

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30 September 2019 RM'000	Preceding Year Corresponding Quarter Ended 30 September 2018 RM'000	Current Year To Date Ended 30 September 2019 RM'000	Preceding year To Date Ended 30 September 2018 RM'000
Revenue	10,946	14,167	37,783	36,953
Cost of sales	(8,240)	(11,588)	(29,063)	(30,505)
Gross profit	2,706	2,579	8,720	6,448
Other income	86	20	179	935
Administration expenses	(2,055)	(1,689)	(5,156)	(4,790)
Selling and distribution costs	(92)	(75)	(258)	(219)
Finance costs	(232)	(191)	(638)	(609)
Profit before taxation	413	644	2,847	1,765
Taxation	69	(111)	(322)	(116)
Net profit for the financial period, representing total comprehensive profit for the financial period	482	533	2,525	1,649
Total comprehensive profit/(loss) attributable to:				
Equity owners of the Company	488	540	2,531	1,656
Non-controlling interests	(6)	(7)	(6)	(7)
	482	533	2,525	1,649
Weighted average number of ordinary shares in issue ('000)	330,866	333,301	331,669	333,301
Earning per share ("EPS") attributable to the equity holders of the Company (sen)	0.15	0.16	0.76	0.50

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 2018 and the accompanying explanatory notes attached to this interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

	Unaudited As at 30 September 2019 RM'000	Audited As at 31 December 2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	47,515	46,795
Investment property	3,563	3,745
Right-of-use assets	615	-
	51,693	50,540
Current assets		
Inventories	9,325	14,307
Trade receivables	5,132	5,517
Other receivables, deposits and prepayments	525	2,080
Tax recoverable	-	89
Short term investment	4,116	4,010
Fixed deposits	5,195	150
Cash and bank balances	4,537	4,189
	28,830	30,342
TOTAL ASSETS	80,523	80,882
EQUITY AND LIABILITIES		
Current Liabilities		
Trade payables	1,162	1,267
Other payables and accruals	253	2,033
Lease liabilities on right-of-use assets	438	-
Hire purchase payable	345	162
Bank borrowings	1,254	2,126
	3,452	5,588
Non-current liabilities		
Hire purchase payables	1,170	903
Lease liabilities on right-of-use assets	185	-
Bank borrowings	13,212	14,139
Deferred tax liabilities	2,876	2,876
	17,443	17,918
Total liabilities	20,895	23,506
Equity		
Share capital	40,820	41,093
Merger deficit	(9,535)	(9,535)
Revaluation reserve	2,729	2,729
Retained profits	25,978	23,447
Equity attributable to owners of the Company	59,992	57,734
Non-controlling interest	(364)	(358)
Total equity	59,628	57,376
TOTAL EQUITY AND LIABILITIES	80,523	80,882
Net assets per share attributable to equity holders of the Company (RM)	0.18	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 2018 and the accompanying explanatory notes attached to this interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

	<-----Attributable to Equity Holders of the Company ----->							
	<----- Non-distributable ----->				Distributable			
	Share Capital	Treasury Shares	Revaluation Reserve	Merger Deficit	Retained Profits	Total	Non-Controlling Interest	Total Equity
RM'000	RM'001	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current year to date ended 30 September 2019								
At 1 January 2019	41,093	-	2,729	(9,535)	23,447	57,734	(358)	57,376
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	-	2,531	2,531	(6)	2,525
Buy-back of shares	-	(273)	-	-	-	(273)	-	(273)
At 30 September 2019	41,093	(273)	2,729	(9,535)	25,978	59,992	(364)	59,628
Preceding year to date ended 30 September 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	-	-	-	-	1,656	1,656	(7)	1,649
At 30 September 2018	41,093	-	2,729	(9,535)	23,343	57,630	11	57,641

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 2018 and the accompanying explanatory notes attached to this interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

	Unaudited Current Year To-date Ended 30 September 2019 RM'000	Unaudited Preceding Year To-date Ended 30 September 2018 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	2,847	1,765
Adjustments:		
Depreciation of property, plant and equipment	3,522	3,317
Depreciation of investment properties	61	61
Amortisation of right-of-use assets	211	-
Adjustment to fair value due to change in market value of Financial Instruments	(14)	-
Gain on disposal of property, plant and equipment	(18)	(91)
Property, plant and equipment written off	35	14
Impairment loss on trade receivables	-	30
Reversal of impairment loss on trade receivables	(137)	-
Interest income	(146)	(19)
Interest expenses	638	588
Operating profit before working capital changes	6,999	5,665
(Increase)/decrease in working capital:		
Inventories	4,982	(823)
Receivables, deposits and prepayment	2,077	(1,832)
Payables and accruals	(1,972)	1,157
Cash generated from operations	12,086	4,167
Interest received	146	19
Interest paid	(638)	(588)
Tax refund	65	57
Tax paid	(212)	(154)
Net cash generated from operating activities	11,447	3,501
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(208)	(772)
Purchase of treasury shares	(273)	-
Acquisition of capital work in progress	(3,246)	-
Proceeds from disposal of property, plant and equipment	19	91
Acquisition of short term investment	(93)	-
Net cash used in investing activities	(3,801)	(681)
CASH FLOW FROM FINANCING ACTIVITIES		
Net repayment of term loans	(883)	1,779
Repayment of right-of-use lease liabilities	(202)	-
Repayment of hire purchase	(254)	(149)
Decrease in fixed deposits pledged	-	1,477
Net cash (used in)/generated from financing activities	(1,339)	3,107
Net increase in cash & cash equivalents	6,307	5,927
Cash and cash equivalents at beginning of the financial period	3,425	(2,390)
Cash and cash equivalents at end of the financial period	9,732	3,537
<u>Cash and Cash Equivalents at end of the period comprise the followings:</u>		
Fixed deposits with licenced banks	5,195	-
Cash and bank balances	4,537	4,768
Bank overdraft	-	(1,231)
	9,732	3,537

Note:

- The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2018 and the accompanying explanatory notes attached to this interim financial statement.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED (“FPE”) 30 SEPTEMBER 2019

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 2018 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 year, the Group and the Company have adopted the following MFRS and amendments to MFRSs issued by the Malaysian Accounting Standards Board (“MASB”) that are mandatory for current financial year:

Annual Improvements to MFRSs 2015–2017 Cycle

- Amendments to MFRS 3
- Amendments to MFRS 11
- Amendments to MFRS 112
- Amendments to MFRS 123

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term interest in Associates and Joint Ventures

The adoption of the above standards and interpretations did not have any material effect on the financial performance or position of the Group.

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
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 2	Share-based Payment	1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 6	Exploration for and Evaluation of mineral Resources	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	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 Estimate and Error	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
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 MFRS 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

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) 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

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

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.

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 2018.

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 financial period under review other than as follows:

During the nine months ended 30 September 2019, the Company had repurchased a total of 2,829,000 ordinary shares of its issued share capital from the open market for a total consideration of RM273,180. The repurchased transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirements of Section 127(16) of the Companies Act, 2016.

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 2018.

A11. Capital commitments

There are no capital commitments as at the reporting date that have not been reflected in this 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 September 2019, the Group has no material contingent liabilities and contingent assets save for corporate guarantee of RM367,000.00 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 2018.

A17. Status of corporate exercise

There were no other corporate proposals announced but not completed as at 13 November 2019, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

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		Cumulative Quarter	
	Ended 30 September	Ended 30 September	Ended 30 September	Ended 30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Shareholder:				
- Allowance	17	17	51	51

B. ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. Review of performance

	Current Quarter Ended 30 September		Cumulative Quarter Ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	10,946	14,167	37,783	36,953
Profit before taxation	413	644	2,847	1,765

Performance review for the current quarter three (3) months ended 30 September 2019

The Group's revenue for the current quarter three (3) months ended 30 September 2019 ("3Q2019") was lower as compared to 30 September 2018 ("3Q2018") by RM3.22 million, a decrease of 22.74%. This was mainly due to decrease in sales of the recycled petroleum products by 19.64% and was offsetted by increased in recycled petrochemicals, scheduled waste collection services and others by 1.77%, 4.74% and 0.39% respectively.

The Group's gross profit margin was 24.72% in 3Q2019, an increase of 6.52% as compared to 3Q2018. The increase in gross profit margin was mainly due to different product mix in the 3Q2019 as compared to 3Q2018.

The administrative expenses has increased by 21.67% as compared to 3Q2018 mainly due to higher staff welfare expenses and depreciation and amortization charges in 3Q2019.

The selling and distribution cost has increased by 22.67% as compared to 3Q2018 mainly due to increase in entertainment, commission and agent fees.

The finance cost has increased by 21.47% as compared to 3Q2018 mainly due to higher hire purchase interest expenses incurred. Contrary, the overdraft interest expenses was lower in 3Q2019.

Resulting from the above, the Group has recorded a lower profit before taxation of RM0.41 million for the current quarter as compared to RM0.64 million recorded in the 3Q2018.

Performance review for the FPE 30 September 2019 versus the FPE 30 September 2018

The Group's revenue for the FPE 30 September 2019 has increased by RM 0.83 million or 2.25% as compared to the FPE 30 September 2018 due mainly to an increase in sales of scheduled waste collection services by 6.99% and offsetted by a decreased of recycled petroleum products by 7.22% as compared to the preceding year corresponding period.

The Group's gross profit in the FPE 30 September 2019 was RM8.72 million, which was RM2.27 million higher as compared to the FPE 30 September 2018 mainly due to higher contribution in value and in margin for all product segments. As a result, the overall gross profit margin for the FPE 30 September 2019 stood at 23.08%, an increase of 5.63% as compared to the FPE 30 September 2018.

The other income has decreased to RM0.76 million as compared to preceding year corresponding period mainly due to the reversal of impairment loss on trade receivables in the FPE 30 September 2018 arising from the recovery of payment from a customer.

B1. Review of performance (cont'd)

Performance review for the FPE 30 September 2019 versus the FPE 30 September 2018 (cont'd)

The administrative expenses has increased by RM0.37 million or 7.64% as compared to the FPE 30 September 2018 mainly due to higher depreciation and amortization charges.

The selling and distribution cost has increased by 17.81% as compared to the FPE 30 September 2018 mainly due to higher entertainment and commission and agent fees.

The finance cost has increased by 4.76% as compared to the FPE 30 September 2018 mainly due to higher hire purchase interest expenses incurred with a lower overdraft expenses in FPE 30 September 2019.

Resulting from the higher gross profit margin achieved during the current financial period, the Group has recorded a higher profit before taxation of RM2.85 million for the FPE 30 September 2019, an improvement of 61.30% as compared to RM1.76 million in the FPE 30 September 2018.

B2. Comparison with preceding quarter's results

	Financial Quarter Ended		Variance RM'000
	30 September 2019 RM'000	30 June 2019 RM'000	
Revenue	10,946	11,653	(707)
Profit before taxation	413	642	(229)

For the 3Q2019, the Group's revenue has decreased by RM0.71 million or 6.07% as compared to RM11.65 million recorded in the preceding quarter ended 30 June 2019 ("2Q2019"). The decrease in revenue was mainly due to the decrease in sales in all segments other than the sales of recycled petroleum products.

The gross profit margin has increased by 3.57% in 3Q2019 from 21.15% recorded in the 2Q2019 mainly due to higher gross profit margin derived from major segments.

The increase of 29.08% in administrative expenses as compared to the 2Q2019 was mainly due to increase in staff welfare, professional fees and insurance expenses.

The selling and distribution cost has increased by 26.03% as compared to the 2Q2019 mainly due to the increase in entertainment and travel expenses.

In view of the above, the Group's profit before taxation has decreased by RM0.23 million as compared to the 2Q2019.

B3. Prospects

The outlook for the financial year ending 31 December 2019 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 September		Cumulative Quarter Ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Taxation	69	(111)	(322)	(116)

The income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profits for the financial year.

The Group's effective tax rate for FPE 30 September 2019 was 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 September 2019 are as follows:

	Current Quarter Ended 30 September 2019 RM'000
Short term borrowings	
Secured:	
Hire purchases	345
Lease liabilities on right-of-use asset	438
Term loans	1,254
	<u>2,037</u>
Long term borrowings	
Secured:	
Hire purchases	1,170
Lease liabilities on right-of-use asset	185
Term loans	13,212
	<u>14,567</u>
Total borrowings	<u>16,604</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. 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 September		Cumulative Quarter Ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group's comprehensive profit attributable to equity holders of the Company (RM'000)	488	540	2,531	1,656
Weighted average number of ordinary shares ('000)	330,866	333,301	331,669	333,301
Earning per share (sen)				
- Basic	0.15	0.16	0.76	0.50

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 year.

B11. Profit for the year

	Current Quarter ended 30 September		Cumulative Quarter ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Interest income	(63)	(4)	(146)	(19)
Interest expenses	233	184	638	588
Depreciation of property, plant and equipment	1181	1,113	3,522	3,317
Depreciation of investment properties	21	21	61	61
Amortisation of rights-of-use asset	104	-	211	-
Reversal of impairment loss on trade receivables	17	-	(137)	-
Gains on fair value adjustments	(5)	-	(14)	-
Impairment loss on trade receivable	-	2	-	30
Realised foreign exchange loss	2	1	59	5
Gain on disposal of property, plant, and equipment	(9)	(16)	(18)	(91)
Property, plant and equipment written off	13	13	35	14

B11. Profit for the year (cont'd)

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; and
- v) 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 20 November 2019.

By order of the Board of Directors

DATO' CHAN SAY HWA
Group Managing Director

20 November 2019