

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30 June 2017 RM'000	Preceding Year Corresponding Quarter Ended 30 June 2016 RM'000	Current Year To Date Ended 30 June 2017 RM'000	Preceding year To Date Ended 30 June 2016 RM'000
Revenue	8,669	5,307	19,918	10,029
Cost of sales	(6,167)	(3,520)	(15,469)	(6,698)
Gross profit	2,502	1,787	4,449	3,331
Other income	76	(1)	171	22
Administration expenses	(1,944)	(1,535)	(3,454)	(3,173)
Selling and distribution costs	(74)	(125)	(169)	(269)
Finance costs	(272)	(311)	(538)	(623)
Profit/(Loss) before taxation	288	(185)	459	(712)
Taxation	17	-	(10)	-
Net profit/(loss) for the financial period, representing total comprehensive profit/(loss) for the financial period	305	(185)	449	(712)
Total comprehensive profit/(loss) attributable to:				
Equity owners of the Company	331	(182)	475	(709)
Non controlling interests	(26)	(3)	(26)	(3)
	305	(185)	449	(712)
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)	0.10	(0.05)	0.14	(0.21)

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 2016 and the accompanying explanatory notes attached to this interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	Unaudited As at 30 June 2017 RM'000	Audited As at 31 December 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	51,850	53,311
Investment property	3,650	3,907
	55,500	57,218
Current assets		
Inventories	15,775	14,355
Trade receivables	3,646	4,887
Other receivables, deposits and prepayments	1,038	690
Tax recoverable	318	374
Fixed deposits	1,432	1,432
Cash and bank balances	1,428	1,193
	23,637	22,931
Non-current assets classified as held for sale	-	546
	23,637	23,477
TOTAL ASSETS	79,137	80,695
EQUITY AND LIABILITIES		
Current Liabilities		
Trade payables	1,346	1,484
Other payables and accruals	551	1,046
Hire purchase payable	257	484
Bank borrowings	7,584	7,012
	9,738	10,026
Non-current liabilities		
Hire purchase payables	103	115
Bank borrowings	12,064	13,771
Deferred tax liabilities	1,559	1,559
	13,726	15,445
Total liabilities	23,464	25,471
Equity		
Share capital	33,330	33,330
Share premium	7,763	7,763
Merger deficit	(9,535)	(9,535)
Revaluation reserve	2,820	2,820
Retained profits	21,269	20,820
Equity attributable to owners of the Company	55,647	55,198
Non-controlling interest	26	26
Total equity	55,673	55,224
TOTAL EQUITY AND LIABILITIES	79,137	80,695
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 2016 and the accompanying explanatory notes attached to this interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

	----- 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 30 June 2017							
At 1 January 2017	33,330	26	7,763	2,820	(9,535)	20,820	55,224
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	-	-	449	449
At 31 June 2017	33,330	26	7,763	2,820	(9,535)	21,269	55,673
Preceding year to date ended 30 June 2016							
At 1 January 2016	33,330	46	7,763	3,041	(9,535)	19,666	54,311
Loss for the financial period, representing total comprehensive loss for the financial period	-	-	-	-	-	(712)	(712)
At 30 June 2016	33,330	46	7,763	3,041	(9,535)	18,954	53,599

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 2016 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 2017**

	Unaudited Current Year To-date Ended 30 June 2017 RM'000	Audited Preceding Year To-date Ended 30 June 2016 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	459	(712)
Adjustments:		
Depreciation of property, plant and equipment	2,349	2,337
Gain on disposal of property, plant and equipment	(196)	(31)
Property, plant and equipment written off	65	-
Impairment loss on trade receivables	427	-
Interest income	(3)	(7)
Interest expenses	528	623
Operating profit before working capital changes	3,629	2,210
(Increase)/decrease in working capital:		
Inventories	(1,420)	(1,633)
Receivables, deposits and prepayment	466	1,993
Payables and accruals	(633)	(1,359)
Cash generated from operations	2,042	1,211
Interest received	3	7
Interest paid	(528)	(623)
Tax refund	117	33
Tax paid	(70)	(120)
Net cash used in operating activities	1,564	508
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(696)	(331)
Proceeds from disposal of property, plant and equipment	742	175
Net cash from/(used in) investing activities	46	(156)
CASH FLOW FROM FINANCING ACTIVITIES		
Net repayment of term loans	(1,708)	(1,751)
Repayment of hire purchase	(239)	(572)
Decrease/(Increase) in fixed deposits pledged	-	(6)
Net cash used in financing activities	(1,947)	(2,329)
Net decrease in cash & cash equivalents	(337)	(1,977)
Cash and cash equivalents at beginning of the financial period	(2,376)	(47)
Cash and cash equivalents at end of the financial period	(2,713)	(2,024)
<u>Cash and Cash Equivalents at end of the period comprise the followings:</u>		
Fixed deposits with licenced banks	1,432	1,403
Cash and bank balances	1,428	537
Bank overdraft	(4,141)	(2,561)
	(1,281)	(621)
Less: Fixed deposit pledged with licensed bank	(1,432)	(1,403)
	(2,713)	(2,024)

Note:

- The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2016 and the accompanying explanatory notes attached to this interim financial statement.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED (“FPE”) 30 JUNE 2017

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 2016 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:

Annual Improvements to MFRSs 2014–2016 Cycle:

- Amendments to MFRS 12
- Amendments to MFRS 107 Disclosure Initiative
- Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

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, new interpretation 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	
• Amendments to MFRS 1	1 January 2018
• Amendments to MFRS 128	1 January 2018
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018

Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018*
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	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	Deferred until further notice

Note:

* *Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

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

The initial application of the above mentioned 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 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.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. 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 impact of new MFRSs, amendments and improvements to published standard on the financial statements of the Group and of the Company are constantly being assessed by management.

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 2016.

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 2016.

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Revenue	8,669	5,307	19,918	10,029
Profit/(Loss) before taxation	288	(185)	459	(712)

Performance review for the current quarter three (3) months ended 30 June 2017

The Group's revenue for the current quarter three (3) months ended 30 June 2017 ("2Q2017") was recorded higher by approximately RM3.36 million, representing an increase of 63.35% as compared to the preceding year corresponding quarter ended 30 June 2016 ("2Q2016"). The increase in revenue was mainly due to the increase in sales of recycled oil products by 336.23% and scheduled waste collection services by 21.92%, partly offset by the reduced in sales of petrochemicals products by 43.50% as compared to 2Q2016.

The Group's gross profit margin has decreased by 4.81% from 33.67% recorded in the preceding year corresponding quarter 2Q2016. The lower gross profit margin was mainly due to the increase in raw material price and labour cost.

The administrative expenses has increased by 26.64% as compared to 2Q2016 mainly due to the impairment loss on trade receivables amounted to RM0.43 million in the 2Q2017.

The selling and distribution cost has reduced by 40.80% as compared to 2Q2016. This was mainly due to the rationalisation of distribution channel which had resulted in the travelling and transportation cost savings.

The finance cost has reduced by 12.54% as compared to 2Q2016 mainly due to refinancing activity and loan settlement in the second half of 2016.

Resulting from the above, the Group's has recorded a profit before taxation of RM0.29 million for the current quarter as compared to a loss before taxation of RM0.19 million in the 2Q2016.

Performance review for the FPE 30 June 2017 versus the FPE 30 June 2016

For the FPE 30 June 2017, the Group's revenue has increased RM9.89 million or 98.60% as compared to the FPE 30 June 2016 as a result of the increase in sales of recycled oil by 304.39%.

The Group's gross profit margin stood at 22.34%, representing a decrease of approximately 0.72% as compare to 33.21% recorded in the FYE 30 June 2016. The lower gross profit margin was contributed from the scheduled waste collection services due to the increase in labour cost and service mix. The scheduled waste collection services contributed approximately 16.92% of the Group's total revenue and experiencing decrease in gross profit margin by 25.62% as compared to FPE 30 June 2016 and thus impacted the overall gross margin of the group.

The administrative expenses has increased by 8.86% as compared to FPE 30 June 2016 mainly due to the impairment loss on trade receivables amounted to RM0.43 million in the FPE 30 June 2017.

The selling and distribution cost has reduced by 37.17% as compared to FPE 30 June 2016. This was mainly due to the rationalisation of distribution channel which had resulted in the travelling and transportation cost savings.

The finance cost has reduced by 13.64% as compared to FPE 30 June 2016 mainly due to refinancing activity and loan settlement in the second half of 2016.

Resulting from the above, the Group's has recorded a profit before taxation of RM0.46 million as compared to a loss before taxation of RM0.72 million in the FPE 30 June 2016. This profit before tax was mainly due to increase in revenue and saving in selling and distribution and finance cost.

B2. Comparison with preceding quarter's results

	Financial Quarter Ended		Variance RM'000
	30 June 2017 RM'000	31 March 2017 RM'000	
Revenue	8,669	11,249	(2,580)
Profit before taxation	288	171	117

For the current quarter 2Q2017, the Group's revenue has decreased by RM2.58 million or 22.94% from RM11.25 million recorded in the preceding quarter ended 31 March 2017 ("1Q2017"). The decrease in revenue was mainly due to the decrease in charges of scheduled waste collection services by 35.32% correspondence to the slow down of the offshore activities in Labuan and the decrease in sales of recycled oil products by 21.64%.

The gross profit margin has increased from 17.31% in the 1Q2017 to 28.86% in the 2Q2017. The increase in gross profit margin was mainly due to products mix and cost savings in transportation and upkeep expenses.

The increase of 28.74% in administrative expenses as compared to 1Q2017 mainly due to the impairment loss on trade receivables amounted to RM0.43 million in the 2Q2017.

The reduction of 22.10% in selling and distribution cost as compared to 1Q2017 was mainly due to the rationalisation of distribution channel for greater cost saving in the travelling and transportation cost.

The finance cost has reduced by 12.54% as compared to 1Q2017. This was mainly due to loan settlement in the first half of 2017.

In view of the above, the Group's PBT has increased by RM0.12 million as compared to the 1Q2017.

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 30 June		Cumulative Quarter Ended 30 June	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Taxation	(17)	-	10	-

The net credit balance in taxation for the current quarter was as a result of tax overprovision in 1Q2017 amounted to RM0.02 million. The income tax is calculated at the statutory tax rate of 24% (2016: 24%) 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 there are unused tax losses and unabsorbed capital allowances available to off-set the taxable profit.

B6. Group borrowings and debt securities

The Group's borrowings as at 30 June 2017 are as follows:

	Current Quarter Ended 30 June 2017 RM'000
Short term borrowings	
Secured:	
Bank overdraft	4,141
Hire purchases	256
Term loans	3,444
	<u>7,841</u>
Long term borrowings	
Secured:	
Hire purchases	103
Term loans	12,064
	<u>12,167</u>
Total borrowings	<u><u>20,008</u></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 30 June 2017 RM'000	As at 31 December 2016 RM'000
Total retained profits of the Group		
- Realised	20,645	20,196
- Unrealised	(1,559)	(1,559)
	<u>19,086</u>	<u>18,637</u>
Add: Consolidated adjustments	2,183	2,183
Total retained profits as per Statements of Financial Position	<u>21,269</u>	<u>20,820</u>

B11. Earning/(Loss) per share

The basic and diluted profit/(loss) per share is calculated based on the Group's comprehensive earning/(loss) 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group's comprehensive profit/(loss) attributable to equity holders of the Company (RM'000)	305	(185)	449	(712)
Weighted average number of ordinary shares ('000)	333,301	333,301	333,301	333,301
Earning/(Loss) per share (sen)				
- Basic	0.10	(0.05)	0.14	(0.21)

Note:

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

B12. Profit/(Loss) for the period

	Current Quarter ended 30 June		Cumulative Quarter ended 30 June	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):				
Interest income	(2)	(6)	(3)	(7)
Interest expenses	268	311	528	623
Depreciation of property, plant and equipment	1,140	1,136	2,349	2,337
Impairment loss on trade receivables	427	-	427	-
Write down of inventory value	-	-	-	-
Realised foreign exchange (gain)/loss	20	(7)	27	(11)-
Gain on disposal of property, plant and equipment	(95)	(24)	(196)	(24)
Property, plant and equipment written off	12	-	65	-

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 15 August 2017.

By order of the Board of Directors

DATO' CHAN SAY HWA
Group Managing Director

15 August 2017