

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2019**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31 March 2019 RM'000	Preceding Year Corresponding Quarter Ended 31 March 2018 RM'000	Current Year To Date Ended 31 March 2019 RM'000	Preceding year To Date Ended 31 March 2018 RM'000
Revenue	15,184	9,363	15,184	9,363
Cost of sales	(11,635)	(7,516)	(11,635)	(7,516)
Gross profit	3,549	1,847	3,549	1,847
Other income	45	90	45	90
Administration expenses	(1,509)	(1,487)	(1,509)	(1,487)
Selling and distribution costs	(93)	(51)	(93)	(51)
Finance costs	(200)	(216)	(200)	(216)
Profit before taxation	1,792	183	1,792	183
Taxation	(125)	(3)	(125)	(3)
Net profit for the financial period, representing total comprehensive profit for the financial period	1,667	180	1,667	180
Total comprehensive profit/(loss) attributable to:				
Equity owners of the Company	1,667	198	1,667	198
Non controlling interests	-	(18)	-	(18)
	1,667	180	1,667	180
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 Company (sen)	0.50	0.06	0.50	0.06

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
AS AT 31 MARCH 2019**

	Unaudited As at 31 March 2019 RM'000	Audited As at 31 December 2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	46,029	46,795
Investment property	3,725	3,745
	49,754	50,540
Current assets		
Inventories	11,147	14,307
Trade receivables	8,319	5,517
Other receivables, deposits and prepayments	1,612	2,079
Tax recoverable	-	89
Fixed deposits	150	150
Short term investment	4,046	4,010
Cash and bank balances	6,159	4,189
	31,433	30,341
TOTAL ASSETS	81,187	80,881
EQUITY AND LIABILITIES		
Current Liabilities		
Trade payables	1,602	1,267
Other payables and accruals	1,381	2,033
Hire purchase payable	370	162
Bank borrowings	1,225	2,126
	4,578	5,588
Non-current liabilities		
Hire purchase payables	872	903
Bank borrowings	13,819	14,139
Deferred tax liabilities	2,875	2,876
	17,566	17,918
Total liabilities	22,144	23,506
Equity		
Share capital	41,093	41,093
Merger deficit	(9,535)	(9,535)
Revaluation reserve	2,729	2,729
Retained profits	25,114	23,446
Equity attributable to owners of the Company	59,401	57,733
Non-controlling interest	(358)	(358)
Total equity	59,043	57,375
TOTAL EQUITY AND LIABILITIES	81,187	80,881
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 FIRST QUARTER ENDED 31 MARCH 2019**

	Attributable to Equity Holders of the Company					
	Non-distributable		Distributable			
	Share Capital	Revaluation Reserve	Merger Deficit	Retained Profits	Total	Non-Controlling Interest
	RM'000	RM'000	RM'000	RM'000		RM'000
Current year to date ended 31 March 2019						
At 1 January 2019	41,093	2,729	(9,535)	23,447	57,734	(358)
Profit for the financial year, representing total comprehensive income for the financial year	-	-	-	1,667	1,667	-
At 31 March 2019	41,093	2,729	(9,535)	25,114	59,401	(358)
Preceding year to date ended 31 March 2018						
At 1 January 2018	41,093	2,729	(9,535)	21,687	55,974	18
Profit for the financial year, representing total comprehensive income for the financial year	-	-	-	180	180	-
At 31 March 2018	41,093	2,729	(9,535)	21,867	56,154	18

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 2017 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 2019**

	Unaudited Current Year To-date Ended 31 March 2019 RM'000	Unaudited Preceding Year To-date Ended 31 March 2018 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,792	183
Adjustments:		
Depreciation of property, plant and equipment	1,180	1,115
Adjustment to fair value due to change in market value of Financial Instruments	(5)	-
Gain on disposal of property, plant and equipment	-	(75)
Property, plant and equipment written off	8	-
Reversal of impairment loss on trade receivables	(115)	-
Interest income	(35)	(14)
Interest expenses	200	208
Operating profit before working capital changes	3,025	1,417
(Increase)/decrease in working capital:		
Inventories	3,160	(69)
Receivables, deposits and prepayment	(2,131)	(143)
Payables and accruals	(468)	399
Cash generated from operations	3,586	1,604
Interest received	35	14
Adjustment to fair value due to change in market value of Financial Instruments	5	-
Interest paid	(200)	(208)
Tax refund	61	57
Tax paid	(37)	(82)
Net cash generated from operating activities	3,450	1,385
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(115)	(168)
Proceeds from disposal of property, plant and equipment	-	75
Acquisition of short term investment	(35)	-
Net cash used in investing activities	(150)	(93)
CASH FLOW FROM FINANCING ACTIVITIES		
Net repayment of term loans	(305)	(350)
Repayment of hire purchase	(111)	(108)
Decrease in fixed deposits pledged	-	1,477
Net cash (used in)/generated from financing activities	(416)	1,019
Net increase in cash & cash equivalents	2,884	2,311
Cash and cash equivalents at beginning of the financial period	3,425	(2,390)
Cash and cash equivalents at end of the financial period	6,309	(79)
<u>Cash and Cash Equivalents at end of the period comprise the followings:</u>		
Fixed deposits with licenced banks	150	-
Cash and bank balances	6,159	1,720
Bank overdraft	-	(1,799)
	6,309	(79)
Less: Fixed deposit pledged with licensed bank	-	-
	6,309	(79)

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 FIRST QUARTER ENDED 31 MARCH 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED (“FPE”) 31 MARCH 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	Business Combinations	1 January 2020
Amendments to MFRS 6	Exploration for and Evaluation of mineral Resources	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 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 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.

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 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 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 2018.

A11. Capital commitments

There are no capital commitments as at the reporting date that have not been reflected in this interim financial statements other than as follows:

	Ended 31 March	
	2019	2018
	RM'000	RM'000
Amount Approved and Contracted for :		
- Plant & Machinery	1,599	-

On 4 April 2019, this capital commitment was settled in full through internal generated fund.

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 31 March 2019, the Group has no material contingent liabilities and contingent assets save for corporate guarantee of RM167,000.00 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 March 2019.

A17. Status of corporate exercise

There were no other corporate proposals announced but not completed as at 17 May 2019, 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

A17. Status of corporate exercise (cont'd)

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.

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
- 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.

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.

On 23 May 2018, MITI had, vide its letter dated 22 May 2018, taken note of the Proposed Special 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.

On 22 April 2019, confirmation was seek from MITI that up till to-date, there are no other interested and qualified Bumiputra investors to subscribe for the shares to be issued pursuant to the Bumiputera Special Issue.

On 30 April 2019, MITI had replied that it has taken all efforts to assists Hiap Huat to fulfil the Bumiputra equity requirement.

On 9 May 2019, Hong Leong Investment Bank, on behalf of Hiap Huat , would like to seek SC’s approval that Hiap Huat is deemed to have complied with the Bumiputra equity requirement.

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 31 March		Cumulative Quarter Ended 31 March	
	2019	2018	2019	2018
	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

	Current Quarter Ended 31 March		Cumulative Quarter Ended 31 March	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Revenue	15,184	9,363	15,184	9,363
Profit before taxation	1,792	183	1,792	183

Performance review for the current quarter three (3) months ended 31 March 2019

The Group's revenue for the current quarter three (3) months ended 31 March 2019 ("1Q2019") was higher as compared to 31 March 2018 ("1Q2018") by RM5.82 million, an increase of 62.17%. This was mainly due to the increase in sales of the recycled petroleum products by 62.17% and scheduled waste collection services by 102.62% respectively as compared to 1Q2018.

The Group's gross profit margin was 23.37% in 1Q2019, an increase of 3.64% as compared to 1Q2018. The increase in gross profit margin was mainly due to different product mix in the 1Q2019 as compared to 1Q2018.

The administrative expenses has increased by 1.48% as compared to 1Q2018 mainly due to higher depreciation charges and advertising costs. This was mainly offset by a lower professional fees and lower impairment of trade receivables. The lower professional fees was mainly due to legal fee incurred for a bank facility agreement in the 1Q2018.

The selling and distribution cost has increased by 82.35% as compared to 1Q2018 mainly due to increase in commission and agent fees.

The finance cost has reduced by 7.41% as compared to 1Q2018 mainly due to reduction in overdraft interest.

Resulting from the above, the Group has recorded a higher profit before taxation of RM1.67 million for the current quarter as compared to RM0.18 million recorded in the 1Q2018.

B2. Comparison with preceding quarter's results

	Financial Quarter Ended		
	31.03.2019	31.12.2018	Variance
	RM'000	RM'000	RM'000
Revenue	15,184	16,534	(1,350)
Profit before taxation	1,792	474	1,318

For the 1Q2019, the Group's revenue has decreased by RM1.35 million or 8.16% as compared to RM16.53 million recorded in the preceding quarter ended 31 Dec 2018 ("4Q2018"). The decrease in revenue was mainly due to decrease in the sales of recycled petroleum products by RM2.59 million which was partly offsetted by RM1.32 million increase in scheduled waste collection services.

The gross profit margin has increased to 23.37% in the 1Q2019 from 17.13% recorded in the 4Q2018 mainly due to higher gross profit margin achieved from the recycled petroleum products as result of higher sales prices.

The other income has decreased by RM0.45 million as compared to the 4Q2018 mainly due to a gain on disposal of fixed asset in the immediate preceding quarter.

The decrease of 29.42% in administrative expenses as compared to the 4Q2018 was mainly due to lower impairment of trade receivables in 1Q2019 and an impairment of fixed asset in a subsidiary in 4Q2018.

The selling and distribution cost has increase by 75.47% as compared to the 4Q2018 mainly due to increase in commission and agent fees.

The finance cost has decreased by 39.50% as compared to the 4Q2018 mainly due to reduction in overdraft interest and gradual repayment of bank borrowing.

In view of the above, the Group's profit before taxation has increased by RM1.32 million as compared to the 4Q2018.

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 31 March		Cumulative Quarter Ended 31 March	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Taxation	125	3	125	3

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 current cumulative quarter and FPE 31 March 2019 were lower due 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 31 March 2019 are as follows:

	Current Quarter Ended 31.03.2019 RM'000
Short term borrowings	
Secured:	
Hire purchases	370
Term loans	1,225
	<hr/> 1,595 <hr/>
Long term borrowings	
Secured:	
Hire purchases	872
Term loans	13,819
	<hr/> 14,691 <hr/>
Total borrowings	<hr/> 16,286 <hr/>

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 31 March		Cumulative Quarter Ended 31 March	
	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)	1,667	198	1,667	198
Weighted average number of ordinary shares ('000)	333,301	333,301	333,301	333,301
Earning per share (sen)				
- Basic	0.50	0.06	0.50	0.06

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 31 March		Cumulative Quarter ended 31 March	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Interest income	(35)	(14)	(35)	(14)
Interest expenses	200	208	200	208
Depreciation of property, plant and equipment	1,180	1,115	1,180	1,115
Reversal of impairment loss on trade receivables	(115)	-	(115)	-
Impairment loss on fixed assets	-	-	-	-
Realised foreign exchange loss	-	5	-	5
Gain on disposal of property, plant and equipment	-	(75)	-	(75)
Property, plant and equipment written off	8	-	8	-

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

- Gain or loss on derivatives;
- Gain or loss on disposal of quoted investments or properties;
- Provision for and write off of inventories;
- Inventory written off; and
- 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 24 May 2019.

By order of the Board of Directors

DATO' CHAN SAY HWA
Group Managing Director

24 May 2019