Hiap Huat Holdings (861993-M)
www.hiaphuat.com

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30 June 2018 RM'000	Preceding Year Corresponding Quarter Ended 30 June 2017 RM'000	Current Year To Date Ended 30 June 2018 RM'000	Preceding year To Date Ended 30 June 2017 RM'000
Revenue	13,423	8,669	22,786	19,918
Cost of sales	(11,401)	(6,167)	(18,917)	(15,469)
Gross profit	**2,022**	**2,502**	**3,869**	**4,449**
Other income	825	76	915	171
Administration expenses	(1,614)	(1,944)	(3,101)	(3,454)
Selling and distribution costs	(93)	(74)	(144)	(169)
Finance costs	(202)	(272)	(418)	(538)
Profit before taxation	**938**	**288**	**1,121**	**459**
Taxation	(2)	17	(5)	(10)
Net profit for the financial period, representing total comprehensive profit for the financial period	**936**	**305**	**1,116**	**449**
Total comprehensive profit attributable to:				
- Owners of the parent	954	331	1,134	475
- Non-controlling interests	(18)	(26)	(18)	(26)
	936	**305**	**1,116**	**449**
Weighted average number of ordinary shares in issue ('000)	333,301	333,301	333,301	333,301
Earning per share ("EPS") attributable to the equity holders of the parent (sen)				
- Basic/diluted (sen)	0.29	0.10	0.34	0.14

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 2017 and the accompanying explanatory notes attached to this interim financial statements

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Unaudited As at 30 June 2018 RM'000	Audited As at 31 December 2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	48,942	50,001
Investment property	3,573	3,826
	52,515	**53,827**
Current assets		
Inventories	16,823	16,387
Trade receivables	6,050	4,619
Other receivables, deposits and prepayments	3,796	2,448
Tax recoverable	298	220
Fixed deposits	-	1,477
Cash and bank balances	1,856	1,506
	28,823	**26,657**
TOTAL ASSETS	**81,338**	**80,484**
EQUITY AND LIABILITIES		
Current Liabilities		
Trade payables	3,004	1,343
Other payables and accruals	3,589	2,759
Hire purchase payable	72	132
Bank borrowings	3,031	5,268
	9,696	**9,502**
Non-current liabilities		
Hire purchase payables	362	122
Bank borrowings	11,707	12,403
Deferred tax liabilities	2,465	2,465
	14,534	**14,990**
Total liabilities	**24,230**	**24,492**
Equity		
Share capital	41,093	41,093
Merger deficit	(9,535)	(9,535)
Revaluation reserve	2,729	2,729
Retained profits	22,803	21,687
Equity attributable to owners of the Company	57,090	55,974
Non-controlling interest	18	18
Total equity	**57,108**	**55,992**
TOTAL EQUITY AND LIABILITIES	**81,338**	**80,484**
Net assets per share attributable to equity holders of the Company (RM)	0.17	0.17

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 2017 and the accompanying explanatory notes attached to this interim financial statements.

Hiap Huat Holdings

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	<------ Attributable to Equity Holders of the Company							------>
	<------ Non-distributable			------>	Distributable			
	Share Capital	Share Premium	Revaluation Reserve	Merger Deficit	Retained Profits	Total	Non-Controlling Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000			RM'000
6 months ended 30 June 2018								
At 1 January 2018	41,093	-	2,729	(9,535)	21,687	55,974	18	55,992
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	-	1,116	1,116	-	1,116
At 30 June 2018	41,093	-	2,729	(9,535)	22,803	57,090		57,108
6 months ended 30 June 2017								
At 1 January 2017	33,330	7,763	2,820	(9,535)	20,820	55,198	26	55,224
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	-	449	449	-	449
At 30 June 2017	33,330	7,763	2,820	(9,535)	21,269	55,647	26	55,673

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 2017 and the accompanying explanatory notes attached to this interim financial statements

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	Unaudited Current Year To-date Ended 30 June 2018 RM'000	Audited Preceding Year To-date Ended 30 June 2017 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,121	459
Adjustments:		
Depreciation of property, plant and equipment	2,244	2,349
Gain on disposal of property, plant and equipment	(75)	(196)
Property, plant and equipment written off	1	65
Impairment loss on trade receivables	28	427
Interest income	(15)	(3)
Interest expenses	404	528
Operating profit before working capital changes	3,708	3,629
Changes in working capital:		
Inventories	(436)	(1,420)
Receivables, deposits and prepayment	(2,807)	466
Payables and accruals	2,491	(633)
Cash generated from operations	2,956	2,042
Interest received	15	3
Interest paid	(404)	(528)
Tax refund	57	117
Tax paid	(140)	(70)
Net cash generated from operating activities	2,484	1,564
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(617)	(696)
Proceeds from disposal of property, plant and equipment	75	742
Net cash (used in)/generated from investing activities	(542)	46
CASH FLOW FROM FINANCING ACTIVITIES		
Net repayment of term loans	(697)	(1,708)
Repayment of hire purchase	(135)	(239)
Decrease in fixed deposits pledged	1,477	-
Net cash generated from/(used in) financing activities	645	(1,947)
Net increase/(decrease) in cash & cash equivalents	2,587	(337)
Cash and cash equivalents at beginning of the financial period	(2,390)	(2,376)
Cash and cash equivalents at end of the financial period	197	(2,713)

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

Fixed deposits with licenced banks	-	1,432
Cash and bank balances	1,856	1,428
Bank overdraft	(1,659)	(4,141)
	197	(1,281)
Less: Fixed deposit pledged with licensed bank	-	(1,432)
	197	(2,713)

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 2017 and the accompanying explanatory notes attached to this interim financial statement.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED (" FPE") 30 JUNE 2018

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 2017 and the accompanying explanatory notes attached to the interim financial report.

A2. Summary of significant accounting policies

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 1
- Amendments to MFRS 128

Amendments to MFRS 2	Classification and measurement of Sharebased payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

Except for the adoption of MFRS 9 and MFRS 15 as further explained below, the adoption of the above amendments and IC Interpretation to published standards did not have any significant impact on the current period or any prior period and is not likely to affect future periods.

<u>MFRS 9 *Financial Instruments' replaces MFRS 139 'Financial Instruments: Recognition and Measurement*</u>

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ('OCI'). 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 always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortise

A2. Summary of significant accounting policies (cont'd)
Adoption of new and amended standards (cont'd)

cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of fair value change due to anentity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss ('ECL') model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking an deliminates the need for atriggerevent to have occurred before credit losses are recognised.

The Group has applied the simplified approach to measuring expected credit losses which uses a life time expected loss allowance for all trade receivables and contract assets. The Group's provision matrix is based on its historical credit loss experience with trade receivables and contract assets of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

On the date of initial application, MFRS 9 did not affect the classification and measurement of the Group's financial assets and financial liabilities. As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and thus if there are any adjustments, these adjustments shall be recognised in the opening retained earnings of the current period.

MFRS 15 *Revenue from Contracts with Customers*

The Group has adopted MFRS 15 in the current period. The core principle in MFRS 15 is that an entity recognised revenue to depict the transfer of promised goods and services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

Based on the Group's assessment, the effects of applying the new standard on the Group's financial statements are as follows:

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. The timing and amount of revenue recognised for the sales of good under MFRS 15 does not have any impact on the current accounting policy.

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:

A2. Summary of significant accounting policies (cont'd)
Adoption of new and amended standards (cont'd)
Standards issued but not yet effective (cont'd)

		Effective dates for financial periods beginning on or after
Annual Improvements to MFRSs 2015–2017 Cycle		
• Amendments to MFRS 3		1 January 2019
• Amendments to MFRS 11		1 January 2019
• Amendments to MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
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
Amendments to MFRS 128	Long-term interest in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 2	Share-based Payment	1 January 2020
Amendments to MFRS 3	Business Combinations	1 January 2020
Amendments to MFRS 6	Exploration for and Evaluation of mineral Resourecs	1 January 2020
Amendments to MFRS 14	Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101	Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 134	Interim Financial Reporting	1 January 2020
Amendments to MFRS 137	Provisions Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MRFS 138	Intangible Assets	1 January 2020
Amendments to IC Interpretation 12	Service Concession Arrangements	1 January 2020
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132	Intangible Assets – Web Site Costs	1 January 2020

A2. Summary of significant accounting policies (cont'd)
Adoption of new and amended standards (cont'd)
Standards issued but not yet effective (cont'd)

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:

i) Annual improvements to MFRSs 2015 – 2017 Cycle (amendments to MFRS 3 *Business Combinations*, MFRS 112 *Income Taxes* and MFRS 123 *Borrowing Cost*).

ii) 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.

iii) MFRS 17 *Insurance Contracts*

MFRS 17 which will supersede MFRS 4 *Insurance Contracts* is effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted as long as MFRS 9 and MFRS 15 are also applied. An entity identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. MFRS 17 requires to separate specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts, as well as to divide the contracts into groups that an entity will recognise and measure. MFRS 17 also includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

iv) MFRS 119 *Plan Amendment, Curtailment or Settlement*

Amendments to MFRS 119 'Employee Benefits' requires an entity to remeasure the net defined benefit liability(asset) when there is a plan amendment, curtail mentor settlement, to determine past service cost or again or loss on settlement. The amendments specify that when an entity remeasures the net defined benefit liability(asset), the entity determines the current service cost and net interest for the remainder of the annual reporting period using the assumptions used for the remeasurement and net interest for the remainder of the annual reporting period on the basis of the remeasured net defined benefit liability(asset). The amendments further clarify how the requirements on accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements.

An entity shall apply Amendments to MFRS 119 prospectively and earlier application is permitted.

v) Amendments to References to the Conceptual Framework in MFRS Standards (amendments to MFRS2 'Share-Based Payment', MFRS3 'Business Combinations', MFRS101 'Presentation of Financial Statements', MFRS108 'Accounting Policies, Changes in Accounting Estimatesand Errors', MFRS 134 'Interim Financial Reporting', MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets', MFRS 138 'Intangible Assets', IC Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments' and IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration')

A2. Summary of significant accounting policies (cont'd)
Adoption of new and amended standards (cont'd)
Standards issued but not yet effective (cont'd)

The impact of the 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 2017.

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 2017.

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

As at 30 June 2018, the Group has no material contingent liabilities and contingent assets save for corporate guarantee of RM125,000 issued by the Company in respect of banking facilities granted to the subsidiary companies.

A16. Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for financial year ended 31 December 2017.

A17. Status of corporate exercise

There were no other corporate proposals announced but not completed as at 16 August 2018, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report other than as disclosed belows:

On 9 March 2018, Company proposes to undertake a special issue of 42,200,000 new ordinary shares in Hiap Huat ("Hiap Huat Shares") ("Proposed Special Issue"), representing approximately 11.24% of the new enlarged issued share capital of Hiap Huat (after the completion of the Proposed Special Issue) to Bumiputera investors to be identified and approved by the Ministry of International Trade and Industry ("MITI") at an issue price to be determined later after obtaining all relevant approvals.

Subsequent thereto, the applications to Securities Commission Malaysia ("SC") for the Proposed Special Issue, and the MITI for identifying Bumiputera investors for the Company to implement the Proposed Special Issue have been submitted on 14 March 2018.

On 24 April 2018, the SC had, vide its letter dated 11 April 2018 (which was received on 24 April 2018) approved the Proposed Special Issue.

The Proposed Special Issue is subject to the following approvals being obtained:

i. the MITI for recognising and/or identifying Bumiputera investors for the Company to implement the Proposed Special Issue;
ii. Bursa Securities, for the approval-in-principle for the listing of and quotation for the new Hiap Huat

A17. Status of corporate exercise (cont'd)

iii. Shares to be issued pursuant to the Proposed Special Issue;
iv. the shareholders of Hiap Huat at an extraordinary general meeting to be convened; and
v. any other relevant authorities, if required.

On 23 May 2018, MITI had, vide its letter dated 22 May 2018, taken note of the Proposed Spcial Issue and have no objections on the Proposed Special Issue.

On 30 May 2018, Bursa Securities had, via its letter dated 30 May 2018, resolved to approve the listing of up to 42,200,000 new Hiap Huat Shares to be issued pursuant to the Proposed Special Issue on the ACE Market of Bursa Securities.

The shareholders of the Company had at its Extraordinary General meeting held on 26 June 2018 approved the Proposed Special Issue.

The Proposed Special Issue is not conditional upon any other corporate proposals undertaken or to be undertaken by Hiap Huat.

Barring any unforeseen circumstances, the Proposed Special Issue is expected to be completed by the second quarter of 2019.

A18. Related party transaction

There were no other related party transactions for the current financial quarter and the financial quarter-to -date other than as disclosed below:-

	Current Quarter Ended 30 June		**Cumulative Quarter Ended 30 June**	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Revenue	13,423	8,669	22,786	19,918
Profit before taxation	938	288	1,121	459

Performance review for the current quarter three (3) months ended 30 June 2018

The Group's revenue for the current quarter three (3) months ended 30 June 2018 ("2Q2018") was higher as compared to 30 June 2017 ("2Q2017") by RM4.75 million, an increase of 54.84%. This was mainly due to the increase in sales of the recycled petroleum products by 78.75%; scheduled waste collection services by 94.41% and recycled paints and solvent products by 5.88% while witnessing decreased in sales from recycled petro chemical by 59.79%, recycled drums and containers by 71.43% respectively as compared to 2Q2017.

The Group's gross profit margin was 15.06% in 2Q2018, a decrease of 13.80% as compared to 2Q2017. The decrease in gross profit margin was mainly due to lower margin achieved in the recycled petroleum products which contributed 75.52% of the total revenue in the 2Q2018.

The other income has increased by RM0.75 million as compared to 2Q2017 mainly due to the reversal of impairment loss in the current quarter arising from the recovery of payment from a customer.

The administrative expenses has decreased by 16.98% as compared to 2Q2017 mainly due to the lower impairment of trade receivables in 2Q2018. This was partly offset by the increase in professional fees incurred in 2Q2018 pertaining to the corporate proposals as mentioned in Section A17 above.

The selling and distribution cost has increased by 25.68% as compared to 2Q2017 and was mainly due to higher commission and agent fees which has increased by 68.57% as compared to 2Q2017.

The finance cost has reduced by 25.74% as compared to 2Q2017 mainly due to loan settlement in the quarters subsequent to the 2Q2017.

Resulting from the above, the Group has recorded a higher profit before taxation of RM0.94 million for the current quarter as compared to RM0.29 million in the 2Q2017.

Performance review for the FPE 30 June 2018 versus the FPE 30 June 2017

The Group's revenue for the FPE 30 June 2018 has increased by RM 2.87 million or 14.39% as compared to the FPE 30 June 2017 due mainly to increase in sales of recycled petroleum products. Recycled petroleum sales now make up 74.08% of the total revenue in the FPE June 2018, an increase of 9.27% from the FPE 30 June 2017.

The Group's gross profit in the FPE 30 June 2018 was RM3.87 million, which was RM0.58 million lower as compared to the FPE 30 June 2017 mainly due to lower contribution in value and in gross margin from the recycled petro chemicals products. As a result, the gross profit margin for the FPE 30 June 2018 stood at 16.98%, a decease of 5.36% as compared to the FPE 30 June 2017.

The other income has increased by RM0.75 million as compared to preceding cumulative quarter mainly due to the reversal of impairment loss in the FPE 30 June 2018 arising from the recovery of payment from a customer.

The administrative expenses has decreased by 10.22% as compared to the FPE 30 June 2017 mainly due to a

B1. Review of performance (cont'd)
Performance review for the FPE 30 June 2018 versus the FPE 30 June 2017 (cont'd)

lower impairment loss on trade receivable recognised in the FPE 30 June 2018. This was partly offset by the increase in professional fee incurred in the FPE 30 June 2018.

The selling and distribution cost has decreased by 14.79% as compared to the FPE 30 June 2017 mainly due to the saving in transportation cost as a result of the rationalization of the distribution channel.

The finance cost has decreased by 22.3% as compared to the FPE 30 June 2017 mainly due to loan settlement in the quarters subsequent to FPE 30 June 2017.

Resulting from the above, the Group has recorded a higher profit before taxation of RM1.12 million for the FPE 30 June 2018 as compared to RM0.45 million in the FPE 30 June 2017.

B2. Comparison with preceding quarter's results

	Financial Quarter Ended		
	30.06.2018 RM'000	**31.03.2018 RM'000**	Variance **RM'000**
Revenue	13,423	9,363	4,060
Profit before taxation	938	183	755

For the 2Q2018, the Group's revenue has increased by RM4.06 million or 43.36% as compared to RM9.36 million recorded in the preceding quarter ended 31 March 2018 ("1Q2018"). The increase in revenue was mainly due to increase in the sales of recycled petroleum products by RM3.38 million.

The gross profit margin has reduced to 15.06% in the 2Q2018 from 19.73% recorded in the 1Q2018 mainly due to lower gross profit margin achieved from the recycled petroleum products a result of higher raw material costs.

The other income has increased by RM0.74 million as compared to the 1Q2018 mainly due to the reversal of impairment loss arising from the recovery of payment from a customer.

The increase of 8.54% in administrative expenses as compared to the 1Q2018 was mainly due to insurance expenses incurred and provision of impairment loss on trade receivables in the 2Q2018.

The finance cost has decreased by 6.48% as compared to the 1Q2018 mainly due to the additional loan settlement in the 2Q2018.

In view of the above, the Group's profit before taxation has increased by RM0.76 million as compared to the 1Q2018.

B3. Prospects

The outlook for the financial year ending 31 December 2018 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. Nevertheless, 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	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Taxation	2	(17)	5	10

The income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profits for the financial year.

The Group's effective tax rate for both the cumulative quarters under review were lower than the statutory tax rate mainly due to certain income not subjected to tax and there were unused tax losses and unabsorbed capital allowances available to offset the taxable profit.

B6. Group borrowings and debt securities

The Group's borrowings as at 30 June 2018 are as follows:

	Current Quarter Ended 30.06.2018 RM'000
Short term borrowings	
Secured:	
Bank overdraft	1,659
Hire purchases	72
Term loans	1,372
	3,103
Long term borrowings	
Secured:	
Hire purchases	362
Term loans	11,707
	12,069
Total borrowings	**15,172**

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. Earning/(Loss) per share

The basic and diluted profit per share is calculated based on the Group's comprehensive 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**	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Group's comprehensive profit attributable to equity holders of the Company (RM'000)	954	331	1,134	475
Weighted average number of ordinary shares ('000)	333,301	333,301	333,301	333,301
Earning per share (sen)				
- Basic	0.29	0.10	0.34	0.14

Note:
The diluted profit per share is equivalent to basic profit per share as there were no potential shares outstanding which are dilutive in nature at the end of the reporting period.

B11. Profit for the period

	Current Quarter ended 30 June		Cumulative Quarter ended 30 June	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit before taxation is arrived at after charging/(crediting):				
Interest income	(1)	(2)	(15)	(3)
Interest expenses	196	268	404	528
Depreciation of property, plant and equipment	1,129	1,140	2,244	2,349
Impairment loss on trade receivables	28	427	28	427
Realised foreign exchange (gain)/loss	(1)	20	4	27
Gain on disposal of property, plant and equipment	-	(95)	(75)	(196)
Property, plant and equipment written off	1	12	1	65

There are no income or expenses in relation to the following items:

i) Gain or loss on derivatives;
ii) Gain or loss on disposal of quoted investments or properties;
iii) Provision for and write off of inventories;
iv) Inventory written off;
v) Impairment of assets; and
vi) Exceptional items

B12. 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 23 August 2018.

By order of the Board of Directors

DATO' CHAN SAY HWA
Group Managing Director

23 August 2018