

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED (“FPE”) 30 SEPTEMBER 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 Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

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 FYE 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

Amendments to MFRS 10, MFRS 11 and MFRS 12 Consolidated Financial Statements, Joint Arrangement and Disclosure of Interests in Other Entities: Transition Guidance

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 financial quarter under review or the comparative consolidated financial statements of the prior financial quarter.

**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 financial period ended ("FPE") 30 September 2013 and the current financial year ending 31 December 2013:

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

Amendments to MFRS 10,	Investment Entities
MFRS 12 and MFRS 127	
Amendments to MFRS 132	Financial Instruments Presentation: Offsetting of Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

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

MFRS 9	Financial Instruments
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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 Hiap Huat and its subsidiaries ("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:

	<b>Current Quarter Ended 30.09.2013 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>13,668</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 were no other related party transactions for the current financial quarter under review :

	<b>Current Quarter Ended 30.09.2013 RM'000</b>	<b>Preceding Financial Year Ended 31.12.2012 RM'000</b>
Shareholder:		
- Allowance	<u>50</u>	<u>67</u>

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

**B1. Review of Performance**

**Performance for the FPE 30 September 2013 versus the corresponding quarter in the FPE 30 September 2012**

	<b>Current Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	9,948	9,870	30,131	28,155
Profit Before Taxation	266	2,623	2,235	6,451

The Group's revenue for the current quarter ended 30 September 2013 increased by RM0.08 million or 0.79% compared to the corresponding quarter in the previous financial year. Over the nine months period, the Group's revenue increase by RM1.98 million or 7.02% compare to the corresponding 9-month FPE 30 September 2012. This improved performance was mainly contributed by the increase in revenue generated by the Group's schedule waste collection service.

The Group's profit before tax for the FPE 30 September 2013 decreased by RM2.36 million or 89.86% compared to the corresponding quarter in the previous financial year. Over the nine months period, the Group's profit before tax declined by RM4.22 million or 65.35% as compared to the corresponding 9-month FPE 30 September 2012. This adverse performance was mainly due to increase in raw material price, pre-operating expenses incurred in Pulau Indah production plant and marketing expenses incurred in promoting the Group's products and services both locally and overseas.

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

	<b>Current</b>	<b>Preceding</b>	<b>Variance</b>
	<b>Quarter</b>	<b>Quarter</b>	
	<b>30.09.2013</b>	<b>30.06.2013</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	9,948	10,592	(644)
Profit Before Tax	266	1,033	(767)

Revenue of the Group decreased by RM0.64 million or 6.08% from RM10.59 million recorded for the preceding quarter compared to RM9.95 million for the FPE 30 September 2013. The decrease in revenue was due to lower sales volume of lubricant products, paint and solvent affected by festive seasons and shortage of raw material supply for the current financial quarter under review.

Profit before tax for the Group declined by RM0.77 million or 74.25% in the current financial quarter under review as compared to the preceding quarter mainly due to pre-operating expenses incurred in the Pulau Indah production plant which was commissioned during the current financial quarter under review.

**B3. Prospects**

For the 9-month FPE 30 September 2013, the Group achieved positive financial results. The Group has commenced commercial production at its new production facility in Pulau Indah in the fourth quarter of the FYE 31 December 2013. The Board of Directors is of the view that barring any unforeseen circumstances, the business performance of the Group will remain positive for the remainder of the financial year. The Pulau Indah production facility is expected to contribute positively to the future growth and profitability of the Group.

**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 Three Months Ended 30 September		Cumulative Quarter Nine Months Ended 30 September	
	2013 (RM'000)	2012 (RM'000)	2013 (RM'000)	2012 (RM'000)
Taxation -current	250	650	742	1,570
-prior year	(455)	-	(455)	-
	<u>(205)</u>	<u>650</u>	<u>287</u>	<u>1,570</u>
Deferred tax (asset) / expenses	-	(268)	-	(101)
	<u>(205)</u>	<u>382</u>	<u>287</u>	<u>1,469</u>

The Group effective tax rate for the current financial quarter under review was lower than the statutory tax rate mainly due to overprovision of taxation in prior years.

**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.

The proposed acquisitions are 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 public issue by the Group have been utilised in the following manner as at 30 September 2013 :

Purposes	Intended timeframe for utilization	Proposed utilisation RM'000	Actual utilization RM'000	Deviation	
				RM'000	%
(i) Capital expenditure	2 years	4,500	3,708	-	-
(ii) Working Capital	2 years	8,200	7,973	<sup>(1)</sup> (227)	2.77
(iii) Repayment of bank borrowing	1 year	2,000	2,000	-	-
(iv) Estimated listing expenses	1 month	2,300	2,527	<sup>(1)</sup> 227	9.87
Total gross proceeds		17,000	16,208		

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 September 2013 are as follows:

	<b>Current Quarter Ended 30.09.2013 RM'000</b>
<b>Short term borrowings</b>	
Secured:	
Hire purchases	1,464
Term loans	1,150
	<u>2,614</u>
<b>Long term borrowings</b>	
Secured:	
Hire purchases	2,713
Term loans	17,136
	<u>19,849</u>
<b>Total Borrowings</b>	<u><b>22,463</b></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 30.09.2013 RM'000</b>	<b>Audited as at 31.12.2012 RM'000</b>
Total retained profits of the Group		
- Realised	16,391	14,458
- Unrealised	(1,118)	(1,118)
	<u>15,273</u>	<u>13,340</u>
Add: Consolidated adjustments	209	194
Total retained profits as per Statements of Financial Position	<u>15,482</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>Current Quarter Three Months Ended 30 September</b>		<b>Cumulative Quarter Nine Months Ended 30 September</b>	
	<b>2013 RM'000</b>	<b>2012 RM'000</b>	<b>2013 RM'000</b>	<b>2012 RM'000</b>
Group's comprehensive income attributable to equity holders of the Company (RM'000)	471	2,241	1,948	4,982
Weighted average number of ordinary shares ('000)	333,301	248,301	333,301	248,301
Earnings per share (sen)				
- Basic	0.14	0.90	0.58	2.01

*Note:*

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

**B14. Profit for the period**

	<b>Current Quarter Three Months Ended 30 September</b>		<b>Cumulative Quarter Nine Months Ended 30 September</b>	
	<b>2013 RM'000</b>	<b>2012 RM'000</b>	<b>2013 RM'000</b>	<b>2012 RM'000</b>
Profit before taxation is arrived at after charging/(crediting):-				
- Depreciation of property, plant and equipment	572	500	1,655	1,511
- Interest expenses	163	72	297	340
- Gain on disposal of property, plant and equipment	(60)	(48)	(87)	(86)
- Realised gain on foreign exchange	(11)	(16)	(11)	(16)
- Interest income	(41)	(5)	(183)	(29)
- Property, plant and equipment written off	5	*	5	*

*Note:*

\* *The values are negligible.*



**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 28 November 2013.

By order of the Board of Directors

CHAN SAY HWA  
Group Managing Director

28 November 2013