

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2015**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED (“FPE”) 31 MARCH 2015**

**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 financial year ended (“FYE”) 31 December 2014 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 2014, except for the adoption of the following MFRSs, amendments to MFRSs and IC Interpretations:

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

Effective for financial periods beginning on or after 1 July 2014:

Amendments to MFRS 119	Defined Benefits Plans: Employee Contributions
Amendments to MFRSs	Contained in the document entitled “Annual Improvements 2010 – 2012 Cycle”
Amendments to MFRSs	Contained in the document entitled “Annual Improvements 2011 – 2013 Cycle”

Effective for financial periods beginning on or after 1 January 2016:

Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 11 and MFRS 14	Accounting for Acquisitions of interests in Joint Operations Regulatory Deferral Accounts
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 127	Equity Method in Separate Financial Statements

Effective for financial periods beginning on or after 1 January 2017

MFRS 15	Revenue from Contracts with Customers
MFRS 9	Financial Instrument

Effective date to be announced by Malaysia Accounting Standards Board (MASB)

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

The Group intends to adopt the above MFRSs when they become effective.

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.

### **A3. Auditors' report**

There was no qualification on the Audited Financial Statements of Hiap Huat and its subsidiaries ("Group") for the FYE 31 December 2014.

### **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. Issuances, 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**

The property, plant and equipment are stated at cost/valuation less accumulated depreciation and impairment losses. There was no revaluation of property, plant and equipment for the current quarter and financial year to date. The valuation of property, plant and equipment of the Group have been brought forward without amendment from the financial statements for the year ended 31 December 2014.

**A11. Capital commitments**

Capital commitment as at the reporting date is as follows:

	<b>Current Financial Quarter Ended 31.03.2015 RM'000</b>
Approved and contracted for:	
- Acquisition of property, plant and equipment	<u>865</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 these 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 these 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 Financial Quarter Ended 31.03.2015 RM'000</b>	<b>Preceding Financial Quarter Ended 31.03.2014 RM'000</b>
Shareholder:		
- Allowance	<u>17</u>	<u>17</u>

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

**B1. Review of performance**

**Performance for the FPE 31 March 2015 versus FPE 31 March 2014**

	Current Quarter Ended 31 March		Cumulative Quarter Ended 31 March	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	7,044	8,434	7,044	8,434
(Loss)/Profit before taxation	(69)	307	(69)	307

The Group's revenue for the current quarter three (3) months ended 31 March 2015 ("1Q2015") decreased by RM1.39 million or 16.48% compared to the preceding year corresponding quarter ended 31 March 2014 ("1Q2014"). The decrease in revenue and profit before tax was mainly due to the decline in sales for recycled fuel oil products from our major customer as well as lower revenue generated from the scheduled waste collection services, of which due to increased competition within the industry.

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

	Financial Quarter Ended		Variance RM'000
	31.03.2015 RM'000	31.12.2014 RM'000	
Revenue	7,044	8,645	(1,601)
Loss before taxation	(69)	(17)	(52)

Revenue of the Group decreased by RM1.60 million or 18.52% from RM8.65 million recorded for the preceding quarter compared to RM7.04 million for the current quarter under review. The decrease in revenue was mainly due to the weaker demand for recycled fuel oil products from our existing customers and also the lower revenue from scheduled waste services.

Nevertheless, the gross profit margin has improved from 28.26% in last preceding quarter to 31.97% in the current quarter as a result of the Group's continuous efforts production cost management.

The Group has incurred loss before taxation of RM0.07 million for the current quarter under review as compared to a loss before taxation of RM0.02 million in the preceding quarter, mainly due to an increase in finance cost of RM0.19 million during the 1Q2015 as compared to 1Q2014 which was incurred for additional capital expenditure.

**B3. Prospects**

With the fall of the oil prices over the second half of 2014, the Group is faced with a negative impact on its earnings and profitability. In view of the drop in oil prices, the Group is focusing on effective overhead and production cost management as well as a more aggressive marketing strategy to minimize the negative impact on its earning and profitability and to tide through this difficult period. As a result of the challenges mentioned above, the Board anticipates that the forthcoming financial year to be challenging.

**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 Ended 31 March		Cumulative Quarter Ended 31 March	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Taxation	354	82	354	82

The Group's effective tax rate for the current financial quarter under review was higher than the statutory tax rate of due to losses in certain subsidiaries which are not allow for 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:

- i) On 28 November 2014, Hiap Huat proposed to undertake a private placement of new ordinary shares of RM0.10 each in Hiap Huat ("Hiap Huat Shares"), representing up to 10% of the issued and paid-up share capital of the Company ("Proposed Placement Shares").

The proposed private placement is proposed to be implemented pursuant to a prior approval obtained pursuant to Section 132D of the Companies Act, 1965 from shareholders of Hiap Huat in a general meeting held on 26 June 2014.

The Company had on 27 January 2015 submitted an application to Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for up to 33,330,000 new Hiap Huat Shares pursuant to the Proposed Private Placement.

On 10 March 2015, Bursa Securities has approved the listing of and quotation of up to 33,330,000 new Hiap Huat Shares (excluding treasury shares) to be issued pursuant to the Proposed Private Placement subject to the following conditions:

- (a) Hiap Huat and Hong Leong Investment Bank Berhad ("HLIB") must fully comply with the relevant provisions under the Bursa Securities ACE Market Listing Requirements ("ACE LR") pertaining to the implementation of the Proposed Private Placement;
- (b) Hiap Huat and HLIB to inform Bursa Securities upon completion of the Proposed Private Placement; and
- (c) Hiap Huat to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed.

The proposed private placement is expected to be completed by the second quarter of 2015.

- ii) On 22 December 2014, Hiap Huat Chemicals Sdn Bhd, a wholly-owned subsidiary of the Company had entered into a Sale and Purchase Agreement with Everise Frozen Foods Sdn Bhd for the disposal of one (1) unit of factory bearing postal address No. 46, Jalan E 1/2, Taman Ehsan Industrial Park, 52100 Kepong, Selangor measuring approximately 4,618.673 square metres in area and held under leasehold individual title H.S.(M) 22259, PT 8440, Batu 8 Jalan Kepong, Bandar Kepong, District of Gombak, State of Selangor for a total cash consideration of RM11,760,000.

The proposed disposal was completed on 21 May 2015.

**B7. Group borrowings and debt securities**

The Group's borrowings as at 31 March 2015 are as follows:

	<b>As at 31.03.2015 RM'000</b>
<b>Short term borrowings</b>	
Secured:	
Bank overdraft	1,845
Hire purchases	971
Term loans	3,714
	<u>6,530</u>
<b>Long term borrowings</b>	
Secured:	
Hire purchases	1,518
Term loans	20,076
	<u>21,594</u>
<b>Total borrowings</b>	<u><u>28,124</u></u>

**B8. Off balance sheet financial instruments**

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

**B9. 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.

**B10. Dividends**

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

**B11. Retained and unrealised profits/losses**

	<b>Unaudited as at 31.03.2015 RM'000</b>	<b>Audited as at 31.12.2014 RM'000</b>
Total retained profits of the Group		
- Realised	17,240	17,663
- Unrealised	(2,157)	(2,157)
	<u>15,083</u>	<u>15,506</u>
Add: Consolidated adjustments	209	209
Total retained profits as per Statements of Financial Position	<u><u>15,292</u></u>	<u><u>15,715</u></u>

**B12. (Loss)/Earnings Per Share**

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

	Current Quarter Ended 31 March		Cumulative Quarter Ended 31 March	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Group's comprehensive (loss)/income attributable to equity holders of the Company (RM'000)	(423)	225	(423)	225
Weighted average number of ordinary shares ('000)	333,301	333,301	333,301	333,301
(Loss)/Earnings per share (sen)				
- Basic	(0.13)	0.07	(0.13)	0.07

*Note:*

*Diluted (loss)/earnings per share is not disclosed herein as it is not applicable to the Group*

**B13. Profit/(Loss) for the period**

	Current Quarter Ended 31 March		Cumulative Quarter Ended 31 March	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Interest income	(4)	(7)	(4)	(7)
Interest expenses	418	311	418	311
Depreciation of property, plant and equipment	1,148	1,083	1,148	1,083
Provision for doubtful debts	-	-	-	-
Realised foreign exchange (gain)/loss	-	(3)	-	(3)
Gain on disposal of property, plant and equipment	(31)	-	(31)	-
Property, plant and equipment written off	14	-	14	-

**B14. Authority for Issue**

The interim financial statements were reviewed by the Audit Committee of the Company and duly authorized for issue by the Board of Directors in accordance with a resolution of the Directors dated 29 May 2015.

By order of the Board of Directors

CHAN SAY HWA  
Group Managing Director  
29 May 2015