

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31 December 2016 RM'000	Preceding Year Corresponding Quarter Ended 31 December 2015 RM'000	Current Year To Date Ended 31 December 2016 RM'000	Preceding year To Date Ended 31 December 2015 RM'000
Revenue	13,097	4,597	28,815	24,535
Cost of sales	(9,966)	(2,904)	(20,278)	(17,572)
Gross profit	3,131	1,693	8,537	6,963
Other income	249	30	677	1,991
Administration expenses	(1,630)	(3,491)	(6,373)	(8,880)
Selling and distribution costs	(152)	(91)	(508)	(522)
Finance costs	(381)	(78)	(1,295)	(1,249)
Profit/(Loss) before taxation	1,217	(1,937)	1,038	(1,697)
Taxation	(96)	515	(124)	86
Net profit/(loss) for the financial period/year, representing total comprehensive loss for the financial period/year	1,121	(1,422)	914	(1,611)
Total comprehensive loss attributable to :				
Equity owners of the Company	1,144	(1,425)	937	(1,608)
Non controlling interests	(23)	(3)	(23)	(3)
	1,121	(1,422)	914	(1,611)
Weighted average number of ordinary shares in issue ('000)	333,301	333,301	333,301	333,301
Earning/(Loss) per share ("EPS/(LPS)") attributable to the equity holders of the Company (sen)	0.34	(0.43)	0.28	(0.48)

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Unaudited As at 31 December 2016 RM'000	Audited As at 31 December 2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	53,311	61,435
Investment property	3,906	1,329
	<u>57,217</u>	<u>62,764</u>
Current assets		
Other investment	40	-
Inventories	14,355	12,503
Trade receivables	4,887	5,828
Other receivables, deposits and prepayments	690	597
Tax recoverable	374	574
Fixed deposits	1,432	1,397
Cash and bank balances	1,153	971
	<u>22,931</u>	<u>21,870</u>
Non-current assets classified as held for sale	547	-
	<u>23,478</u>	<u>21,870</u>
TOTAL ASSETS	<u>80,695</u>	<u>84,634</u>
EQUITY AND LIABILITIES		
Current Liabilities		
Trade payables	1,484	1,629
Other payables and accruals	1,046	2,825
Hire purchase payable	484	824
Bank borrowings	7,012	4,391
	<u>10,026</u>	<u>9,669</u>
Non-current liabilities		
Hire purchase payables	115	694
Bank borrowings	13,771	18,078
Deferred tax liabilities	1,559	1,883
	<u>15,445</u>	<u>20,655</u>
Total liabilities	25,471	30,324
Equity		
Share capital	33,330	33,330
Share premium	7,762	7,762
Merger deficit	(9,535)	(9,535)
Revaluation reserve	2,821	3,041
Retained profits	20,820	19,666
Equity attributable to owners of the Company	<u>55,198</u>	<u>54,264</u>
Non-controlling interest	26	46
Total equity	55,224	54,310
TOTAL EQUITY AND LIABILITIES	<u>80,695</u>	<u>84,634</u>
Net assets per share attributable to equity holders of the Company (RM)	0.17	0.16

Note:

- 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.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	----- Attributable to Equity Holders of the Company -----						Total
	----- Non-distributable -----				Distributable		
	Share Capital	Non- Controlling Interest	Share Premium	Revaluation Reserve	Merger Deficit	Retained Profits	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Current year to date ended 31 December 2016							
At 1 January 2016	33,330	46	7,762	3,041	(9,535)	19,666	54,310
Profit for the year, representing total comprehensive loss for the financial year	-	-	-	-	-	914	914
Non-Controlling Interest	-	(20)	-	-	-	20	-
Transfer of revaluation reserve	-	-	-	(220)	-	220	-
At 31 December 2016	33,330	26	7,762	2,821	(9,535)	20,820	55,224
Preceding year to date ended 31 December 2015							
At 1 January 2015	33,330	-	7,762	8,560	(9,535)	15,715	55,832
Loss for the year, representing total comprehensive loss for the financial year	-	(3)	-	-	-	(1,608)	(1,611)
Realisation of revaluation reserve	-	-	-	(5,559)	-	5,559	-
Effect of change in tax rate on revaluation reserve	-	-	-	40	-	-	40
Non-Controlling Interest	-	49	-	-	-	-	49
At 31 December 2015	33,330	46	7,762	3,041	(9,535)	19,666	54,310

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Unaudited Current Quarter To-date Ended 31 December 2016 RM'000	Audited Preceding Year To-date Ended 31 December 2015 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	1,038	(1,697)
Adjustments:-		
Depreciation of property, plant and equipment	4,559	4,736
Depreciation of investment property	-	4
Gain on disposal of property, plant and equipment	(415)	(272)
Gain on disposal of non-current assets held for sale	-	(1,560)
Property, plant and equipment written off	173	186
Write down of inventory value	-	1,317
Impairment loss on trade debtors	-	163
Interest income	(37)	(21)
Interest expenses	1,295	1,435
Operating profit before working capital changes	6,613	4,291
(Increase)/decrease in working capital:		
Inventories	(1,852)	(721)
Receivables, deposits and prepayment	848	3,509
Payables and accruals	(1,924)	(4,100)
Cash generated from operations	3,685	2,979
Interest received	37	21
Interest paid	(1,295)	(1,435)
Tax refund	162	753
Tax paid	(289)	(628)
Net cash from operating activities	2,300	1,690
CASH FLOW FROM INVESTING ACTIVITIES		
Disposal of subsidiaries	-	49
Purchase of property, plant and equipment	(443)	(3,210)
Proceeds from disposal of non-current assets held for sale	-	11,760
Proceeds from disposal of property, plant and equipment	1,126	456
Net cash from investing activities	683	9,055
CASH FLOW FROM FINANCING ACTIVITIES		
Net drawdown/(repayment) of term loans	(2,466)	(5,342)
Repayment of hire purchase	(919)	(1,049)
Increase in fixed deposits pledged	(35)	(1,016)
Net cash used in financing activities	(3,420)	(7,407)
Net (decrease)/increase in cash & cash equivalents	(437)	3,338
Cash and cash equivalents at beginning of the financial year	(47)	(3,385)
Cash and cash equivalents at end of the financial year	(484)	(47)
<u>Cash and Cash Equivalents at end of the year comprise the followings:</u>		
Fixed deposits with licenced banks	1,432	1,397
Cash and bank balances	1,153	971
Bank overdraft	(1,637)	(1,018)
	948	1,350
Less: Fixed deposit pledged with licensed bank	(1,432)	(1,397)
	(484)	(47)

Note:

- 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 FOURTH QUARTER ENDED 31 DECEMBER 2016

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED (“FYE”) 31 DECEMBER 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 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:

MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	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 of MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	29 December 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
Annual Improvements to MFRSs 2014–2016 Cycle		1 January 2017
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 9	Financial Instruments	1 January 2018
MFRS 14	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	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 year 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		Cumulative Quarter	
	Ended 31 December	Ended 31 December	Ended 31 December	Ended 31 December
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Shareholder:				
- Allowance	17	17	67	67

B. ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. Review of Performance

	Current Quarter Ended 31 December		Cumulative Quarter Ended 31 December	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	13,097	4,597	28,815	24,535
Profit/(Loss) before taxation	1,217	(1,937)	1,038	(1,697)

Performance review for current quarter three (3) months ended 31 December 2016

The Group's revenue for the current quarter three (3) months ended 31 December 2016 ("4Q2016") was recorded higher by approximately RM8.50 million, representing an increase of 184.90% as compared to the preceding year corresponding quarter ended 31 December 2015 ("4Q2015"). The increase in revenue was mainly due to the increase in sales of recycled oil products by 235.00% and new stream of revenue derived from recycled petrochemicals products in year 2016.

The administrative expenses has reduced by RM1.86 million as there was no impairment of inventory recorded during the current financial quarter as compared to an impairment of RM1.32 million recorded in the preceeding year 4Q2015.

Resulting from the above, the Group has recorded a profit before taxation ("PBT") for current quarter as compared to a loss before taxation ("LBT") reported in the 4Q2015.

Performance review for the FYE 31 December 2016

For the FYE 31 December 2016, the Group's revenue has increased by RM4.28 million or 17.44% as compared to the FYE 31 December 2015 as a result of the increase in sales of recycled petrochemicals products.

The Group's gross profit margin stood at 29.63%, representing an increase of approximately 0.72% as compared to 28.91% recorded in the FYE 31 December 2015. The increase in gross profit margin was mainly due to the new stream of revenue generated from the sales of petrochemical products which yielded a higher gross profit margin.

The administrative expenses has reduced by RM2.51 million as there was no impairment of inventory recorded during the current financial year as compared to an impairment of RM1.32 million recorded in the preceeding year. In addition, there were also cost savings in the current financial year mainly from the reduction in staff cost and professional fee by 12.12% and 66.51% respectively.

Resulting from the above, the Group has recorded a PBT of RM1.04 million for current financial year as compared to a LBT of RM1.70 million in last financial year.

B2. Comparison with preceding quarter's results

	Financial Quarter Ended		Variance RM'000
	31.12.2016 RM'000	30.09.2016 RM'000	
Revenue	13,097	5,689	7,408
Profit before taxation	1,217	533	684

For the current quarter 4Q2016, the Group's revenue has increased by RM7.41 million or 130.22% from RM5.69 million recorded in the preceding quarter ended 30 September 2016 ("3Q2016"). The increase in revenue was mainly due to the increase in sales of recycled oil products and petrochemical products by 362.48% and 104.36% respectively as compared to 3Q2016.

The gross profit margin has decreased from 36.47% in the 3Q2016 to 23.91% in the 4Q2016. The decrease in gross profit margin was mainly due to higher sales of recycled oil products which yielded a lower gross profit margin. The sales of recycled oil products contributed approximately 49.23% (3Q2016: 24.50%) of the total sales and has impacted the overall gross margin of the Group.

In view of the above, the Group's PBT has increased by RM0.68 million as compared to the 3Q2016.

B3. Prospects

The outlook for the financial year ending 31 December 2017 remains challenging due to uncertainty of the oil prices and 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 to overseas market, 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 31 December		Cumulative Quarter ended 31 December	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Taxation	(96)	515	(124)	86

The income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profits for the financial year.

The Group's effective tax rate for the cumulative quarter under review was lower than the statutory tax rate mainly due to certain income not subjected to tax and reversal of prior year deferred tax asset not recognised.

B6. Group borrowings and debt securities

The Group's borrowings as at 31 December 2016 are as follows:

	Current Quarter Ended 31.12.2016 RM'000
Short term borrowings	
Secured:	
Bank overdraft	1,637
Hire purchases	484
Term loans	5,375
	<u>7,496</u>

Long term borrowings

Secured:

Hire purchases	115
Term loans	13,771
	<u>13,886</u>
Total borrowings	<u>21,382</u>

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 31.12.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits of the Group		
- Realised	20,153	19,342
- Unrealised	<u>(1,559)</u>	<u>(1,883)</u>
	18,594	17,459
Add: Consolidated adjustments	<u>2,226</u>	<u>2,207</u>
Total retained profits as per Statements of Financial Position	<u>20,820</u>	<u>19,666</u>

B11. Earning/(Loss) per share

The basic and diluted profit/(loss) 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 31 December		Cumulative Quarter ended 31 December	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Group's comprehensive profit/(loss) attributable to equity holders of the Company (RM'000)	1,144	(1,425)	937	(1,608)
Weighted average number of ordinary shares ('000)	333,301	333,301	333,301	333,301
Earning/(Loss) per share (sen)				
- Basic	0.34	(0.43)	0.28	(0.48)

Note:

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

B12. Profit/(Loss) for the year

	Current Quarter ended 31 December		Cumulative Quarter ended 31 December	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Interest income	(30)	(8)	(37)	(21)
Interest expenses	381	78	1,295	1,249
Depreciation of property, plant and equipment	1,073	1,276	4,559	4,740
Provision for doubtful debts	-	163	-	163
Write down of inventory value	-	1,317	-	1,317
Realised foreign exchange (gain)/loss	(96)	9	(100)	9
(Gain)/Loss on disposal of property, plant and equipment	8	(56)	(415)	(1,832)
Property, plant and equipment written off	7	186	173	186

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 21 February 2017.

By order of the Board of Directors

DATO' CHAN SAY HWA
Group Managing Director

21 February 2017