

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013**

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

**A1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Securities (“Listing Requirements”). No comparative figures for the preceding year’s corresponding quarter and period are available as Hiap Huat Holdings Berhad (“the Company”) was listed on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 26 November 2012.

The interim financial statements should be read in conjunction with the Audited Financial Statements of the Company for the FYE 31 December 2012 and the accompanying explanatory notes attached to the interim financial report.

**A2. Summary of significant accounting policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2012, except for the adoption of the following MFRSs, amendments to MFRSs and IC Interpretations:

**Adoption of New and Revised FRSS, IC Interpretations and Amendments**

Effective for financial periods beginning on or after 1 March 2012:

Amendments to MFRS 7 Financial Instruments: Disclosures [Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009 and October 2010 respectively)]

Effective for financial periods beginning on or after 1 July 2012:

Amendments to MFRS 101 Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)

Effective for financial periods beginning on or after 1 January 2013:

Amendments to MFRS 7 Financial Instruments: Disclosure – Offsetting of Financial Assets and Financial Liabilities

MFRS 10 Consolidated Financial Statements

MFRS 11 Joint Arrangements

MFRS 12 Disclosure of Interests in Other Entities

MFRS 13 Fair Value Measurement

MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)

MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)

MFRS 128 Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)

IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Amendments to MFRSs contained in the document entitled Annual Improvements 2009 - 2011 cycle

The adoption of the abovementioned new and revised MFRSs, IC Interpretations and Amendments has no significant effect to the Group’s consolidated financial statements of the current quarter or the comparative consolidated financial statements of the prior financial year.

**A2. Summary of significant accounting policies (cont'd)**

The Group has not adopted the following new and revised MFRSs, IC Interpretations and Amendments because they are not yet effective for the current period ended 31 March 2013 and the current financial year ending 31 December 2013:

Effective for financial periods beginning on or after 1 January 2014.

Amendment to MFRS 10, Investment Entities

MFRS 11 and MFRS 12

Amendments to MFRS 132 Financial Instruments Presentation: Offsetting of Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2015:

MFRS 9 Financial Instruments

The Group will adopt the above when they become effective in the respective financial periods. These MFRSs and Amendments to MFRSs are not expected to have any significant effect to the financial statements of the Group upon their initial application.

**A3. Auditors' report**

There was no qualification on the Audited Financial Statements of the Group for the FYE 31 December 2012.

**A4. Seasonal or Cyclical Factors**

The principal businesses of Hiap Huat group of companies ("the Group") were not significantly affected by seasonal or cyclical factors during the current financial quarter under review.

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the financial quarter under review.

**A6. Material Changes in Estimates**

There were no changes in the estimates of amount reported in prior financial period that had a material effect in the current financial quarter under review.

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

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities in the current financial quarter under review.

**A8. Dividends Paid**

No interim or final dividends were declared or paid in the current financial quarter under review.

**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 under review.

**A11. Capital Commitments**

Capital commitment as at the reporting date is as follows:

	<b>Current Quarter Ended 31.03.2013 RM'000</b>	<b>Preceding Financial Year Ended 31.12.2012 RM'000</b>
Approved and contracted for:		
- Acquisition of property, plant and equipment	<u>7,351</u>	<u>9,581</u>

**A12. Material subsequent event**

There are no material events subsequent to the end of the current financial quarter under review that have not been reflected in this interim financial statements.

**A13. Significant event during the period**

There were no significant events during the current financial quarter under review that have not been reflected in this interim financial statements.

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

There were no changes in the composition of the Group during the current financial quarter under review.

**A15. Contingent Liabilities and Contingent Assets**

There were no contingent liabilities and contingent assets, which upon becoming enforceable may have a material effect on the net assets, profits or financial position of the Group for the current financial period to date.

**A16. Related Party Transaction**

Save as disclosed below, there was no other related party transactions for the current financial quarter under review :

	<b>Current Quarter Ended 31.03.2012 RM'000</b>	<b>Preceding Financial Year Ended 31.12.2012 RM'000</b>
Shareholder:		
- Allowance	<u>17</u>	<u>67</u>

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

**B1. Review of Performance**

The Group recorded revenue of RM9.59 million and a profit before tax of RM0.94 million for the current quarter. There are no comparative figures available for the preceding year's corresponding quarter and period to date as the Company was listed on the ACE Market of Bursa Securities on 26 November 2012.

Revenue from recycled fuel oil and lubricant products remained as the largest contributor to the Group's revenue which constituted approximately 60% of the Group's total revenue.

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

	<b>Current Quarter Ended 31.03.2012 RM'000</b>	<b>Preceding Quarter Ended 31.12.2012 RM'000</b>	<b>Variance  RM'000</b>
Revenue	9,591	11,054	(1,463)
Profit/(Loss) before Tax	936	(1,461)	2,397

Revenue of the Group decrease by 13.23% to RM9.59 million for the current financial quarter as compared to the preceding financial quarter. The decrease in revenue was due to lower sales volume of recycled fuel oil and lubricant products affected by festive seasons for the quarter under review.

Profit before tax for the Group increase by RM2.40 million to RM0.94 million mainly due to listing expenses expensed off in preceding quarter amounting to RM2.53 million.

**B3. Prospects**

We believe that the Group will enjoy positive growth and favourable prospects for the current financial year ending 31 December 2013 in view of the prospective contributions from the Pulau Indah production plant to be commissioned in the third quarter of 2013. Barring any unforeseen circumstances, the Board of Directors is optimistic about the Group's performance for the financial year ending 31 December 2013.

**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>Current Quarter 31.03.2013 RM'000</b>	<b>Cumulative Year To Date 31.03.2013 RM'000</b>
Current tax expenses	<u>246</u>	<u>246</u>

The Group effective tax rate of 26.2% for 31 March 2013 was higher than the statutory corporate tax rate of 25.0%. This was mainly due to certain expenses not deductible for tax purposes and loss in certain subsidiaries which are not allowed to set off against taxable profit in the profit making subsidiaries.

**B6. Status of corporate proposals**

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

On 10 May 2013 the Company entered into seven (7) separate Sale and Purchase Agreements with Sunway Damansara Sdn Bhd and Perbadanan Kemajuan Negeri Selangor for the acquisition of seven (7) units of office suites within an on-going development project known as “Sunway Nexis Soho” erected on the land held under Master Title PN 94193, Lot 656570 (formerly known as H.S. (D) No. 145186, PT No. 371) [formerly forming part of land under Master Title H.S (D) 103054, PT No. 33491] in the Mukim Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor with the total net floor areas of 1,084 square metres for a total cash consideration of RM11,145,750.00 (“Proposed Acquisitions”).

The Proposed Acquisitions is expected to be completed by first quarter of 2015.

**B7. Status of utilisation of proceeds**

Subsequent to the listing of the Company on the ACE Market of Bursa Securities, the gross proceeds of RM17 million from the public issue by the Group have been utilized in the following manner as at 31 March 2013 :

Purposes	Intended timeframe for utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation	
				RM'000	%
(i) Capital expenditure	2 years	4,500	1,240	-	-
(ii) Working Capital	2 years	8,200	5,371	<sup>(1)</sup> (227)	2.77
(iii) Repayment of bank borrowing	1 year	2,000	805	-	-
(iv) Estimated listing expenses	1 month	2,300	2,527	<sup>(1)</sup> 227	9.87
Total gross proceeds		17,000	9,943		

Note:

(1) The additional listing expenses of approximately RM227,000 was due to an underestimation of miscellaneous expenses relating to the Company's listing on the ACE Market of Bursa Securities such as printing costs and campaigning expenses. This amount has been adjusted against the gross proceeds allocated for working capital.

**B8. Group borrowings and debt securities**

The Group's borrowings as at 31 March 2013 are as follows:

	<b>Current Quarter Ended 31.03.2013 RM'000</b>
<b>Short term borrowings</b>	
Secured:	
Hire purchases	1,464
Term loans	1,277
	<u>2,741</u>
<b>Long term borrowings</b>	
Secured:	
Hire purchases	3,542
Term loans	18,043
	<u>21,585</u>
<b>Total Borrowings</b>	<u><u>24,326</u></u>

The above borrowings are denominated in Ringgit Malaysia.

**B9. Off balance sheet financial instruments**

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

**B10. Material Litigation**

The Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and the Directors of Hiap Huat do not have any knowledge of proceedings pending or threatened against Hiap Huat and / or its subsidiaries, or of any fact likely to give rise to any proceeding, which might materially and adversely affect the financial position or business of the Group as at the date of this report.

**B11. Dividends**

No dividends has been declared or recommended in respect of the current financial quarter under review.

**B12. Retained and unrealised profits/losses**

	<b>Unaudited as at 31.03.2013 RM'000</b>	<b>Audited as at 31.12.2012 RM'000</b>
Total retained profits of the Group		
- Realised	15,380	14,458
- Unrealised	(1,118)	(1,118)
	<u>14,262</u>	<u>13,340</u>
Add: Consolidated adjustments	(37)	194
Total retained profits as per Statements of Financial Position	<u>14,225</u>	<u>13,534</u>

**B13. 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>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Quarter Ended 31.03.2013 RM'000</b>	<b>Preceding Period Corresponding Quarter Ended 31.03.2012 RM'000</b>	<b>Current Period To Date Ended 31.03.2013 RM'000</b>	<b>Preceding Period To Date Ended 31.03.2012 RM'000</b>
Group's comprehensive income attributable to equity holders of the Company (RM'000)	691	N/A	691	N/A
Weighted average number of ordinary shares ('000)	333,301	N/A	333,301	N/A
Earnings per share (sen)				
- Basic	0.21	N/A	0.21	N/A

*Note:*

*N/A – not applicable.*

*Diluted earnings per share is not disclosed herein as it is not applicable to the Group*

**B14. Profit for the period**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31.03.2013 RM'000	Preceding Period Corresponding Quarter Ended 31.03.2012 RM'000	Current Period To Date Ended 31.03.2013 RM'000	Preceding Period To Date Ended 31.03.2012 RM'000
Profit before taxation is arrived at after charging/(crediting):-				
- Depreciation of property, plant and equipment	532	N/A	532	N/A
- Interest expenses	134	N/A	134	N/A
- Gain on disposal of property, plant and equipment	(27)	N/A	(27)	N/A
- Interest income	(39)	N/A	(39)	N/A

*Note:*  
N/A - not applicable.

**B15. 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 27 May 2013.

By order of the Board of Directors

CHAN SAY HWA  
Group Managing Director

27 May 2013