

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30 September 2015 RM'000	Preceding Period Corresponding Quarter Ended 30 September 2014 RM'000	Current Year To- date Ended 30 September 2015 RM'000	Preceding year To-date Ended 30 September 2014 RM'000
Revenue	5,613	9,217	19,938	28,010
Cost of sales	(4,177)	(6,993)	(14,668)	(21,235)
Gross profit	1,436	2,224	5,270	6,775
Other income	229	32	1,961	56
Administration expenses	(1,620)	(1,695)	(5,389)	(5,282)
Selling and distribution costs	(97)	(196)	(431)	(708)
Finance costs	(365)	(361)	(1,171)	(1,008)
Profit/(Loss) before taxation	(417)	4	240	(167)
Taxation	329	(215)	(429)	(342)
Net loss for the financial period, representing total comprehensive loss for the financial period	(88)	(211)	(189)	(509)
Total comprehensive loss attributable to :				
Equity owners of the Company	(88)	(211)	(189)	(509)
Non controlling interests	-	-	-	-
	(88)	(211)	(189)	(509)
Weighted average number of ordinary shares in issue ('000)	333,301	333,301	333,301	333,301
Loss per share (LPS) attributable to the equity holders of the Company (sen)	(0.03)	(0.06)	(0.06)	(0.15)

Note:

- The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended ("FYE") 31 December 2014 and the accompanying explanatory notes attached to this interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015**

	Unaudited As at 30 September 2015 RM'000	Audited As at 31 December 2014 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	64,159	58,509
Current assets		
Inventories	13,937	13,100
Trade receivables	5,954	7,322
Other receivables, deposits and prepayments	2,460	2,774
Tax recoverable	316	848
Fixed deposits	1,390	381
Cash and bank balances	1,760	917
	25,817	25,342
Non-current assets classified as held for sale	-	10,200
TOTAL ASSETS	89,976	94,051
EQUITY AND LIABILITIES		
Current Liabilities		
Trade payables	2,461	1,919
Other payables and accruals	3,155	4,937
Bank borrowings	4,677	8,386
Hire purchase payable	960	971
	11,253	16,213
Non-current liabilities		
Hire purchase payables	920	1,597
Bank borrowings	20,002	18,251
Deferred tax liabilities	2,157	2,157
	23,079	22,005
Total liabilities	34,332	38,218
Equity attributable to owners of the Company		
Share capital	33,330	33,330
Share premium	7,763	7,763
Merger deficit	(9,535)	(9,535)
Revaluation reversve	8,560	8,560
Retained profits	15,526	15,715
Total equity	55,644	55,833
TOTAL EQUITY AND LIABILITIES	89,976	94,051
Net assets per share attributable to equity holders of the Company (RM)	0.17	0.17

Note:

- The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2014 and the accompanying explanatory notes attached to this interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

	<----- Attributable to Equity Holders of the Company ----->					
	<----- Non-distributable ----->				Distributable	
	Share Capital	Share Premium	Merger Deficit	Revaluation Reserve	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current year to date ended 30 September 2015						
As at 1 January 2015	33,330	7,763	(9,535)	8,560	15,715	55,833
Loss for the period, representing total comprehensive loss for the financial period	-	-	-	-	(189)	(189)
As at 30 September 2015	33,330	7,763	(9,535)	8,560	15,526	55,644
Preceding year to date ended 30 September 2014						
Balance as at 1 January 2014	33,330	7,763	(9,535)	-	16,064	47,622
Loss for the period, representing total comprehensive loss for the financial period	-	-	-	-	(509)	(509)
Balance as at 30 September 2014	33,330	7,763	(9,535)	-	15,555	47,113

Note :

- The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2014 and the accompanying explanatory notes attached to this interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015**

	Unaudited Current Quarter To-date Ended 30 September 2015 RM'000	Unaudited Preceding Year To-date Ended 30 September 2014 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	240	(167)
Adjustments:-		
Depreciation of property, plant and equipment	3,465	3,283
Gain on disposal of financial assets at fair value through profit or loss	-	(8)
Gain on disposal of property, plant and equipment	(1,888)	-
Property, plant and equipment written off	151	-
Interest income	(13)	(44)
Interest expenses	1,171	1,008
Operating profit before working capital changes	3,126	4,072
(Increase)/decrease in working capital:		
Inventories	(837)	(1,578)
Receivables, deposits and prepayment	1,682	(2,029)
Payables and accruals	(1,240)	286
Cash generated from operations	2,731	751
Interest received	13	44
Interest paid	(1,171)	(1,008)
Tax refund	532	-
Tax paid	(442)	(719)
Net cash from/(used in) operating activities	1,663	(932)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(9,219)	(3,131)
Proceeds from disposal of financial assets at fair value through profit and loss	-	2,130
Proceeds from disposal of property, plant and equipment	12,054	-
Net cash from/(used in) investing activities	2,835	(1,001)
CASH FLOW FROM FINANCING ACTIVITIES		
Net repayment of hire purchase	(688)	(830)
Net drawdown/(repayment) of term loans	1,920	463
Withdrawal of fixed deposits	-	75
Increase in fixed deposits place with licensed bank	(1,009)	-
Net cash from/(used in) financing activities	223	(292)
Net increase/(decrease) in cash & cash equivalents	4,721	(2,225)
Cash and cash equivalents at beginning of the financial period	(3,385)	896
Cash and cash equivalents at end of the financial period	1,336	(1,329)
<u>Cash and Cash Equivalents at end of the period comprise the followings:</u>		
Fixed deposits with licenced banks	1,390	378
Cash and bank balances	1,760	791
Bank overdraft	(424)	(2,120)
	2,726	(951)
Less: Fixed deposit pledged with licensed bank	(1,390)	(378)
	1,336	(1,329)

Note:

- The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2014 and the accompanying explanatory notes attached to this interim financial statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED (“FPE”) 30 SEPTEMBER 2015

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRS134):

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with MFRS134: 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

During the financial year, the Group have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board (“MASB”) that are mandatory for current financial year:

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board (“MASB”) that are mandatory for current financial year:

Amendments to MFRS 119 Defined Benefits Plans: Employee Contributions
Annual Improvements to MFRSs 2010 – 2012 Cycle
Annual Improvements to MFRSs 2011 – 2013 Cycle

Adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and the Company.

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Annual Improvements to MFRSs 2012–2014 Cycle		1 January 2016
Amendments to MFRS 10,	Investment Entities: Applying the Consolidation	1 January 2016

MFRS 12 and MFRS 128	Exception	
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018

The Group and the Company intend to adopt the above MFRSs when they become effective.

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and the Company except as mentioned below:

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Standard replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Group is in the process of assessing the impact of this Standard.

A3. Auditors' report

There was no qualification on the Audited Financial Statements of Hiap Huat Holdings Berhad 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

There are no capital commitments as at the reporting date that have not been reflected in these interim financial statements.

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:

	Current Financial Period Ended 30.09.2015 RM'000	Preceding Financial Period Ended 30.09.2014 RM'000
Shareholder:		
- Allowance	50	50
Director and Shareholder:		
- Rental	34	-

B. ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. Review of Performance

Performance for the FPE 30 September 2015 versus the corresponding quarter in the FPE 30 September 2014

	Current Quarter Ended 30 September		Cumulative Quarter Ended 30 September	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Revenue	5,613	9,217	19,938	28,010
Profit/(Loss) before taxation	(417)	4	240	(167)

The Group's revenue for the current quarter three (3) months ended 30 September 2015 ("3Q2015") decreased by RM3.60 million or 39.10% as compared to the preceding year corresponding quarter ended 30 September 2014 ("3Q2014"). For the nine (9) months financial period ended ("FPE") 30 September 2015, the Group's revenue decreased by RM8.07 million or 28.82% as compared to the FPE 30 September 2014. The decrease in revenue was mainly due to the decrease in selling price in correspondence to the decrease in global oil prices and further impact by the decline in demand for our recycled oil products.

As a result of the decrease in revenue, the Group recorded a decrease in gross profit by RM0.79 million or 35.43% to RM1.43 million for 3Q2015 from RM2.22 million for 3Q2014. For the FPE 30 September 2015, the Group's gross profit had decreased by RM1.50 million to RM5.27 million for the FPE 30 September 2015 from RM6.77 million for the FPE 30 September 2014. Notwithstanding the above, the Group recorded a gross profit margin of 25.58% and 26.43% for the current quarter and cumulative period ended 30 September 2015 respectively. This represents a marginal increase from the gross profit margin achieved in the corresponding periods of 24.14% and 24.19% respectively. The improvement in gross profit margins was mainly due to a greater decrease in cost of sales as compared to the decrease in revenue due to cost savings measures implemented by the Company.

In view of the above reduction in revenues for the current quarter, the Group has recorded a loss before tax of RM0.42 million. However, as a result of the gain from the disposal of plant, property and equipment of RM1.89 million during the financial quarter ended 30 June 2015, the Group had recorded a profit before tax of RM0.24 million in the current cumulative period.

B2. Comparison with preceding quarter's results

	Financial Quarter Ended		Variance RM'000
	30.9.2015 RM'000	30.06.2015 RM'000	
Revenue	5,613	7,281	(1,668)
Profit/(Loss) before tax	(417)	726	(1,143)

Revenue of the Group decreased by RM1.67 million or 22.91% from RM 7.28 million recorded for the preceding quarter ("2Q2015") compared to RM5.61 million for the 3Q2015 under review. The decrease in revenue was mainly due to decrease in the sale of recycled oil products and recycled drums & containers of RM1.78 million and RM0.26 million respectively, partly offset by the increase in scheduled waste collection of RM0.40 million.

The gross profit margin has increased from 21.73% in the 2Q2015 to 25.58% in the 3Q2015 under review mainly due to the higher gross profit margins contributed from the sale of recycled oil products and the cost saving measures implemented by the Company.

The Group has recorded loss before taxation of RM0.42 million for the 3Q2015 under review as compared to a profit before taxation of RM0.73 million in the 2Q2015 mainly due to a decreased in revenue amounting to RM1.67 million impacted by the decline in market demand of the end products from our existing customers for the current quarter under review and the gain on disposal of plant, property and equipment in the 2Q2015.

B3. Prospects

The outlook for the fourth quarter of 2015 remains uncertain due to the weak oil prices and uncertain global economy. This in turn may affect the demand for the Group's products and services and correspondingly assert a downward pressure on the Group's revenue and margins. Nonetheless, the Group is constantly undertaking continuous enhancements in production efficiencies and overhead and production cost management. In addition, the Group intends to enhance its product offerings, which is expected to generate better sales and in turn improve its profitability.

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 30 September		Cumulative Quarter Ended 30 September	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Taxation	(329)	215	429	342

The Group's effective tax rate for the current quarter under review was negative due to a reversal of an overprovision of taxation during the current financial year. Nonetheless, the Group's effective tax rate for the cumulative quarter under review was higher than the statutory tax rate due to losses in certain subsidiaries which are not allowed to be set off against taxable profits in 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 capital of the company (“Proposed Private Placement”).

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 had approved of the listing of and quotation of up to 33,330,000 new Hiap Huat shares (excluding treasury shares) to be issued pursuant to be 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.

On 24 August 2015, the Company had submitted an application to Bursa Securities for an extension of time until 9 March 2016 to complete the implementation of the Proposed Private Placement, which was approved on 2 September 2015.

The Proposed Private Placement is expected to be completed by the first quarter of 2016.

B7. Group borrowings and debt securities

The Group’s borrowings as at 30 September 2015 are as follows:

	Current Quarter Ended 30.9.2015 RM’000
Short term borrowings	
Secured:	
Bank overdraft	424
Hire purchases	960
Term loans	4,253
	<u>5,637</u>
Long term borrowings	
Secured:	
Hire purchases	920
Term loans	20,002
	<u>20,922</u>
Total borrowings	<u>26,559</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)

	Unaudited as at 30.09.2015 RM'000	Unaudited as at 30.09.2014 RM'000
Total retained profits of the Group		
- Realised	15,715	16,695
- Unrealised	(714)	(1,349)
	<u>15,001</u>	<u>15,346</u>
Add: Consolidated adjustments	209	209
Total retained profits as per Statements of Financial Position	<u><u>15,210</u></u>	<u><u>15,555</u></u>

B12. Loss per share

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

	Current Quarter Ended 30 September		Cumulative Quarter Ended 30 September	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Group's comprehensive loss attributable to equity holders of the Company (RM'000)	(88)	(211)	(189)	(509)
Weighted average number of ordinary shares ('000)	333,301	333,301	333,301	333,301
Loss per share (sen)				
- Basic	(0.03)	(0.06)	(0.06)	(0.15)

Note:

Diluted loss per share is not disclosed herein as it is not applicable to the Group.

B13. Loss for the period

	Current Quarter Ended 30 September		Cumulative Quarter Ended 30 September	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Interest income	(6)	(31)	(13)	(44)
Other income	(24)	(1)	(60)	(9)
Interest expenses	365	361	1,171	1,008
Depreciation of property, plant and equipment	1,160	1,103	3,464	3,283
Provision for doubtful debts	-	-	-	-
Provision for and write off of inventories	-	-	-	-
(Gain)/Loss on disposal of quoted or unquoted investments	-	-	-	-
Impairment of assets	-	-	-	-
(Gain)/Loss on disposal of fixed assets	(199)	-	(1,888)	-
Realised foreign exchange (gain)/loss	-	-	-	(3)
(Gain)/Loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-

B14. 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 November 2015.

By order of the Board of Directors

CHAN SAY HWA
Group Managing Director

27 November 2015