Hiap Huat Holdings (881993-M)
www.hiaphuat.com

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30 June 2016 RM'000	Preceding Year Corresponding Quarter Ended 30 June 2015 RM'000	Current Year To Date Ended 30 June 2016 RM'000	Preceding year To Date Ended 30 June 2015 RM'000
Revenue	5,307	7,281	10,029	14,325
Cost of sales	(3,520)	(5,699)	(6,698)	(10,491)
Gross profit	**1,787**	**1,582**	**3,331**	**3,834**
Other income	(1)	1,697	22	1,732
Administration expenses	(1,535)	(2,001)	(3,173)	(3,769)
Selling and distribution costs	(125)	(164)	(269)	(334)
Finance costs	(311)	(388)	(623)	(806)
(Loss)/Profit before taxation	**(185)**	**726**	**(712)**	**657**
Taxation	-	(404)	-	(758)
Net loss/(profit) for the financial period, representing total comprehensive (loss)/profit for the financial period	**(185)**	**322**	**(712)**	**(101)**
Total comprehensive (loss)/profit attributable to :				
Equity owners of the Company	(182)	322	(709)	(101)
Non controlling interests	(3)	-	(3)	-
	(185)	**322**	**(712)**	**(101)**
Weighted average number of ordinary shares in issue ('000)	333,301	333,301	333,301	333,301
(Loss)/Earning per share ("(LPS)/EPS") attributable to the equity holders of the Company (sen)	(0.05)	0.10	(0.21)	(0.03)

Note:

1. 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 2015 and the accompanying explanatory notes attached to this interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Unaudited As at 30 June 2016 RM'000	Audited As at 31 December 2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	60,614	62,764
Current assets		
Inventories	14,136	12,503
Trade receivables	4,143	5,828
Other receivables, deposits and prepayments	289	597
Tax recoverable	661	574
Fixed deposits	1,403	1,397
Cash and bank balances	537	971
	21,169	**21,870**
TOTAL ASSETS	**81,783**	**84,634**
EQUITY AND LIABILITIES		
Current Liabilities		
Trade payables	2,222	1,629
Other payables and accruals	872	2,824
Hire purchase payable	941	824
Bank borrowings	6,338	4,391
	10,373	**9,668**
Non-current liabilities		
Hire purchase payables	5	694
Bank borrowings	15,923	18,078
Deferred tax liabilities	1,883	1,883
	17,811	**20,655**
Total liabilities	**28,184**	**30,323**
Equity		
Share capital	33,330	33,330
Share premium	7,763	7,763
Merger deficit	(9,535)	(9,535)
Revalution reversve	3,041	3,041
Retained profits	18,954	19,666
Equity attributable to owners of the Company	53,553	54,265
Non-controlling interest	46	46
Total equity	**53,599**	**54,311**
TOTAL EQUITY AND LIABILITIES	**81,783**	**84,634**
Net assets per share attributable to equity holders of the Company (RM)	0.16	0.16

Note:

1. The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2015 and the accompanying explanatory notes attached to this interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

	<------------------------------- Attributable to Equity Holders of the Company						--------------------------->
	<------------------------------ Non-distributable				------------------------------>	Distributable	
	Share Capital	Non-Controlling Interest	Share Premium	Revaluation Reserve	Merger Deficit	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current year to date ended 30 June 2016							
As at 1 January 2016	**33,330**	**46**	**7,763**	**3,041**	**(9,535)**	**19,666**	**54,311**
Loss for the period, representing total comprehensive loss for the financial period	-	-	-	-	-	(712)	**(712)**
As at 30 June 2016	**33,330**	**46**	**7,763**	**3,041**	**(9,535)**	**18,954**	**53,599**
Preceding year to date ended 30 June 2015							
Balance as at 1 January 2015	33,330	-	7,763	8,560	(9,535)	15,715	**55,833**
Loss for the period, representing total comprehensive loss for the financial period	-	-	-	-	-	(101)	**(101)**
Balance as at 30 June 2015	**33,330**	**-**	**7,763**	**8,560**	**(9,535)**	**15,614**	**55,732**

Note :

1. The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2015 and the accompanying explanatory notes attached to this interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

	Unaudited Current Quarter To-date Ended 30 June 2016 RM'000	Audited Preceding Year To-date Ended 30 June 2015 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(712)	657
Adjustments:-		
Depreciation of property, plant and equipment	2,337	2,304
Gain on disposal of property, plant and equipment	(31)	(1,689)
Property, plant and equipment written off	-	151
Interest income	(7)	(7)
Interest expenses	623	806
Operating profit before working capital changes	2,210	2,222
(Increase)/decrease in working capital:		
Inventories	(1,633)	(87)
Receivables, deposits and prepayment	1,993	633
Payables and accruals	(1,359)	(2,538)
Cash generated from operations	1,211	230
Interest received	7	7
Interest paid	(623)	(806)
Tax refund	33	848
Tax paid	(120)	(758)
Net cash from/(used in) operating activities	508	(479)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(331)	(8,624)
Proceeds from disposal of property, plant and equipment	175	11,889
Net cash from/(used in) investing activities	(156)	3,265
CASH FLOW FROM FINANCING ACTIVITIES		
Net drawdown/(repayment) of term loans	(1,751)	3,064
Repayment of hire purchase	(572)	(382)
Decrease/(Increase) in fixed deposits pledged	(6)	(1,006)
Net cash from/(used in) financing activities	(2,329)	1,676
Net increase/(decrease) in cash & cash equivalents	(1,977)	4,462
Cash and cash equivalents at beginning of the financial period	(47)	(3,385)
Cash and cash equivalents at end of the financial period	(2,024)	1,077

Cash and Cash Equivalents at end of the year comprise the followings:

Fixed deposits with licenced banks	1,403	1,387
Cash and bank balances	537	1,963
Bank overdraft	(2,561)	(886)
	(621)	2,464
Less: Fixed deposit pledged with licensed bank	(1,403)	(1,387)
	(2,024)	1,077

Note:

1. The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2015 and the accompanying explanatory notes attached to this interim financial statement.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED ("FPE") 30 JUNE 2016

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 2015 and the accompanying explanatory notes attached to the interim financial report.

A2. Summary of significant accounting policies

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

Adoption of new and amended standards

During the financial period, 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 period:

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 101	Disclosure Initiative	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
Annual Improvements to MFRSs 2012–2014 Cycle		1 January 2016
Amendments to MFRS 12	Investment Entities: Applying the Consolidation Exception	1 January 2016

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
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
MFRS 9	Financial Instruments	1 January 2018
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

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

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

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2015)

MFRS 9 (IFRS 9 issued by IASB in July 2015) 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 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. The Standard 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 core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

The Directors of the Company will assess the impact of the application of MFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of MFRS 16 until the Group performs a detailed review.

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 2015.

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 2015.

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 and the financial year to date:

	Current Quarter Ended 30 June		**Cumulative Quarter Ended 30 June**	
	2016 RM’000	**2015 RM’000**	**2016 RM’000**	**2015 RM’000**
Shareholder:				
- Allowance	17	17	34	34

B. ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. Review of Performance

	Current Quarter Ended 30 June		Cumulative Quarter Ended 30 June	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Revenue	5,307	7,281	10,029	14,325
Profit/(Loss) before taxation	(185)	726	(712)	657

Performance review for current quarter three (3) months ended 30 June 2016

The Group's revenue for the current quarter three (3) months ended 30 June 2016 ("2Q2016") was recorded lower by approximately RM1.97 million, representing a decrease of 27.11% as compared to the preceding year corresponding quarter ended 30 June 2015 ("2Q2015"). The decrease in revenue was mainly due to the decrease in selling price in correspondence to the decrease in global oil prices and a decline in demand for our recycled oil products from our major customer. However, the decrease was partly offset by our newly growth recycled petro chemicals products which has increased by RM1.72 million as compared to 2Q2015.

The Group's gross profit margin has increased by 33.67% from 21.73% recorded in the preceding year corresponding quarter 2Q2015. The improvement in gross profit margins was mainly due to products mix and cost savings measures implemented by the Company.

Discounting on the fact that the gain on disposal of property, plant and equipment of RM1.69 million recognised in the 2Q2015, the current quarter's loss before taxation has been narrowed by RM0.78 million.

Performance review for the FPE 30 June 2016

For the FPE 30 June 2016, the Group's revenue has decreased by RM4.30 million or 29.99% as compared to the FPE 30 June 2015 as a result of the decrease in selling price in correspondence to the decrease in the global oil prices as well as the declining in demand for our recycled oil products. However, the decrease was partly offset by recycled petro chemicals products.

The Group's gross profit margin stood at 33.21%, representing an increase of approximately 6.45% as compare to 26.76% recorded in the FPE 30 June 2015. The improvement in gross profit margins was mainly due to products mix and cost savings measures implemented by the Company.

Discounting on the one off gain on disposal of property, plant and equipment of RM1.69 million recognised in the FPE 30 June 2015, the current financial period's loss before taxation has been narrowed by RM0.32 million.

B2. Comparison with preceding quarter's results

	Financial Quarter Ended		
	30.06.2016 RM'000	**31.03.2016 RM'000**	Variance **RM'000**
Revenue	5,307	4,722	585
Loss before tax	(185)	(527)	342

The Group's revenue increased by RM0.59 million or 12.39% from RM4.72 million recorded in the preceding quarter ended 31 March 2016 ("1Q2016) compared to RM5.31 million for the current quarter 2Q2016. The increase in revenue was mainly due to the sale of recycled petro chemicals products by RM1.72 million while the charges of scheduled waste collection services has recorded a decrease of RM1.12 million.

The gross profit margin has increased from 32.72% in the 1Q2016 to 33.65% in the 2Q2016. The improvement in gross profit margins was mainly due to products mix and cost savings measures implemented by the Company.

In view of the above, the Group's loss before tax has been narrowed by RM0.342 million as compared to the 1Q2016.

B3. Prospects

The outlook for the financial year ending 31 December 2016 remains challenging due to the weak oil prices and uncertainty of 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, overhead and production cost management. In addition, the Group intends to enhance its product offerings, which is expected to generate better sales and 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 June		**Cumulative Quarter ended 30 June**	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Taxation	-	354	-	354

There is no provision for taxation for the current quarter and the financial year to date ended 30 June 2016 as the Group is currently in a loss making position.

B6. Group borrowings and debt securities

The Group's borrowings as at 30 June 2016 are as follows:

	Current Quarter Ended 30.06.2016 RM'000
Short term borrowings	
Secured:	
Bank overdraft	2,561
Hire purchases	941
Term loans	3,777
	7,279
Long term borrowings	
Secured:	
Hire purchases	5
Term loans	15,923
	15,928
Total borrowings	**23,207**

B7. Off balance sheet financial instruments

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

B8. 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.

B9. Dividends

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

B10. Retained and unrealised profits/(losses)

	As at 30.06.2016 RM'000	**As at 31.12.2015 RM'000**
Total retained profits of the Group		
- Realised	18,630	19,342
- Unrealised	(1,883)	(1,883)
	16,747	17,459
Add: Consolidated adjustments	2,207	2,207
Total retained profits as per Statements of Financial Position	18,954	19,666

B11. (Loss)/Earning per share

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

	Current Quarter ended 30 June		**Cumulative Quarter ended 30 June**	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Group's comprehensive (loss)/earning attributable to equity holders of the Company (RM'000)	(185)	322	(712)	(101)
Weighted average number of ordinary shares ('000)	333,301	333,301	333,301	333,301
(Loss)/earning per share (sen)				
- Basic	(0.05)	0.10	(0.21)	(0.03)

Note:
Diluted (loss)/earning per share is not disclosed herein as it is not applicable to the Group.

B12. (Loss)/Profit for the period

	Current Quarter ended 30 June		Cumulative Quarter ended 30 June	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
(Loss)/Profit before taxation is arrived at after charging/(crediting):-				
Interest income	(6)	(3)	(7)	(7)
Interest expenses	311	388	623	806
Depreciation of property, plant and equipment	1,136	1,156	2,337	2,304
Provision for doubtful debts	-	-	-	-
Provision for and write off of inventories	-	-	-	-
(Gain)/Loss on disposal of quoted or unquoted investments	-	-	-	-
Realised foreign exchange (gain)/loss	(7)	-	(11)	-
(Gain)/Loss on disposal of property, plant and equipment	(24)	(1,689)	(24)	(1,689)
Property, plant and equipment written off	-	137	-	151

B13. 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 25 August 2016.

By order of the Board of Directors

DATO' CHAN SAY HWA
Group Managing Director

25 August 2016