

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2020**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31 March 2020 RM'000	Preceding Year Corresponding Quarter Ended 31 March 2019 RM'000	Current Year To Date Ended 31 March 2020 RM'000	Preceding year To Date Ended 31 March 2019 RM'000
Revenue	11,888	15,184	11,888	15,184
Cost of sales	(9,473)	(11,635)	(9,473)	(11,635)
Gross profit	2,415	3,549	2,415	3,549
Other income	96	45	96	45
Administration expenses	(1,725)	(1,509)	(1,725)	(1,509)
Selling and distribution costs	(108)	(93)	(108)	(93)
Finance costs	(213)	(200)	(213)	(200)
Profit before taxation	465	1,792	465	1,792
Taxation	(43)	(125)	(43)	(125)
Net profit for the financial period, representing total comprehensive profit for the financial period	422	1,667	422	1,667
Total comprehensive profit attributable to:				
Equity owners of the Company	422	1,667	422	1,667
Weighted average number of ordinary shares in issue ('000)	330,172	330,532	330,172	331,217
Earning per share ("EPS") attributable to the equity holders of the Company (sen)	0.13	0.50	0.13	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 2019 and the accompanying explanatory notes attached to this interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	Unaudited As at 31 March 2020 RM'000	Audited As at 31 December 2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	18,505	17,539
Investment property	3,644	3,664
Right-of-use assets	38,628	39,318
	60,777	60,521
Current assets		
Inventories	7,462	8,107
Trade receivables	5,975	6,166
Other receivables, deposits and prepayments	2,928	3,297
Tax recoverable	245	170
Short term investment	4,182	4,150
Fixed deposits	3,737	6,235
Cash and bank balances	4,631	2,539
	29,160	30,664
TOTAL ASSETS	89,937	91,185
EQUITY AND LIABILITIES		
Current Liabilities		
Trade payables	1,826	2,228
Other payables and accruals	353	1,013
Lease liabilities	734	768
Bank borrowings	1,254	1,255
	4,167	5,264
Non-current liabilities		
Lease liabilities	1,028	1,198
Bank borrowings	12,601	13,004
Deferred tax liabilities	6,078	6,078
	19,707	20,280
Total liabilities	23,874	25,544
Equity		
Share capital	41,093	41,093
Treasury shares	(302)	(302)
Merger deficit	(9,535)	(9,535)
Revaluation reserve	9,488	9,488
Retained profits	25,319	24,897
Equity attributable to owners of the Company	66,063	65,641
Non-controlling interest	-	-
Total equity	66,063	65,641
TOTAL EQUITY AND LIABILITIES	89,937	91,185
Net assets per share attributable to equity holders of the Company (RM)	0.20	0.20

Note:

- The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2019 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 2020**

	<-----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
Current year to date ended 31 March 2020								
At 1 January 2020	41,093	(302)	9,488	(9,535)	24,897	65,641	-	65,641
Profit for the financial year, representing total comprehensive income for the period	-	-	-	-	422	422	-	422
At 31 March 2020	41,093	(302)	9,488	(9,535)	25,319	66,063	-	66,063
Preceding year to date ended 31 December 2019								
At 1 January 2019	41,093	-	2,729	(9,535)	23,447	57,734	(358)	57,376
Profit for the financial year, representing total comprehensive income for the financial period	-	-	-	-	1,667	1,667	-	1,667
At 31 Mar 2019	41,093	-	2,729	(9,535)	25,114	59,401	(358)	59,043

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 2019 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 2020**

	Current Year To-date Ended 31 March 2020 RM'000	Preceding Year To-date Ended 31 March 2019 RM'000
Profit before taxation	465	1,792
Adjustments:		
Depreciation of property, plant and equipment	487	1,160
Depreciation of investment properties	20	20
Fair value gain on short term investment	-	(5)
Amortisation of right-of-use assets	690	-
Reversal of impairment loss on trade receivables	-	(115)
Property, plant and equipment written off	-	8
Interest income	(93)	(35)
Interest expenses	213	200
Operating profit before working capital changes	1,782	3,025
(Increase)/decrease in working capital:		
Inventories	645	3,160
Receivables, deposits and prepayment	560	(2,131)
Payables and accruals	(1,062)	(468)
Cash generated from operations	1,925	3,586
Interest received	93	35
Interest paid	(213)	(200)
Tax refund	1	61
Tax paid	(119)	(37)
Net cash generated from operating activities	1,687	3,445
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(105)	(115)
Acquisition of capital work in progress	(1,348)	-
Acquisition of short term investment	(32)	(30)
Net cash used in investing activities	(1,485)	(145)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of term loans	(404)	(305)
Repayment of lease liabilities	(204)	(111)
Net cash used in financing activities	(608)	(416)
Net (decrease)/ increase in cash & cash equivalents	(406)	2,884
Cash and cash equivalents at beginning of the financial period	8,774	3,425
Cash and cash equivalents at end of the financial period	8,368	6,309
<u>Cash and Cash Equivalents at end of the period comprise the followings:</u>		
Fixed deposits with licensed banks	3,737	150
Cash and bank balances	4,631	6,159
	8,368	6,309

Note:

- The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2019 and the accompanying explanatory notes attached to this interim financial statement.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2020

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED (“FYE”) 31 MARCH 2020

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 March 2019 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 amendments to MFRSs issued by the Malaysian Accounting Standards Board (“MASB”) that are mandatory for current financial year:

Amendments to References to the Conceptual Framework in MFRS Standards	
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material

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.

		Effective dates for financial periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Classification of Liabilities as Current and Non-Current	1 January 2022
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

A2. Summary of significant accounting policies
Adoption of new and amended standards (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 2019.

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.

A8. Dividends paid

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

A9. Segmental information

No segmental 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 2019.

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:

	Current Quarter Ended 31 March	
	2020 RM'000	2019 RM'000
Contracted and approved for:		
Purchase of property, plant and equipment	9,560	9,560

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 other than the previously disclosed.

A15. Contingent liabilities and contingent assets

As at 31 March 2020, the Group has no material contingent liabilities and contingent assets save for corporate guarantee of RM387,000 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 for the financial year ended 31 December 2019.

A17. Status of corporate exercise

There were no other corporate proposals announced but not completed as at 21 March 2020, 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 other than as disclosed below:-

A18. Related party transaction (cont'd)

	Current Quarter		Cumulative Quarter	
	Ended 31 March		Ended 31 March	
	2020	2019	2020	2019
	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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	11,888	15,184	11,888	15,184
Profit before taxation	465	1,792	465	1,792
Earning before interest, taxes, depreciation and amortization ('EBITDA')	1,875	3,172	1,875	3,172

Performance review for the current quarter three (3) months ended 31 March 2020

The Group's revenue for the current quarter three (3) months ended 31 March 2020 ("1Q2020") was lower as compared to 31 March 2019 ("1Q2019") by RM3.29 million. This was mainly due to decrease in sales of the recycled petroleum products by 24.38% and recycled petrolchemicals by 90.12% respectively.

The Group's gross profit margin was 20.31%, a decrease of 3.06% as compared 1Q2019 mainly due to decrease in gross profit margin of recycled petroleum products by 6.83% and recycled petrolchemicals products by 13.95%.

The Other Income was higher by RM0.05 million in 1Q2020 as compared to 1 Q2019 mainly due to increase in interest income.

The administrative expenses has increased by 14.31% as compared to 1Q2019 mainly due to increase in amortisation expenses on right-of-used assets.

The selling and distribution cost has increased by 16.13% as compared to 1Q2019 mainly due to increase in entertainment expenses.

The finance cost has increased by 6.50% as compared to 1Q2019 mainly due to higher term loan and hire purchase interest in 1Q 2020.

Resulting from the above, the Group has recorded a lower profit before taxation of RM0.47 million for the current quarter as compared to RM1.79 million recorded in the 1Q 2019.

The EBITDA for 1Q 2020 has reduced by RM1.30 million as compared to 1Q 2019 to RM1.88 million.

B2. Comparison with preceding quarter's results

	Financial Quarter Ended		Variance RM'000
	31 March 2020 RM'000	31 December 2019 RM'000	
Revenue	11,888	13,279	(1,391)
Profit before taxation	465	340	125

B2. Comparison with preceding quarter's results (cont'd)

For the 1Q2020, the Group's revenue has decreased by RM1.39 million or 10.48% as compared to RM13.28 million recorded in the preceding quarter ended 31 December 2019 ("1Q2019"). The lower revenue was mainly due to the decrease in sales of recycled petroleum products and recycled petrochemicals segments.

The gross profit margin has increased by 2.70% in 1Q2020 from 17.61% recorded in the 4Q2019 mainly due to higher gross profit margin from scheduled waste collection services.

The decrease in Other Income by RM0.12 million in 1Q2020 as compared to 4Q2019 mainly due to lower interest income received in 1Q2020.

The decrease of 11.17% in administrative expenses as compared to the 4Q2019 was mainly due lower upkeep of office, realised foreign exchange loss and subscription expenses in 1Q2020.

In view of the above, the Group's profit before taxation increase by RM0.125 as compared to the 4Q2019.

B3. Prospects

The outlook for the financial year ending 31 December 2020 remains challenging due to uncertainty of the Covid-19 pandemic, oil prices and the 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		Cumulative Quarter	
	Ended 31 March		Ended 31 December	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Taxation expenses recognized in profit and loss:				
Taxation	43	125	43	125

The income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated assessable profits for the financial year.

The Group's effective tax rate for FYE 31 March 2020 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 31 March 2020 are as follows:

	Current Quarter Ended 31 March 2020 RM'000
Short term borrowings	
Secured:	
Hire purchases	314
Lease liabilities on right-of-use asset	420
Term loans	1,254
	<u>1,988</u>
Long term borrowings	
Secured:	
Hire purchases	1,028
Term loans	12,601
	<u>13,629</u>
Total borrowings	<u>15,617</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 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Group's comprehensive profit attributable to equity holders of the Company (RM'000)	422	1,667	422	1,667
Weighted average number of ordinary shares ('000)	330,172	330,532	330,172	331,217
Earning per share (sen)				
- Basic	0.13	0.50	0.13	0.50

B10. Earning per share (cont'd)

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Interest income	(93)	(35)	(93)	(35)
Interest expenses	213	200	213	200
Impairment of inventories	-	-	-	-
Depreciation of property, plant and equipment	487	1,160	487	1,160
Depreciation of investment properties	20	20	20	20
Amortisation of rights-of-use asset	690	-	690	-
Reversal of impairment loss on trade receivables	-	(115)	-	(115)
Gains on fair value adjustments	-	(5)	-	(5)
Impairment loss on trade receivable	-	-	-	-
Property, plant and equipment written off	-	8	-	8
Impairment of inventories	-	-	-	-

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) Inventory written off; and
- iv) 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 28 May 2020.

By order of the Board of Directors

DATO' CHAN SAY HWA
Group Managing Director

28 May 2020