

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED (“FPE”) 30 JUNE 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 (“Hiap Huat” or “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 1 Government Loans

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

MFRS 3 Business Combinations (IFRS 3 issued by IASB in March 2004)

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 have 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)

Hiap Huat group of companies (“the Group”) has not adopted the following new and revised MFRSs, IC Interpretations and Amendments because are not yet effective for the current period ended 30 June 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 12 and MFRS 127

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 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 current 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:

	Current Quarter Ended 30.06.2013 RM'000	Preceding Financial Year Ended 31.12.2012 RM'000
Approved and contracted for:		
- Acquisition of property, plant and equipment	<u>14,832</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 :

	Current Quarter Ended 30.06.2013 RM'000	Preceding Financial Year Ended 31.12.2012 RM'000
Shareholder:		
- Allowance	<u>34</u>	<u>67</u>

B. ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. Review of Performance

The Group recorded revenue of RM10.59 million and a profit before tax of RM1.03 million for the current financial quarter under review. 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

	Current Quarter 30.06.2013 RM'000	Preceding Quarter 31.03.2013 RM'000	Variance RM'000
Revenue	10,592	9,591	1,001
Profit before Tax	1,033	936	97

Revenue of the Group has increased by RM1.00 million or 10.44% compared to RM9.59 million for the preceding quarter. Profit before tax for the Group has also increased by RM0.10 million or 10.36% in the current quarter under review as compared to the preceding quarter.

This improved performance was mainly due to the increased sales volume in lubricant oil by RM0.32 million and the increased in collection of schedule waste by RM0.56 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

	Current Quarter 30.06.2013 RM'000	Cumulative Year To Date 30.06.2013 RM'000
Income tax expenses	<u>246</u>	<u>492</u>
Effective tax rate	<u>23.81%</u>	<u>24.98%</u>

The Group effective tax rate stood at 23.81% and 24.98%, for the current quarter and cumulative year to date ended 30 June 2013 respectively, marginally below the statutory tax rate of 25% mainly due to the availability of tax allowances for set off.

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 65670 (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.

The proposed acquisitions is expected to be completed by first quarter of 2015.

B7. Status of utilisation of proceeds

Subsequent to the listing on the ACE Market of Bursa Securities, the gross proceeds of RM17 million from the company’s public issue have been utilised in the following manner as at 30 June 2013 :

Purposes	Intended timeframe for utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation	
				RM'000	%
(i) Capital expenditure	2 years	4,500	3,060	-	-
(ii) Working Capital	2 years	8,200	7,973	⁽¹⁾ (227)	2.77
(iii) Repayment of bank borrowing	1 year	2,000	2,000	-	-
(iv) Estimated listing expenses	1 month	2,300	2,527	⁽¹⁾ 227	9.87
Total gross proceeds		17,000	15,560		

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 30 June 2013 are as follows:

	Current Quarter Ended 30.06.2013 RM'000
Short term borrowings	
Secured:	
Hire purchases	1,464
Term loans	1,166
	<u>2,630</u>
Long term borrowings	
Secured:	
Hire purchases	3,114
Term loans	16,807
	<u>19,921</u>
Total Borrowings	<u><u>22,551</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

	Unaudited as at 30.06.2013 RM'000	Audited as at 31.12.2012 RM'000
Total retained profits of the Group		
- Realised	15,920	14,458
- Unrealised	(1,118)	(1,118)
	<u>14,802</u>	<u>13,340</u>
Add: Consolidated adjustments	209	194
Total retained profits as per Statements of Financial Position	<u><u>15,011</u></u>	<u><u>13,534</u></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:

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30.06.2013 RM'000	Preceding Period Corresponding Quarter Ended 30.06.2012 RM'000	Current Period To Date Ended 30.06.2013 RM'000	Preceding Period To Date Ended 30.06.2012 RM'000
Group's comprehensive income attributable to equity holders of the Company (RM'000)	786	N/A	1,477	N/A
Weighted average number of ordinary shares ('000)	333,301	N/A	333,301	N/A
Earnings per share (sen)				
- Basic	0.24	N/A	0.44	N/A

Notes:

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 30.06.2013 RM'000	Preceding Period Corresponding Quarter Ended 30.06.2012 RM'000	Current Period To Date Ended 30.06.2013 RM'000	Preceding Period To Date Ended 30.06.2012 RM'000
Profit before taxation is arrived at after charging/(crediting):-				
- Depreciation of property, plant and equipment	551	N/A	1,083	N/A
- Interest expenses	163	N/A	297	N/A
- Gain on disposal of property, plant and equipment	-	N/A	(27)	N/A
- Interest income	(31)	N/A	(70)	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 22 August 2013.

By order of the Board of Directors

CHAN SAY HWA
Group Managing Director

22 August 2013