

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

| | Individual Quarter | | Cumulative Quarter | |
|--|---|---|--|--|
| | Current Quarter Ended 31 March 2016 RM'000 | Preceding Year Corresponding Quarter Ended 31 March 2015 RM'000 | Current Year To date Ended 31 March 2016 RM'000 | Preceding year To date Ended 31 March 2015 RM'000 |
| Revenue | 4,722 | 7,044 | 4,722 | 7,044 |
| Cost of sales | (3,178) | (4,792) | (3,178) | (4,792) |
| Gross profit | 1,544 | 2,252 | 1,544 | 2,252 |
| Other income | 23 | 35 | 23 | 35 |
| Administration expenses | (1,638) | (1,768) | (1,638) | (1,768) |
| Selling and distribution costs | (144) | (170) | (144) | (170) |
| Finance costs | (312) | (418) | (312) | (418) |
| Loss before taxation | (527) | (69) | (527) | (69) |
| Taxation | - | (354) | - | (354) |
| Net loss for the financial period, representing total comprehensive loss for the financial period | (527) | (423) | (527) | (423) |
| Total comprehensive loss attributable to : | | | | |
| Equity owners of the Company | (524) | (423) | (524) | (423) |
| Non controlling interests | (3) | - | (3) | - |
| | (527) | (423) | (527) | (423) |
| Weighted average number of ordinary shares in issue ('000) | 333,301 | 333,301 | 333,301 | 333,301 |
| Loss per share (LPS) attributable to the equity holders of the Company (sen) | (0.16) | (0.13) | (0.16) | (0.13) |

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 MARCH 2016**

| | Unaudited As at 31 March 2016 RM'000 | Audited As at 31 December 2015 RM'000 |
|--|---|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 61,792 | 62,764 |
| Current assets | | |
| Inventories | 13,193 | 12,503 |
| Trade receivables | 5,520 | 5,828 |
| Other receivables, deposits and prepayments | 385 | 597 |
| Tax recoverable | 589 | 574 |
| Fixed deposits | 1,401 | 1,397 |
| Cash and bank balances | 699 | 971 |
| | 21,787 | 21,870 |
| Non-current asset held for sale | - | - |
| TOTAL ASSETS | 83,579 | 84,634 |
| EQUITY AND LIABILITIES | | |
| Current Liabilities | | |
| Trade payables | 2,505 | 1,629 |
| Other payables and accruals | 1,019 | 2,824 |
| Hire purchase payable | 987 | 824 |
| Bank borrowings | 6,262 | 4,391 |
| | 10,773 | 9,668 |
| Non-current liabilities | | |
| Hire purchase payables | 322 | 694 |
| Bank borrowings | 16,817 | 18,078 |
| Deferred tax liabilities | 1,883 | 1,883 |
| | 19,022 | 20,655 |
| Total liabilities | 29,795 | 30,323 |
| Equity | | |
| Share capital | 33,330 | 33,330 |
| Share premium | 7,763 | 7,763 |
| Merger deficit | (9,535) | (9,535) |
| Revaluation reverseve | 3,041 | 3,041 |
| Retained profits | 19,139 | 19,666 |
| Equity attributable to owners of the Company | 53,738 | 54,265 |
| Non-controlling interest | 46 | 46 |
| Total equity | 53,784 | 54,311 |
| TOTAL EQUITY AND LIABILITIES | 83,579 | 84,634 |
| Net assets per share attributable to equity holders of the Company (RM) | 0.16 | 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 FIRST QUARTER ENDED 31 MARCH 2016**

| | Attributable to Equity Holders of the Company | | | | | | |
|---|---|--------------------------|---------------|---------------------|----------------|------------------|--------|
| | Non-distributable | | | | | Distributable | |
| | Share Capital | Non-Controlling Interest | Share Premium | Revaluation Reserve | Merger Deficit | Retained Profits | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Current year to date ended 31 March 2016 | | | | | | | |
| As at 1 January 2016 | 33,330 | 46 | 7,763 | 3,041 | (9,535) | 19,666 | 54,311 |
| Loss for the period, representing total comprehensive loss for the financial period | - | - | - | - | - | (527) | (527) |
| As at 31 March 2016 | 33,330 | 46 | 7,763 | 3,041 | (9,535) | 19,139 | 53,784 |
| Preceding year to date ended 31 March 2015 | | | | | | | |
| Balance as at 1 January 2015 | 33,330 | - | 7,763 | 8,560 | (9,535) | 15,715 | 55,833 |
| Loss for the period, representing total comprehensive loss for the financial period | - | - | - | - | - | (423) | (423) |
| Balance as at 31 March 2015 | 33,330 | - | 7,763 | 8,560 | (9,535) | 15,292 | 55,410 |

Note :

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

| | Unaudited Current Quarter To-date Ended 31 March 2016 RM'000 | Audited Preceding Year To-date Ended 31 March 2015 RM'000 |
|---|---|--|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (527) | (69) |
| Adjustments:- | | |
| Depreciation of property, plant and equipment | 1,201 | 1,148 |
| Gain on disposal of property, plant and equipment | - | (31) |
| Property, plant and equipment written off | - | 14 |
| Interest income | (1) | (4) |
| Interest expenses | 312 | 418 |
| Operating profit before working capital changes | 985 | 1,476 |
| (Increase)/decrease in working capital: | | |
| Inventories | (690) | (692) |
| Receivables, deposits and prepayment | 520 | 875 |
| Payables and accruals | (929) | 5,880 |
| Cash generated from operations | (114) | 7,539 |
| Interest received | 1 | 4 |
| Interest paid | (312) | (418) |
| Tax refund | - | 644 |
| Tax paid | (15) | (345) |
| Net cash from/(used in) operating activities | (440) | 7,424 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (229) | (5,854) |
| Proceeds from disposal of property, plant and equipment | - | 31 |
| Net cash from/(used in) investing activities | (229) | (5,823) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Net drawdown/(repayment) of term loans | (857) | 1,453 |
| Repayment of hire purchase | (209) | (79) |
| Decrease/(Increase) in fixed deposits pledged | (4) | - |
| Net cash from/(used in) financing activities | (1,070) | 1,374 |
| Net increase/(decrease) in cash & cash equivalents | (1,739) | 2,975 |
| Cash and cash equivalents at beginning of the financial period | (47) | (3,385) |
| Cash and cash equivalents at end of the financial period | (1,786) | (410) |
| <u>Cash and Cash Equivalents at end of the year comprise the followings:</u> | | |
| Fixed deposits with licenced banks | 1,401 | 384 |
| Cash and bank balances | 699 | 1,435 |
| Bank overdraft | (2,485) | (1,845) |
| | (385) | (26) |
| Less: Fixed deposit pledged with licensed bank | (1,401) | (384) |
| | (1,786) | (410) |

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 FIRST QUARTER ENDED 31 MARCH 2016

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED (“FPE”) 31 MARCH 2016

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRS134):

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with MFRS134: Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

The interim financial statements should be read in conjunction with the Audited Financial Statements of the Company for the financial year ended (“FYE”) 31 December 2015 and the accompanying explanatory notes attached to the interim financial report.

A2. Summary of significant accounting policies

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

Adoption of new and amended standards

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

| | |
|--|--|
| Amendments to MFRS 119 | Defined Benefits Plans: Employee Contributions |
| Annual Improvements to MFRSs 2010 – 2012 Cycle | |
| Annual Improvements to MFRSs 2011 – 2013 Cycle | |

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 |
|-------------------------------------|--|---|
| MFRS 14 | Regulatory Deferral Accounts | 1 January 2016 |
| Amendments to MFRS 11 | Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to MFRS 101 | Disclosure Initiative | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 138 | Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 116 and | Agriculture: Bearer Plants | 1 January 2016 |

MFRS 141

| | | |
|--|--|----------------|
| Amendments to MFRS 127 | Equity Method in Separate Financial Statements | 1 January 2016 |
| Annual Improvements to MFRSs 2012–2014 Cycle | | 1 January 2016 |
| Amendments to MFRS 10, MFRS 12 and MFRS 128 | Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| MFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in July 2014) | 1 January 2018 |

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and 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.

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.

A3. Auditors’ report

There was no qualification on the Audited Financial Statements of Hiap Huat Holdings Berhad and its subsidiaries (“Group”) for the FYE 31 December 2015.

A4. Seasonal or cyclical factors

The principal businesses of the Group were not significantly affected by seasonal or cyclical factors during the current financial quarter under review.

A5. Items of unusual nature and amount

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter under review.

A6. Material changes in estimates

There were no changes in the estimates of amount reported in prior financial period that had a material effect in the current financial quarter under review.

A7. Issuances, cancellations, repurchase, resale and repayments of debts and equity securities

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities in the current financial quarter under review.

A8. Dividends paid

No interim or final dividends were declared or paid in the current financial quarter under review.

A9. Segmental information

No segment reporting is prepared as the principal activities of the Group are predominantly carried out in Malaysia and are engaged in a single business segment of manufacturing, recycling and refining all kinds of petroleum based products.

A10. Valuation of property, plant and equipment

The property, plant and equipment are stated at cost/valuation less accumulated depreciation and impairment losses. There was no revaluation of property, plant and equipment for the current quarter and financial year to date. The valuation of property, plant and equipment of the Group have been brought forward without amendment from the financial statements for the year ended 31 December 2015.

A11. Capital commitments

There are no capital commitments as at the reporting date that have not been reflected in these interim financial statements.

A12. Material subsequent event

There are no material events subsequent to the end of the current financial quarter under review that have not been reflected in these interim financial statements.

A13. Significant event during the period

There were no significant events during the current financial quarter under review that have not been reflected in these interim financial statements.

A14. Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial quarter under review.

A15. Contingent liabilities and contingent assets

There were no contingent liabilities and contingent assets, which upon becoming enforceable may have a material effect on the net assets, profits or financial position of the Group for the current financial period to date.

A16. Related party transaction

Save as disclosed below, there were no other related party transactions for the current financial quarter and the financial year to date:

| | Current Quarter Ended 31 March | | Cumulative Quarter Ended 31 March | |
|--------------|---|---------------|--|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Shareholder: | | | | |
| - Allowance | 17 | 17 | 17 | 17 |

B. ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. Review of Performance

Performance for the FPE 31 March 2016 versus the FPE 31 March 2015

| | Current Quarter Ended 31 March | | Cumulative Quarter Ended 31 March | |
|----------------------|---|---------------|--|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 4,722 | 7,044 | 4,722 | 7,044 |
| Loss before taxation | (527) | (69) | (527) | (69) |

The Group's revenue for the current quarter three (3) months ended 31 March 2016 ("1Q2016") was recorded lower by approximately RM2.32 million, representing a decrease of 33.07% as compared to the preceding year corresponding quarter ended 31 March 2015 ("1Q2015"). The decrease in revenue was mainly due to the decrease in selling price in correspondence to the decrease in global oil prices and a decline in demand for our recycled oil products from our major customer. However, the decrease was partly offset by the increase in scheduled waste collection of RM0.67 million as compared to 1Q2015.

The Group's gross profit margin has increased marginally by 0.7% from 31.97% recorded in the preceding year corresponding quarter 1Q2015. The improvement in gross profit margins was mainly due to products mix and cost savings measures implemented by the Company.

In view of the declining in revenue, the Group's loss before taxation were recorded higher by RM0.46 million as compared to the preceding year corresponding quarter ended 1Q2015 of RM 0.07 million.

B2. Comparison with preceding quarter's results

| | Financial Quarter Ended | | Variance RM'000 |
|-----------------|--------------------------------|-------------------|----------------------------|
| | 31.03.2016 | 31.12.2015 | |
| | RM'000 | RM'000 | |
| Revenue | 4,722 | 4,597 | 125 |
| Loss before tax | (527) | (1,798) | (1,271) |

The Group's revenue increased by RM0.13 million or 2.72% from RM4.60 million recorded in the preceding quarter ended 31 December 2015 ("4Q2015") compared to RM4.72 million for the current quarter 1Q2016. The slight increase in revenue was mainly due to an increase in the sale of recycled paint and solvent products by RM0.19 million while the sales of recycled oil products has recorded a decrease of RM0.03 million.

The gross profit margin has decreased from 39.63% in the 4Q2015 to 32.72% in the 1Q2016. This was mainly due to the lower gross profit margin yielded from the sale of recycled oil products as the average selling price has decreased during the 1Q2016.

The Group has recorded loss before taxation of RM0.53 million for the 1Q2016 under review as compared to a loss before taxation of RM1.80 million in the 4Q2015. The higher loss before taxation in 4Q2015 was mainly resulted by the write down of inventory value of RM1.16 million. By excluding the write down of inventory value, the Group has recorded a lower loss before taxation in 1Q2016 as a result of the Group's continuous efforts in cost management.

B3. Prospects

The outlook for the financial year ending 31 December 2016 remains challenging due to the weak oil prices and uncertainty of global economy. This in turn may affect the demand for the Group's products and services and correspondingly assert a downward pressure on the Group's revenue and margins. Nonetheless, the Group is constantly undertaking continuous enhancements in production efficiencies, overhead and production cost management. In addition, the Group intends to enhance its product offerings, which is expected to generate better sales and profitability.

B4. Profit guarantee or profit forecast

No profit guarantee or profit forecast has been issued by the Group previously in any public document.

B5. Taxation

| | Current Quarter ended 31 March | | Cumulative Quarter ended 31 March | |
|----------|---------------------------------------|---------------|--|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Taxation | - | 354 | - | 354 |

There is no provision for taxation for the current quarter as the Group is currently in loss position.

B6. Group borrowings and debt securities

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

| | Current Quarter Ended 31.03.2016 RM'000 |
|------------------------------|--|
| Short term borrowings | |
| Secured: | |
| Bank overdraft | 2,485 |
| Hire purchases | 987 |
| Term loans | 3,777 |
| | <u>7,249</u> |
| Long term borrowings | |
| Secured: | |
| Hire purchases | 322 |
| Term loans | 16,817 |
| | <u>17,139</u> |
| Total borrowings | <u>24,388</u> |

B8. Off balance sheet financial instruments

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

B9. 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.

B10. Dividends

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

B11. Retained and unrealised profits/(losses)

| | As at 31.03.2016 RM'000 | As at 31.12.2015 RM'000 |
|--|--|--|
| Total retained profits of the Group | | |
| - Realised | 18,815 | 19,342 |
| - Unrealised | (1,883) | (1,883) |
| | <u>16,932</u> | <u>17,459</u> |
| Add: Consolidated adjustments | 2,207 | 2,207 |
| Total retained profits as per Statements of Financial Position | <u><u>19,139</u></u> | <u><u>19,666</u></u> |

B12. Loss per share

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

| | Current Quarter ended 31 March | | Cumulative Quarter ended 31 March | |
|---|-----------------------------------|----------------|--------------------------------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Group's comprehensive loss attributable to equity holders of the Company (RM'000) | (527) | (423) | (527) | (423) |
| Weighted average number of ordinary shares ('000) | 333,301 | 333,301 | 333,301 | 333,301 |
| Loss per share (sen) | | | | |
| - Basic | (0.16) | (0.13) | (0.16) | (0.13) |

Note:

Diluted loss per share is not disclosed herein as it is not applicable to the Group.

B13. Loss for the period

| | Current Quarter ended 31 March | | Cumulative Quarter ended 31 March | |
|---|-----------------------------------|----------------|--------------------------------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Loss before taxation is arrived at after charging/(crediting):- | | | | |
| Interest income | (1) | (4) | (1) | (4) |
| Interest expenses | 312 | 418 | 312 | 418 |
| Depreciation of property, plant and equipment | 1,201 | 1,148 | 1,201 | 1,148 |
| Provision for doubtful debts | - | - | - | - |
| Provision for and write off of inventories | - | - | - | - |
| (Gain)/Loss on disposal of quoted or unquoted investments | - | - | - | - |
| Realised foreign exchange (gain)/loss | (4) | - | (4) | - |
| Gain on disposal of property, plant and equipment | - | (31) | - | (31) |
| Property, plant and equipment written off | - | 14 | - | 14 |

B14. 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 27 May 2016.

By order of the Board of Directors

CHAN SAY HWA
Group Managing Director

27 May 2016