall industrial activities improves in FYE 2010 as compared to FYE 2009.

During the financial year, our revenue from recycled drums and containers also increased by RM0.25 million or 6.19% from RM3.98 million in FYE 2009 to RM4.22 million in FYE 2010 due mainly to the increase in volume sold. Our revenue generated from recycled paint and solvent products recorded an increase of RM0.06 million or 1.00% from RM5.91 million in FYE 2009 to RM5.97 million in FYE 2010 due to the slight increase in selling price of our recycled paint products taking advantage of the enhanced blending formulation.

Revenue from our recycled fuel oil has been fairly the same whilst revenue from our recycled lubricant products dropped slightly by RM0.27 million or 4.95% from RM5.44 million in FYE 2009 to RM5.17 million in FYE 2010, mainly due to the slight decrease in selling price of our recycled lubricant oil as part of our marketing strategy to enhance demand by taking advantage of the market recovery from the global financial crisis. In addition, the decrease in selling price is also due to our intention to focus more on the sales of our recycled lubricant oil which generates the highest gross profit margin among all other products of our Group.

Cost of sales

Our Group's cost of sales totalled RM22.00 million or 64.59% of our Group's revenue for FYE 2009. Cost of sales decreased by 16.80% to RM18.30 million in FYE 2010 compared to FYE 2009, or approximately RM3.70 million. This was mainly as a result of the lower cost of direct materials consumed, the major component of cost of sales.

Gross profit and gross profit margin

Our gross profit increased by RM4.57 million or 37.87% from RM12.06 million in FYE 2009 to RM16.63 million in FYE 2010 with overall gross profit margin increased from 35.41% to 47.60%. The increase in overall gross profit and gross profit margin was mainly attributable to the following:

(i) Gross profit of our recycled fuel oil increased by RM2.18 million or 303.76% from RM0.72 million in FYE 2009 to RM2.90 million in FYE 2010 with an increase in gross profit margin from 5.69% in FYE 2009 to 23.05% in FYE 2010. The increase in gross profit margin was a result of the increase in selling price of our recycled fuel oil as the market recovers from the global financial crisis and at the same time taking advantage of the relative stable price of waste oil purchased;

(ii) Gross profit of our recycled paint and solvent products increased by RM1.59 million or 121.52% from RM1.31 million in FYE 2009 to RM2.89 million in FYE 2010 with the gross profit margin increasing from 22.08% in FYE 2009 to 48.43% in FYE 2010. The increase in gross profit margin was mainly attributable to better production efficiencies resulting from the introduction of a new blending formula for our recycled paint products as well as an increase in selling price of our products while sales volume for both years remained fairly consistent; and

(iii) Gross profit from our Schedule Waste collection services also increased by RM0.87 million or 16.31% from RM5.32 million in FYE 2009 to RM6.19 million in FYE 2010 which is in line with the increase in revenue while gross profit margin maintained relatively stable at 88.54% in FYE 2010 as compared to 87.04% in FYE 2009.

Gross profit from our recycled lubricant products also registered a marginal increase of RM0.07 million or 2.32% from RM3.11 million in FYE 2009 to RM3.18 million in FYE 2010, with gross profit margin increasing from 57.14% in FYE2009 to 61.51% in FYE 2010. The slight increase in gross profit margin is mainly due to the adoption of new technology during the fourth quarter of FYE 2010, namely wiped film evaporators in our lubricant production line that enhance production and cost efficiency.

The overall increase in gross profit was partly dampened with the decrease in gross profit from our recycled drums and containers by RM0.14 million or 8.76% from RM1.61 million in FYE 2009 to RM1.47 million in FYE 2010 with gross profit margin decreasing from 40.47% in FYE 2009 to 34.77% in FYE 2010. The decrease in gross profit margin was a result of higher purchase price of used drums and containers due mainly to the continuous supply constraints.

Other operating income

Our other operating income decreased by RM0.20 million or 88.11% from RM0.23 million in FYE 2009 to RM0.03 million in FYE 2010. The decrease was mainly due to the decrease in gain on disposal of property, plant and equipment by RM0.15 million as there were no disposals made in FYE 2010.

Administration and operating expenses

Our administration and operating expenses decreased by RM0.45 million or 4.68% from RM9.50 million in FYE 2009 to RM9.05 million in FYE 2010 due mainly to the decrease in transportation related expenses by RM0.59 million or 25.36% as a result of cost cutting control measures undertaken by our Group with the focus on fuel consumption and also the setting of pre-determined routes and Scheduled Waste load undertaken by our trucks.

Finance costs

Our finance costs increased by RM0.02 million or 4.93% from RM0.41 million in FYE 2009 to RM0.43 million in FYE 2010. The increase was mainly due to additional hire purchase interest incurred.

PBT and PBT margin

As a result of the above, our Group's PBT for FYE 2010 increased by 201.18% or approximately RM4.79 million from RM2.38 million to RM7.17 million. Our PBT margin also increased from approximately 6.99% in FYE 2009 to 20.54% in FYE 2010.

Taxation

Our taxation increased by RM1.30 million or 186.60% from RM0.69 million in FYE 2009 to RM1.99 million in FYE 2010. The increase is in line with the increase in PBT from RM2.38 million in FYE 2009 to RM7.17 million in FYE 2010.

FYE 2011 as compared to FYE 2010

Revenue

Our revenue increased by RM5.91 million or 16.92% from RM34.93 million in FYE 2010 to RM40.84 million in FYE 2011. The increase in revenue was mainly due to the increase in revenue generated from recycled fuel oil by RM5.58 million or 44.32% from RM12.58 million in FYE 2010 to RM18.15 million in FYE 2011 as we are able to increase our average selling price by 22.57% coupled with the increase in demand from our customers in light of the rise in global oil prices for the same period.

Our revenue generated from Schedule Waste collection services also increased by RM1.91 million or 27.38% from RM6.99 million in FYE 2010 to RM8.90 million in FYE 2011. The increase was mainly due the increase in volume of Scheduled Waste collected.

The increase in revenue was partly mitigated by the minimal decrease in revenue for our recycled lubricant products of RM0.09 million from RM5.17 million in FYE 2010 to RM5.08 million in FYE 2011 as well as the decrease in revenue from our recycled drums and containers by RM1.14 million or 26.98% from RM4.22 million in FYE 2010 to RM3.08 million in FYE 2011 as a result of the decrease in volume sold and decrease in selling prices. Revenue from our recycled paint and solvent products also experienced a slight decrease by RM0.35 million or 5.93% from RM5.97 million in FYE 2010 to RM5.62 million in FYE 2011. The slight decrease was mainly due to decrease in volume sold.

Cost of sales

Our Group's cost of sales totaled RM18.30 million or 52.40% of our Group's revenue for FYE 2010. Cost of sales increased by 31.52% to RM24.07 million in FYE 2011 compared to FYE 2010, or approximately RM5.77 million. This was mainly due to the higher cost of direct materials consumed, the major component of cost of sales, and is in line with the higher revenue recorded in FYE 2011 as compared to FYE 2010.

Gross profit and gross profit margin

Our overall gross profit remains steady in FYE 2011 whilst our overall gross profit margin decreased from 47.60% to 41.05%. The decrease in overall gross profit margin was mainly attributable to the following:

(i) Although the gross profit of our Schedule Waste collection services increased marginally from RM6.19 million to RM6.23 million, the gross profit margin of our Schedule Waste collection services decreased from 88.54% in FYE 2010 to 69.98% in FYE 2011 due mainly to the increase in our cost of sales by RM1.87 million or 233.71% from RM0.80 million in FYE 2010 to RM2.67 million in FYE 2011. The increase in cost of sales was mainly due to the increase in our transportation cost by RM1.23 million. During the second half of FYE 2011, we have managed to secure substantial orders from our customers for the collection of their Scheduled Waste. Due to the sudden increase in orders, we have decided to outsource part of the collection to our third party agents for transportation of Scheduled Waste back to our plant thus incurring additional costs. In addition, due to the sudden increase in volume, all other costs which include direct labour and other overhead costs also experienced an increase. The decrease in gross profit margin is also due to the decrease in our fees charged to our customers due mainly to the increased volume handled and also to remain competitive.

(ii) The gross profit of our recycled paint and solvent products decreased by RM0.93 million from RM2.89 million in FYE 2010 to RM1.96 million in FYE 2011 while the gross profit margin decreased from 48.43% in FYE 2010 to 34.95% in FYE 2011. The decrease was mainly due to the increase in cost of other raw materials used for blending and also increased in overhead costs as the quality of waste solvents collected and used to produce our end products were below our required specification.

(iii) The gross profit of our recycled drums and containers decreased by RM0.89 million from RM1.47 million in FYE 2010 to RM0.58 million in FYE 2011 while the gross profit margin decreased from 34.77% in FYE 2010 to 18.85% in FYE 2011. The decrease was mainly due to the decrease in selling price to remain competitive and the increase in purchase price of used drums and containers due to the continuous supply constraints.

The overall decrease in overall gross profit margin was mitigated with the increase in gross profit of our recycled lubricant products from RM3.18 million in FYE 2010 to RM3.61 million in FYE 2011 while the gross profit margin increased from 61.51% in FYE 2010 to 71.12% in FYE 2011. The increase was mainly due to the increase in selling price taking into consideration the price adjustments made to virgin oil products and also the adoption of new technology, namely wiped film evaporators in our lubricant production line that enhance production and cost efficiency.

The gross profit of our recycled fuel oil products also increased from RM2.90 million in FYE 2010 to RM4.38 million in FYE 2011 due mainly to the increase in revenue for the same product category whilst profit margin increased marginally from 23.05% to 24.11% as a result of the increase in our selling price and also our purchase price of waste oil.

Other operating income

Our other operating income increased by RM0.27 million or 1,014.81% from RM0.03 million in FYE 2010 to RM0.30 million in FYE 2011 due mainly to the gain on disposal of property, plant and equipment of RM0.27 million.

Administration and operating expenses

Our administration and operating expenses decreased by RM0.93 million or 10.25% from RM9.05 million in FYE 2010 to RM8.13 million in FYE 2011. The decreased was mainly due to the decrease in transportation related expenses by RM0.74 million or approximately 42.44% due mainly to the outsourcing of collection of Scheduled Waste to third party agents where the cost were captured under cost of sales. Our commission and agent fees also decrease by RM0.42 million or approximately 41.73% which is mainly due to Company's cost cutting measures where sales are focused on internal sales team effort rather than reliance on third party agents.

Finance costs

Our finance cost increased by RM0.14 million or 31.92% from RM0.43 million in FYE 2010 to RM0.56 million in FYE 2011. The increased was mainly due to additional hire purchase interest of RM0.08 million and term loan interest of RM0.06 million.

PBT and PBT margin

As a result of the above, our Group's PBT for FYE 2011 increased by RM1.21 million or 16.80% from RM7.17 million in FYE 2010 to RM8.38 million in FYE 2011 whilst our PBT margin maintain relatively the same at 20.52% in FYE 2011 as compared to 20.54% in FYE 2010.

Taxation

Our taxation increased by RM0.33 million or 16.79% from RM1.99 million in FYE 2010 to RM2.32 million in FYE 2011. The increase is in line with the increase in PBT from RM7.17 million in FYE 2010 to RM8.38 million in FYE 2011.

FPE 2012 as compared to FPE 2011

Revenue

During the period under review, the uncertainties in the global and domestic economy coupled with new challenges arising from the turmoil in the Euro-Zone economies affected overall sentiments and resulted in a general overall weaker demand for our Group's products. Our revenue decreased by RM1.60 million or 8.04% from RM19.88 million in FPE 2011 to RM18.29 million in FPE 2012. The decrease in revenue was mainly due to the decrease in revenue generated from our recycled drums and containers by RM0.94 million or 53.62% from RM1.76 million in FPE 2011 to RM0.81 million in FPE 2012 as a result of the decrease in volume sold and decrease in selling price. Revenue from our recycled paint and solvent products also decreased by RM0.53 million or 17.43% from RM3.01 million in FPE 2011 to RM2.49 million in FPE 2012 due mainly to the decrease in volume sold. Revenue from our Scheduled Waste collection also decreased by RM0.59 million or 15.58% from RM3.81 million in FPE 2011 to RM3.22 million in FPE 2012. The decrease was mainly due to a decrease in volume handled.

The decrease in revenue was partly mitigated by the increase in our recycled oil products by RM0.46 million or 4.08% from RM11.30 million in FPE 2011 to RM11.77 million in FPE 2012 due mainly to the increase in our recycled fuel oil products by RM0.54 million or 6.24% from RM8.68 million in FPE 2011 to RM9.22 million in FPE 2012. The increase was mainly due to increase in selling prices due to the continued rise in global oil prices.

Cost of sales

Our Group's cost of sales totaled RM10.69 million or 58.49% of our Group's revenue for FPE 2012. Cost of sales decreased by 5.93% to RM10.69 million in FPE 2012 compared to FPE 2011, or approximately RM0.67 million. This was mainly due to the lower cost of direct materials consumed, the major component of cost of sales, and is in line with the lower revenue recorded in FPE 2012 as compared to FPE 2011.

Gross profit and gross profit margin

Our overall gross profit reduced by RM0.93 million or 10.86% from RM8.52 million in FPE 2011 to RM7.59 million in FPE 2012 whilst our overall gross profit margin decreased slightly from 42.83% to 41.52%. The decrease in overall gross profit and gross profit margin was mainly attributable to the following:

(i) The gross profit of our recycled drums and containers decreased by RM0.35 million from RM0.52 million in FPE 2011 to RM0.17 million in FPE 2012 while the gross profit margin decreased from 29.46% in FPE 2011 to 20.39% in FPE 2012. The decrease was mainly due to the decrease in selling price to remain competitive and the increase in purchase price of used drums and containers due to the continuous supply constraints.

(ii) The gross profit of our Schedule Waste collection services decreased by RM0.44 million from RM2.67 million to RM2.24 million while the gross profit margin of our Schedule Waste collection services remained fairly consistent at 69.43% in FPE 2012 as compared to 70.08% in FPE 2011. With gross profit margin maintaining consistent, the decrease in gross profit is in line with the decrease in revenue.

(iii) The gross profit of our recycled paint and solvent products decreased by RM0.16 million from RM0.97 million in FPE 2011 to RM0.81 million in FPE 2012 as a result of the decrease in revenue while the gross profit margin remained consistent at 32.53% in FPE 2012 as compared to 32.27% in FPE 2011.

The overall decrease in overall gross profit and gross profit margin was partly mitigated with the increase in gross profit of our recycled lubricant products from RM2.06 million in FPE 2011 to RM2.08 million in FPE 2012 while the gross profit margin increased from 78.32% in FPE 2011 to 81.48% in FPE 2012. The increase was mainly due to the increase in selling price and also the adoption of new technology, namely wiped film evaporators during the fourth quarter of 2010 in our lubricant production line which continued to enhance production and cost efficiency.

The gross profit of our recycled fuel oil products remained consistent at RM2.30 million in FPE 2011 and FPE 2012 whilst gross profit margin decreased marginally from 26.47% to 25.00% as a result of the increase in our purchase price of waste oil.

Other operating income

Our other operating income increased by RM0.04 million or 178.26% from RM0.02 million in FPE 2011 to RM0.06 million in FPE 2012. The increase was mainly due to increase in gain on disposal of property, plant and equipment.

Administration and operating expenses

Our administration and operating expenses decreased by RM0.35 million or approximately 8.89% from RM3.91 million in FPE 2011 to RM3.56 million in FPE 2012. The decrease was mainly due to decrease in upkeep of motor vehicles related expenses by RM0.18 million, decrease in loss on disposal of property, plant and equipment by RM0.12 million and the decrease in transportation related expenses by RM0.11 million.

Finance costs

Our finance cost increased by RM0.13 million or approximately 91.43% from RM0.14 million in FPE 2011 to RM0.27 million in FPE 2012. The increase was mainly due to additional term loan interest incurred.

PBT and PBT margin

As a result of the above, our Group's PBT for FPE 2012 decreased by RM0.67 million or 14.82% from RM4.49 million in FPE 2011 to RM3.83 million in FPE 2012 whilst our PBT margin decreased slightly to 20.94% in FPE 2012 as compared to 22.60% in FPE 2011.

Taxation

Our taxation decreased by RM0.07 million or 5.81% from RM1.15 million in FPE 2011 to RM1.08 million in FPE 2012. The decrease is in line with the decrease in PBT from RM4.49 million in FPE 2011 to RM3.83 million in FPE 2012.

11.2.3 Significant factors affecting our financial position and results of operations

Our Group's financial position and results of operations have been, and will continue to be affected by, among others, the main factors which may not be within our control, as set out below:

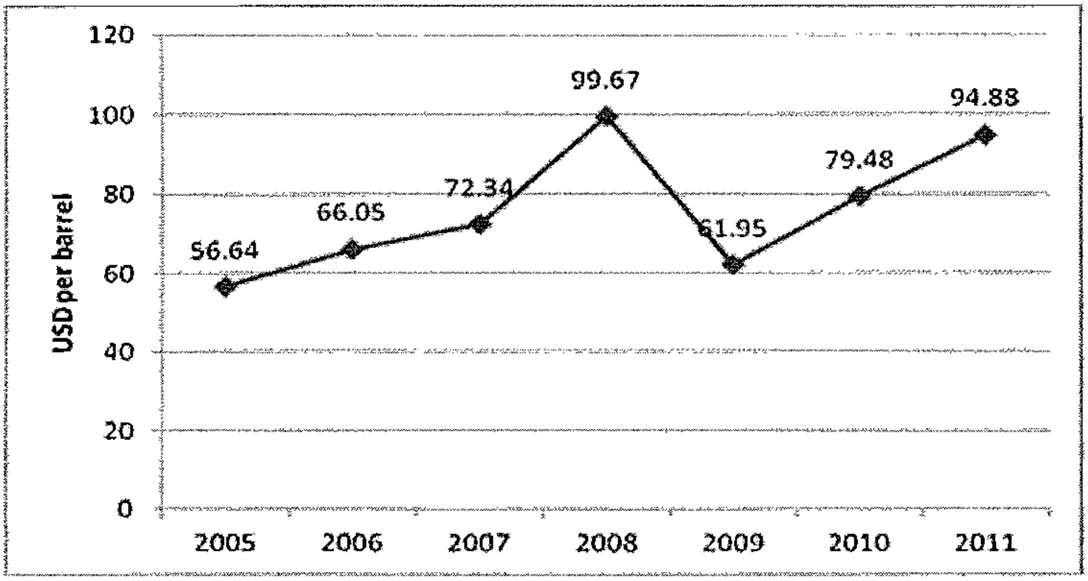
(a) Demand and supply conditions for our products and/or services as set out in Section 7 of this Prospectus.

(b) Fluctuation in oil prices

As our recycled waste oil products is one of the alternatives to virgin oil products and are also generally cheaper, the demand for recycled oil products can be considered positively correlated to oil prices. Hence, increases in virgin oil prices will likely boost demand for recycled oil products.

In relation thereto, increases in the cost of direct materials, in particular waste oil, will to a certain extent impact on the profitability of our Group. As such, we endeavor to source raw materials at the lowest cost possible, and establish long-term relationships with reliable suppliers than can provide a consistent supply of quality raw materials.

Nevertheless, raw materials such as waste oil are subject to fluctuations in prices, driven by market volatility, market supply and demand conditions and governmental regulations. For an illustration on the fluctuations in oil prices, we set out below the prices of oil from 2005 to 2011.



(Source: IMR report)

Given that waste oil is a major component of our direct materials, fluctuations in the prices of oil will to a certain extent affect our gross profit margin due to the positive correlation of the demand for recycled oil products and oil prices.

In general, the cost of direct materials can be passed through our customers as the costs of these direct materials are imputed in the selling price of our products to avoid reductions in our profit margins. Nonetheless, in the event that the prices of waste oil increase significantly, we may absorb part of the price increase to remain competitive with other recycled oil producer.

(c) Sustainability of the Scheduled Waste collection services business segment

The oil recycling industry is regulated by the DOE, which is under the purview of the Ministry of Natural Resources and Environment. As waste oil is classified as Scheduled Waste by the DOE, regulations are imposed on all industries/factories for the appropriate disposal of the Scheduled Waste generated by them. Based on Regulation 12 of the Environmental Quality (Scheduled Wastes) Regulations 2005, Waste Generators and waste contractors are required to provide DOE with the information on the Scheduled Waste that they are generating and collecting respectively. As such, the Waste Generators are required to either treat or dispose their Scheduled Waste in accordance with the regulations, or alternatively to engage a licensed third party (Scheduled Waste contractor) for the appropriate disposal of their Scheduled Waste, the latter being the much preferred option due to cost considerations. Hence, this increases the demand for Scheduled Waste collection services business which bodes well for companies such as Hiap Huat. In relation thereto, unless the government restricts the Scheduled Waste contractors from charging Waste Generators a fee for the collection of Scheduled Waste, which is unlikely, we foresee that this business segment is sustainable in the future.

Despite the current nature of the oil recycling industry wherein Waste Generators engage Scheduled Waste contractors for the disposal of their waste oil, it could be argued that the Waste Generators could, in the future, potentially realise/capitalise on the economic value of their waste oil and thereby sell the waste oil generated instead of engaging Scheduled Waste contractors and paying a fee for the disposal of their waste oil. However, it has to be noted that such sale of waste oil is dependent on the quality of the waste oil as well as the demand for low quality waste oil. Accordingly, the Waste Generators have been unable to realise/capitalise on the economic value of low quality waste oil due to the following:

(i) Scheduled Waste handling, treatment and recycling requires the relevant know-how and a high level of capital expenditure investment in technology, and is not a core business of these Waste Generators;

(ii) the economic value that can be generated from a low quality waste oil by a particular Waste Generator is insignificant to the core business of that particular Waste Generator;

(iii) most Waste Generators do not produce sufficient quantities of waste oil/solvents to carry out their own oil/solvent recycling. In addition, waste recycling is a highly regulated industry that requires numerous licences from DOE; and

(iv) the lack of pricing power of an individual Waste Generator for its low quality Scheduled Waste as individual Waste Generators represent an insignificant amount compared to the total waste generated in Malaysia.

Thus Waste Generators of low quality Scheduled Waste in complying with the environmental regulations would have to seek the services of Scheduled Waste contractors for the appropriate disposal methods of such Scheduled Waste generated by them.

The sole Scheduled Waste management facility based in Peninsular Malaysia is being managed by Kualiti Alam, a government controlled company. Kualiti Alam competes with all other licensed Scheduled Waste contractors involved in the business of providing Scheduled Waste management services, in particular the 40 licensed Scheduled Waste contractors involved in activities related to oil recycling. Hence, so long as these licensed Scheduled Waste contractors are able to provide such Scheduled Waste management services at a more competitive fee compared to Kualiti Alam, Waste Generators will opt for the Scheduled Waste contractor's services over Kualiti Alam due to cost considerations. In relation thereto, we further opine that this business segment within the oil recycling industry is sustainable as it is very unlikely for Scheduled Waste contractors to provide Scheduled Waste collection services for very low quality waste oil without a fee charge.

(d) Impact of foreign exchange

Our domestic sales and export sales are denominated in RM and USD respectively. For our export sales denominated in USD, our price quotes to our overseas customers are arrived at based on our RM denominated cost, our mark-up such cost to achieve expected margins and the prevailing RM/USD foreign exchange rate at the point of transaction.

During the Period under Review, all of our purchases and substantially our expenses were denominated in RM.

The impact of foreign exchange fluctuations on our financial performance over the past 4 financial years up to FYE 2011 and the FPE 2012 were as follows:

	FYE 2008	**FYE 2009**	**FYE 2010**	**FYE 2011**	**FPE 2012**
Foreign exchange loss, net (RM'000)	-	-	2	1	2
As a percentage of PBT	-	-	0.028%	0.012%	0.058%

(e) Impact of inflation

There was no material impact of inflation on our Group's historical financial results for the Period under Review, as we are able to pass on any increase in cost to our customers where raw material prices are on a prolong uptrend and also pass on any cost savings arising from the lower raw material cost to our customers where raw material prices are on a prolong downtrend, in order to maintain our gross profit margin and to stay competitive.

(f) Tax considerations

Fluctuation in effective tax rates will have an impact on our profits. The statutory tax rate and the effective tax rate of the Group for the Period under Review are as follows:

	FYE 2008	**FYE 2009**	**FYE 2010**	**FYE 2011**	**FPE 2012**
Statutory tax rate	26.00%	25.00%	25.00%	25.00%	25.00%
Effective tax rate	26.91%	29.14%	27.73%	27.72%	28.40%

The effective tax rate for the past 4 financial years up to FYE 2011 were higher than the applicable tax rate as there were certain expenses being not deductible for income tax purposes such as professional and legal fees. The higher effective tax rate for the FPE 2012 as compared to FYE 2011 due to the lower reinvestment allowance granted during the FPE 2012.

(g) Government/economic/fiscal/monetary policies

Risks relating to government, economic, fiscal or monetary policies or factors, which may materially affect our operations, are set out in Section 5 of this Prospectus.

There are no government, economic, fiscal or monetary policies or factors that have materially impacted our historical profits for the Period under Review.

(h) Compliance with licencing, certification and regulatory requirements

There was no non-compliance of licencing, certification and regulatory requirements which may have materially affected our operations for the Period under Review.

The factors affecting our financial position and operations as set out above are not exhaustive. Please refer to Section 5 of this Prospectus for further factors that may have an impact on our Group's financial position and results of operations.

11.2.4 Exceptional and extraordinary items

There were no exceptional and extraordinary items for the Period under Review.

11.3 LIQUIDITY AND CAPITAL RESOURCES

11.3.1 Working capital

Our business growth has been financed through a combination of shareholders' equity, cash generated from our operations and external borrowings mainly from financial institutions. Cash generated from operations is mainly from collections from customers. Our principal uses of cash have been for trade payments to suppliers, operating, administrative and financial expenses.

As at 30 June 2012 after incorporating the effects of the Listing Scheme, our Group's proforma cash and cash equivalents is RM9.46 million and our total short-term borrowings is RM2.74 million. Our debt to equity ratio as at 30 June 2012 is 0.52 times after incorporating the effects of the Listing Scheme.

After making due enquiry, our Directors are of the opinion that, based on our past financial performance and future prospects, after taking into account the banking facilities available and the proceeds to be raised from the Public Issue, we will have adequate working capital for our present and foreseeable requirements for a period of 12 months from the date of this Prospectus to meet our needs and foreseeable requirements.

11.3.2 Cash flow

A summary of our proforma consolidated cash flows for the FPE 2012 based on the proforma consolidated cash flow statement as disclosed in Section 11.9 of this Prospectus is set out below:

	Proforma FPE 2012 RM'000
Net cash flow generated from operating activities	1,910
Net cash flow used in investing activities	(6,511)
Net cash flow generated from financing activities	11,282
Net increase in cash and cash equivalents	6,681
Cash and cash equivalents at beginning of the financial period	2,262
Cash and cash equivalents at end of the financial period	8,943
Cash and cash equivalents comprise:	
- Cash and bank balances	9,465
- Bank overdraft	(522)
- Fixed deposits with licensed banks	431
	9,374
Less: Fixed deposit pledged with licensed banks	(431)
	8,943

There are no legal, financial or economic restrictions on the ability for our subsidiaries to transfer funds to us in the form of cash dividends, loans and advances to meet our cash obligations.

Net cash generated from operating activities

During the FPE 2012, our Group generated net cash from operating activities of approximately RM1.91 million which was attributed to the operating profit before working capital changes of approximately RM5.04 million (after adjusting for non-cash items and net interest income of approximately RM1.22 million) and the net cash outflow for working capital of approximately RM2.69 million as well as the net payment for income tax and interest of approximately RM0.20 million and RM0.24 million, respectively.

Net cash used in investing activities

During the FPE 2012, the net cash used in investment activities was mainly due to the purchases of property, plant and equipment amounting to approximately RM6.55 million.

For proforma purposes, our Group's actual cash flow used in investing activities has been adjusted to take into account the additional purchase of property, plant and equipment which arises from the utilisation of proceeds, the details of which are set out in Section 4.7 of this Prospectus.

Net cash used in financing activities

In financing our operations and for the purchases of assets, our Group has mainly used internally generated funds. During the FPE 2012, our Group had also repaid bank borrowings and hire purchase totalling RM3.41 million.

For proforma purposes, our Group's actual cash flow used in financing activities has been adjusted to take into account the following:

(a) gross proceeds arising from the Public Issue of RM17.00 million of which RM2.30 million is set aside for the payment of listing expenses; and

(b) additional repayment of hire purchase and term loan of RM2.00 million.

Had our IPO been completed on 30 June 2012, our net cash generated from financing activities would have been RM11.28 million.

11.3.3 Borrowings

As at 30 June 2012, we had total interest bearing outstanding local borrowings amounting to approximately RM18.18 million comprising the following:

	As at 30 June 2012 RM'000
Short term ***(due within 12 months)***	
Bank overdraft	522
Term loans	1,020
Hire purchase	1,195
Long term ***(due after 12 months)***	
Term loans	11,986
Hire purchase	3,454
Total interest-bearing borrowings	18,177
Gearing ratio [(1)]	0.64
Gearing ratio after the Public Issue and utilisation of proceeds[(2)]	0.37

Notes:

(1) Based on proforma shareholders' funds as at 30 June 2012 of RM28.60 million.
(2) Based on proforma shareholders' funds as at 30 June 2012 of RM43.30 million upon completion of the Public Issue and after the utilisation of proceeds as set out in Section 4.7 of this Prospectus.

Our Group has no borrowings in foreign currency.

There has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of our Group throughout the past 4 years up to the FYE 2011 and the subsequent financial period up to the LPD which our Directors are aware of after making due enquiry.

11.3.4 Breach of terms and conditions/ covenants associated with credit arrangement/ bank loans

To the best of our Directors' knowledge after making due enquiry, as at the LPD, we have not breached any terms and conditions or covenants associated with our credit arrangements or bank loans, which can materially affect our financial results or business operations, or the investments by holders of securities in our Company.

11.3.5 Type of financial instruments used

As at the LPD, save for the credit facilities disclosed in Section 11.3.3 of this Prospectus, we do not use any other financial instruments.

11.3.6 Treasury policies and objectives

We have been financing our operations through cash generated from our operations and external source of funds. Our external source of funds comprises of credit terms granted by suppliers as well as banking facilities from financial institutions. The normal credit terms granted by our trade suppliers is disclosed in Section 11.4.2 of this Prospectus.

We have short-term and long-term bank borrowings facilities available to our Group. Our short-term bank borrowings are mainly term loans which are used for trade financing and working capital. We also utilised hire purchases for acquisition of equipment and motor vehicles. The interest rates for term loans and hire purchases are based on the market rates prevailing at the dates of the respective transactions.

Our long-term bank borrowings are mainly term loans obtained to finance the purchase of equipment and working capital. The interest rates for our term loans are based on a combination of fixed rates and prevailing base lending rate plus a margin agreed upon by our bankers when the respective term loans were granted.

Our business is mainly transacted in RM with minimal transactions transacted in USD. Accordingly we do not have any hedging policies or any forward contracts to hedge against any foreign exchange exposure. We mainly maintain our cash and cash equivalents in RM with a negligible amount in USD.

11.3.7 Material commitments

Save as disclosed below, as at the LPD, our Directors, after making due enquiry, are not aware of any material commitments for capital expenditure, which upon becoming enforceable may have a material effect on the financial position of our Group.

	RM'000
Approved and contracted for:	
Construction for the Pulau Indah production plant	1,001
Purchase of machineries for the Pulau Indah production plant	12,209
	13,210

The anticipated costs of funds for the material commitment will be from our Group's internally generated funds and bank borrowings.