

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED (“FPE”) 30 SEPTEMBER 2012**

**A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRS 134):**

**A1. First-Time Adoption of Malaysian Financial Reporting Standards (MFRS)**

These condensed consolidated interim financial statements (Condensed Report) have been prepared in accordance with MFRS 134: Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”). This quarterly consolidated financial statement also complies with *IAS 34: Interim Financial Reporting* issued by the International Accounting Standards Board (IASB). For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (FRS).

These interim financial statements are the Group’s first MFRS compliant interim financial statements and hence MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards (MFRS 1) has been applied. The date of transition to the MFRS framework is 1 January 2012. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing this interim financial statements, are consistent with those of the audited financial statements for the year ended 31 December 2011. This is the first interim financial report on the consolidated results for the third quarter ended 30 September 2012 announced by Hiap Huat Holdings Berhad (“Hiap Huat” or the “Company”) in compliance with the Listing Requirements. As such, no comparative figures for the preceding year’s corresponding quarter are available.

The interim financial statements should be read in conjunction with the proforma consolidated financial information, the Accountants’ Report and the audited financial statements of the Company for the financial period ended 30 June 2012 as disclosed in the Prospectus of the Company dated 5 November 2012 and the accompanying explanatory notes attached to this interim financial report.

**A2. Summary of significant accounting policies**

These are the Group’s first set of financial statements prepared in accordance with MFRS, which is in line with International Financial Reporting Standards as issued by the International Accounting Standards Board. The adoptions of new and revised MFRS, Amendments/Improvements to MFRS, IC Interpretations and Amendments to IC Interpretations in this interim financial report are consistent with those adopted in the audited financial statements for the financial period ended 30 June 2012.

In the previous financial year, the financial statements of the Group were in compliance with FRS.

As at the date of these interim financial statements, the following MFRS, Amendments to MFRS and IC Interpretation were issued but not yet effective and have not been applied by the Group:

<b>MFRS, Amendments to MFRS and IC Interpretations</b>		<b><i>Effective for annual periods beginning on or after</i></b>
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009) and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013

<b>MFRS, Amendments to MFRS and IC Interpretations</b>		<i>Effective for annual periods beginning on or after</i>
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

**A3. Auditors' report**

The auditors' report on the preceding audited financial statements of the Company and its subsidiaries ("Hiap Huat Group" or the "Group") for the financial year ended 31 December 2011 was not subject to any qualification.

**A4. Seasonal or Cyclical Factors**

The principal businesses of the Group were not significantly affected by seasonal or cyclical factors during the current financial quarter ended 30 September 2012 and financial year to-date.

**A5. Items of unusual nature and amount**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group that were unusual because of their nature, size or incidence during the current financial quarter ended 30 September 2012 and financial year to-date.

**A6. Material Changes in Estimates**

There were no changes in the estimates of amounts reported in prior financial years that had a material effect on the current financial quarter 30 September 2012 and financial year to-date.

**A7. Issuance, cancellations, repurchase, resale and repayments of debts and equity securities**

There were no issuance, cancellation, repurchase, resale and repayments of debt and equity securities during the current financial quarter ended 30 September 2012 and financial year to-date.

**A8. Dividends Paid**

No dividends were declared or paid during the current financial quarter ended 30 September 2012.

**A9. Segmental Information**

No segment reporting is prepared as the principal activities of the Group are predominantly carried out in Malaysia and are engaged in a single business segment of manufacturing, recycling and refining all kinds of petroleum based products.

**A10. Valuation of property, plant and equipment**

There was no valuation of property, plant and equipment in the current financial quarter ended 30 September 2012.

**A11. Capital Commitments**

Capital commitments as at the reporting date is as follows:

	<b>Financial Quarter Ended 30.9.2012 RM'000</b>	<b>Financial Period Ended 30.9.2012 RM'000</b>
Approved and contracted for: Property, plant and equipment	<u>1,634</u>	<u>13,210</u>

**A12. Material subsequent event**

On 5 November 2012, the Company issued its prospectus for its Initial Public Offering (“IPO”) in conjunction with the Company’s listing on the ACE Market of Bursa Securities at an issue price of RM0.20 per Share comprising:

- (a) Public issue of 85,000,000 new ordinary shares of RM0.10 each in Hiap Huat (“Hiap Huat Share(s)” or “Share(s)”) (“Public Issue”) allocated in the following manner:
  - (i) 5,000,000 new Hiap Huat Shares made available for application by the Malaysian public; and
  - (ii) 80,000,000 new Hiap Huat Shares made available for application by way of private placement to selected investors.
- (b) Offer for sale of up to 50,000,000 Hiap Huat Shares made available for application by way of private placement to selected investors (“Offer for Sale”).

Upon completion of the Public Issue and Offer for Sale, the issued and paid-up share capital of the Company will increase from RM24,830,133 comprising 248,301,330 Hiap Huat Shares to RM33,330,133 comprising 333,301,330 Hiap Huat Shares.

Pursuant thereto, the Company’s entire enlarged issued and paid-up share capital is expected to be listed and quoted on the ACE Market of Bursa Securities on 26 November 2012.

**A13. Significant event during the period**

There was no significant event that had a material effect in the current financial quarter ended 30 September 2012.

**A14. Changes in the Composition of the Group**

There were no changes in the composition of the Group during the current financial quarter ended 30 September 2012.

**A15. Contingent Liabilities and Contingent Assets**

The Group did not have any material contingent liabilities to be disclosed as at the date of this report.

**A16. Related Party Transaction**

Save as disclosed below, there was no other related party transactions for the current financial quarter ended 30 September 2012.

	<b>Financial Quarter Ended 30.9.2012 RM'000</b>	<b>Financial Period Ended 30.9.2012 RM'000</b>
Shareholder:		
- Allowance	<u>17</u>	<u>50</u>

**B. ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS**

**B1. Review of Performance**

For the current financial quarter ended 30 September 2012, the Group recorded revenue of approximately RM9.87 million and profit before tax of approximately RM2.62 million. As this is the first interim financial report being announced by the Company, no comparative figures for the preceding financial quarter ended 30 September 2011 and financial year-to-date are available.

**B2. Comparison with preceding quarter's results**

	<b>Financial Quarter Ended</b>		<b>Variance</b>
	<b>30.9.2012</b>	<b>30.6.2012</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	9,870	10,545	(675)
Profit before tax	2,623	2,066	557

The Group recorded a marginal decrease in revenue by RM0.68 million to RM9.87 million in the current financial quarter ended 30 September 2012 as compared to RM10.55 million in the preceding financial quarter ended 30 June 2012. The said marginal decrease in revenue was mainly due to the decrease of our selling prices of our recycled oil products in view of the weakening global oil price.

Despite the decrease in revenue, the profit before tax of the Group increased by RM0.56 million to RM2.62 million as compared to RM2.07 million in the preceding financial quarter ended 30 June 2012. This was mainly due to better production efficiencies coupled with effective cost management which led to slight improvement in margins.

**B3. Prospects**

As disclosed in the prospectus of the Company dated 5 November 2012, the Group intends to maximise shareholder value by consolidating its 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.

Premised on the above strategies and capitalizing on the core competencies of the Group, the Board of Directors envisages that the Group will be able to enjoy positive growth and favourable prospects in the long term.

Barring any unforeseen circumstances, the Board of Directors is optimistic about the Group's performance for the financial year ending 31 December 2012.

**B4. Profit guarantee or profit forecast**

No profit guarantee or profit forecast has been issued by the Group previously in any public document.

**B5. Taxation**

	<b>Financial Quarter Ended 30.9.2012 RM'000</b>	<b>Financial Period Ended 30.9.2012 RM'000</b>
Current tax expenses	650	1,570
Deferred tax expenses	(268)	(101)
	<b>382</b>	<b>1,469</b>

The Group effective tax rate of 22.77% for 30 September 2012 was lower than the statutory corporate tax rate of 25%. This was mainly due to overprovision of deferred taxation in prior years.

**B6. Sales of unquoted investment and/or properties**

The Group does not have any material sales of unquoted investment and/or properties as at the date of this report.

**B7. Purchase or disposal of quoted securities**

The Group did not purchase or dispose of any quoted securities during the financial period.

**B8. Status of corporate proposals and utilisation of proceeds**

Save as disclosed below, there are no other corporate proposals announced but not completed as at the date of this report.

**(a) Initial Public Offering ("IPO")**

The details of the IPO exercise is as disclosed in Note A12 of this interim financial report.

**(b) Utilisation of proceeds**

The Company will receive total gross proceeds of RM17 million from the Public Issue and the proceeds will be utilised in the following manner:

<b>Purpose</b>	<b>Proposed Utilisation RM'000</b>	<b>Timeframe for Utilisation</b>
Capital expenditure	4,500	Within one (1) year after listing
Working capital	8,200	Within two (2) years after listing
Repayment of bank borrowing	2,000	Within one (1) year after listing
Estimated listing expenses	2,300	Within one (1) month after listing
<b>Total</b>	<b>17,000</b>	

As at the date of this report, the IPO is pending completion and hence there were no utilisation of proceeds.

**B9. Group borrowings and debt securities**

The Group's borrowings as at 30 September 2012 are as follows:

	<b>Financial Period Ended 30.9.2012 RM'000</b>
<b>Short term borrowings:</b>	
Secured:	
Bank overdraft	306
Hire purchases	1,288
Term Loans	2,604
	<u>4,198</u>
<b>Long term borrowings:</b>	
Secured:	
Hire purchases	2,887
Term Loans	11,402
	<u>14,289</u>
<b>Total Borrowings</b>	<b><u>18,487</u></b>

The above borrowings are denominated in Ringgit Malaysia.

**B10. Off balance sheet financial instruments**

The Group does not have off balance sheet financial instruments as at the date of this report.

**B11. Material Litigation**

The Group does not have material litigation as at the date of this report.

**B12. Dividends**

No dividends has been declared or recommended in respect of the current financial quarter ended 30 September 2012.

**B13. Retained and unrealised profits/losses**

	<b>Financial Quarter Ended 30.9.2012 RM'000</b>	<b>Financial Year Ended 31.12.2011 RM'000</b>
Total retained profits of the Group		
- Realised	16,276	N/A
- Unrealised	(937)	N/A
	<hr/> 15,339	<hr/> N/A
Add: Consolidated adjustments	209	N/A
Total retained profits as per Statements of Financial Position	<hr/> <hr/> 15,548	<hr/> <hr/> N/A

Note:

N/A denotes not applicable.

**B14. Earnings Per Share**

The basic and diluted earnings per share is calculated based on the Group's comprehensive income attributable to equity holders of the Company divided by the weighted average number of ordinary shares as follows:

	<b>Financial Quarter Ended</b>		<b>Financial Period Ended</b>	
	<b>30.9.2012</b>	<b>30.9.2011</b>	<b>30.9.2012</b>	<b>30.9.2011</b>
Group's comprehensive income attributable to equity holders of the Company (RM'000)	2,241	N/A	4,982	N/A
Weighted average number of ordinary shares ('000)	248,301	N/A	248,301	N/A
Earnings per share (sen)				
- Basic ^	0.90	N/A	2.01	N/A
- Diluted	N/A	N/A	N/A	N/A

Notes:

N/A denotes not applicable.

^ Basic earnings per share for the quarter and financial period is calculated based on the net profit divided by the weighted average number of ordinary shares for the quarter and financial period respectively.

**B15. Profit for the period**

	Financial Quarter Ended		Financial Period Ended	
	30.9.2012 RM'000	30.9.2011 RM'000	30.9.2012 RM'000	30.9.2011 RM'000
Profit before taxation is arrived at after charging/(crediting)	2,623	N/A	6,451	N/A
- Depreciation of property, plant and equipment	500	N/A	1,511	N/A
- Interest expenses	72	N/A	340	N/A
- Property, plant and equipment written off	*	N/A	*	N/A
- Realised loss on foreign exchange	-	N/A	2	N/A
- Gain on disposal of property, plant and equipment	(48)	N/A	(86)	N/A
- Interest income	(5)	N/A	(29)	N/A
- Realised gain on foreign exchange	(16)	N/A	(16)	N/A
- Rental income on machinery	*	N/A	*	N/A
- Rental income on factory	(12)	N/A	(12)	N/A

Note:

\* The values are negligible.

**B16. Authority For Issue**

The interim financial statements were reviewed by the Audit Committee of the Company and duly authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 22 November 2012.

By order of the Board of Directors

CHAN SAY HWA  
Group Managing Director

22 November 2012