



**HIAP HUAT HOLDINGS BERHAD (200901038858 (881993-M))
(Incorporated in Malaysia)**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2020**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30 June 2020 RM'000	Preceding Year Corresponding Quarter Ended 30 June 2019 RM'000	Current Year To Date Ended 30 June 2020 RM'000	Preceding year To Date Ended 30 June 2019 RM'000
Revenue	6,263	11,653	18,151	26,837
Cost of sales	(6,805)	(9,188)	(16,278)	(20,823)
Gross (loss)/profit	(542)	2,465	1,873	6,014
Other income	66	48	162	93
Administration expenses	(1,937)	(1,592)	(3,662)	(3,101)
Selling and distribution costs	(47)	(73)	(155)	(166)
Finance costs	(27)	(206)	(240)	(406)
(Loss)/profit before taxation	(2,487)	642	(2,022)	2,434
Taxation	43	(266)	-	(391)
Net (loss)/profit for the financial period, representing total comprehensive (expense)/income for the financial period	(2,444)	376	(2,022)	2,043
Total comprehensive (expense)/income attributable to:				
Equity owners of the Company	(2,444)	381	(2,022)	2,048
Non-controlling interests	-	(5)	-	(5)
	(2,444)	376	(2,022)	2,043
(Loss)/earnings per share attributable to the equity holders of the Company (sen)	(0.74)	0.12	(0.61)	0.62

The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

	Unaudited As at 30 June 2020 RM'000	Audited As at 31 December 2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,908	17,539
Investment property	3,626	3,664
Right-of-use assets	38,482	39,318
	63,016	60,521
Current assets		
Inventories	5,678	8,107
Trade receivables	3,551	6,166
Other receivables	391	3,297
Tax recoverable	367	170
Short term investment	4,208	4,150
Fixed deposits	5,774	6,235
Cash and bank balances	3,167	2,539
	23,136	30,664
TOTAL ASSETS	86,152	91,185
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	22,875	24,897
Equity attributable to owners of the Company	63,619	65,641
Total equity	63,619	65,641
LIABILITY		
Non-current liabilities		
Lease liabilities	691	1,198
Bank borrowings	12,643	13,004
Deferred tax liabilities	6,078	6,078
	19,412	20,280
Current Liabilities		
Trade payables	1,178	2,228
Other payables	144	1,013
Lease liabilities	586	768
Bank borrowings	1,213	1,255
	3,121	5,264
Total liabilities	22,533	25,544
TOTAL EQUITY AND LIABILITIES	86,152	91,185
Net assets per share attributable to equity holders of the Company (RM)	0.19	0.20

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

	<-----Attributable to Equity Holders of the Company ----->							
	<----- Non-distributable ----->				Distributable		Non- Controlling Interest	Total Equity
	Share Capital	Treasury Shares	Revaluation Reserve	Merger Deficit	Retained Profits	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Current year to date ended 30 June 2020								
At 1 January 2020	41,093	(302)	9,488	(9,535)	24,897	65,641	-	65,641
Loss for the financial year, representing total comprehensive expense for the financial year	-	-	-	-	(2,022)	(2,022)	-	(2,022)
At 30 June 2020	41,093	(302)	9,488	(9,535)	22,875	63,619	-	63,619
Preceding year to date ended 30 June 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 year	-	-	-	-	2,048	2,048	(5)	2,043
Purchase of treasury shares	-	(273)	-	-	-	(273)	-	(273)
At 30 June 2019	41,093	(273)	2,729	(9,535)	25,495	59,509	(363)	59,146

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

	Current Year To-date Ended 30 June 2020 RM'000	Preceding Year To-date Ended 30 June 2019 RM'000
(Loss)/profit before taxation	(2,022)	2,434
Adjustments:		
Depreciation of property, plant and equipment	1,559	2,341
Depreciation of investment properties	38	40
Fair value gain on short term investment	(58)	(9)
Depreciation of right-of-use assets	836	107
Reversal of impairment loss on trade receivables	-	(154)
Property, plant and equipment written off	315	22
Loss of disposal of property, plant and equipment	13	-
Interest income	(101)	(83)
Interest expenses	240	405
Operating profit before working capital changes	820	5,103
(Increase)/decrease in working capital:		
Inventories	2,429	3,577
Receivables	5,521	(30)
Payables	(1,919)	(693)
Cash generated from operations	6,851	7,957
Interest received	101	83
Interest paid	(229)	(405)
Tax refund	-	61
Tax paid	(197)	(73)
Net cash from operating activities	6,526	7,623
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,268)	(2,630)
Purchase of treasury shares	-	(273)
Proceeds from disposal of property, plant and equipment	12	-
Acquisition of short term investment	-	(61)
Net cash used in investing activities	(5,256)	(2,964)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of term loans	(285)	(613)
Repayment of lease liabilities	(700)	(220)
Net cash used in financing activities	(985)	(833)
Net increase in cash & cash equivalents	285	3,826
Cash and cash equivalents at beginning of the financial period	8,656	3,425
Cash and cash equivalents at end of the financial period	8,941	7,251
<u>Cash and Cash Equivalents at end of the period comprise the followings:</u>		
Fixed deposits with licenced banks	5,774	3,673
Cash and bank balances	3,167	3,578
	8,941	7,251

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRS 134):

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 Group for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial report.

A2. Summary of significant accounting policies

The significant accounting policies and methods of computation adopted in the preparation of this interim financial statements are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2019 except for the following standards, amendments to published standards and interpretations to existing standards which are applicable in the current financial year:

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3, Business Combinations – Definition of Business
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

The application of the standards and amendments to the standards above does not have a material impact to the financial statements of the Group and the Company.

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and Issue Committee (“IC”) Interpretations were issued but not yet effective and have not been applied by the Group and the Company:-

(i) MFRSs, Interpretations and Amendments effective for annual financial periods beginning on or after 1 June 2020

- Amendment to MFRS 16, Leases – Covid-19 – Related Rent Concessions

(ii) MFRSs, Interpretations and Amendments effective for annual financial periods beginning on or after 1 January 2022

- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
- Amendments to MFRS 3, Business Combinations – Reference to the Conceptual Framework
- Amendments to MFRS 116, Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to MFRS Standards 2018 - 2020

A2. Summary of significant accounting policies (continued)

(iii) MFRSs, Interpretations and Amendments effective for annual financial periods beginning on or after a date yet to be confirmed

- Amendment to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

A3. Auditors' report

The audit report of the Group's preceding annual Financial Statements was not subject to any qualification.

A4. Seasonal or cyclical factors

The principal businesses of the Group were not significantly affected by seasonal or cyclical factors.

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 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 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 period under review.

As at 30 June 2020, a total of 3,129,000 shares were held as treasury shares and carried at cost.

A8. Dividends paid

No dividend has been paid during the 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 has been brought forward without amendment from the financial statements for the year ended 31 December 2019.

A11. Capital commitments

Authorised capital expenditures for property, plant and equipment not provided for in the financial statements were as follows:

	Group 30 June 2020 RM'000
Contracted and approved for:	
- Purchase of leasehold industrial land	9,573
- Purchase of equipments	2,907
	12,480

A12. Material subsequent event

There are no material events subsequent to the end of the current financial period under review up to the date of this announcement 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 period 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 period under review.

A15. Contingent liabilities and contingent assets

The contingent liabilities as at 30 June 2020 were as follows:

<u>Unsecured contingent liabilities</u>	Group 30 June 2020 RM'000
Corporate guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	21,855

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.

B. ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. Review of performance

	Current Quarter Ended 30 June		Cumulative Quarter Ended 30 June	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	6,263	11,653	18,151	26,837
(Loss)/profit before taxation	(2,487)	642	(2,022)	2,434
(Loss)/earnings before interest, taxes, depreciation and amortisation (("LBITDA")/"EBITDA")	(1,224)	2,067	651	5,244

Financial review for second quarter ended 30 June 2020 ("Q2 FY2020") versus corresponding quarter ended 30 June 2019 ("Q2 FY2019")

The performance of the Group in the current quarter was impacted by the Movement Control Order ("MCO") imposed by the Malaysian Government since 18 March 2020 due to Covid-19 pandemic. The Group registered revenue of RM6.26 million in Q2 FY2020 as compared to RM11.65 million in Q2 FY2019, a decrease of approximately 46%. The decrease was mainly due to the low sales volume during the quarter coupled with fixed overhead incurred which resulted in loss position for the quarter.

Overall operating expenses have increased by approximately 7% between Q2 FY2020 and Q2 FY2019 which mainly related to fixed assets written off during the current quarter amounting to RM0.31 million.

The Group has recorded a loss before taxation of RM2.49 million in the current quarter as compared to profit before tax of RM0.64 million in Q2 FY2019.

LBITDA was at loss RM1.22 million in Q2 FY2020 as compared to EBITDA of RM2.07 million in Q2 FY2019 mainly due to the lower sales volume and diminishing product margin during the pandemic period.

Financial review for year-to-date financial period ended 30 June 2020 ("YTD FY2020") versus year-to-date corresponding financial period ended 30 June 2019 ("YTD FY2019")

The Group's revenue for the YTD FY2020 stood at RM18.2 million, declined by 32% from RM 26.8 million in corresponding YTD FY2019. The decrease was mainly due to the low sales volume of petroleum product and scheduled waste collection particularly in the second quarter of the year resultant from the MCO imposed by government from the Covid-19 pandemic. As a result, it has diminished the gross profit margin from 22% to 10%.

Other income mainly consists of interest income derived from the deposit in fixed deposit and short term investment.

The Group recorded a loss before taxation of RM2.02 million in YTD FY2020 as compared to profit before tax of RM2.43 million in YTD FY2019. The loss was due to lower sales generated to outweigh the fixed overhead cost especially depreciation charged, staff costs and the increase in fixed assets written off during the financial period under review.

As abovementioned, the Group recorded an EBITDA at RM0.65 million in current financial period against RM5.24 million in the corresponding period in previous year.

B2. Financial review of current quarter ended 30 June 2020 (“Q2 FY2020”) versus immediate preceding quarter ended 31 March 2020 (“Q1 FY2020”)

	Financial Quarter Ended	
	30 June 2020	31 March 2020
	RM’000	RM’000
Revenue	6,263	11,888
(Loss)/profit before taxation	(2,487)	465
(Loss)/earnings before interest, taxes, depreciation : amortisation (“LBITDA”)/“EBITDA”)	<u>(1,224)</u>	<u>1,875</u>

In Q2 FY2020, the revenue of the Group in the current quarter has decreased by 47% as compared to the immediate preceding quarter. This resulted in lower profit margin which in tandem with lower sales volume in the current quarter. Adverse performance in Q2 FY2020 was driven by the implementation of MCO from 18 March 2020, then ease into Conditional MCO (“CMCO”) from 4 May 2020 and Recovery MCO (“RMCO”) from 10 June 2020 to 31 August 2020.

Total operating expenses remained consistent as compared to the immediate preceding quarter.

The loss before taxation of Q2FY2020 was recorded at RM2.49 million against profit before taxation of RM0.47 million in Q1 FY2020 which mainly due to the lower sales volume and diminishing product margin during the pandemic period.

B3. Prospects

The economic outlook for year 2020 is likely to be impacted by the Covid-19 pandemic locally and globally. Though partial recovery in the second half of the year with mobility restrictions being gradually lifted, strict measures to contain the spread of the pandemic will weigh considerably on both external demand and domestic growth. The Group remains vigilant and enforces the standard operating procedures as stated by the government to minimise the risk of Covid-19 in the premises.

This pandemic has resulted in an unprecedented crisis that requires large-scale and unconventional policy responses by governments everywhere. With the crisis severely affecting private demand and causing supply shocks, the government is tasked with the responsibility of facilitating economic recovery in the near term. The Group is constantly scrutinizing the efficiency of production process and cost control measures to substantiate the business of the Group. Nevertheless, the Group has favourable prospect of business ahead which expected to generate a sound profitability in the future.

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

	Quarter ended		Cumulative Quarter ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Current Tax				
- current year	(43)	266	-	391
	(43)	266	-	391

B6. Bank borrowings

The Group's bank borrowings as at 30 June 2020 are as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Secured</u>			
-Term Loans	12,643	1,213	13,856
	12,643	1,213	13,856

B7. Material litigation

The Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and the Directors of the Group do not have any knowledge of proceedings pending or threatened against the Company 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.

B8. Dividends

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

B9. (Loss)/profit for the period

	Current Quarter ended 30 June 2020 RM'000	Cumulative Quarter ended 30 June 2020 RM'000
(Loss)/profit before taxation is arrived at after charging/(crediting):		
Interest income	(8)	(101)
Interest expenses	27	240
Depreciation of property, plant and equipment	1,072	1,559
Depreciation of investment properties	18	38
Depreciation of rights-of-use asset	146	836
Gain on fair value adjustments	(58)	(58)
Loss on disposal of property, plant, and equipment	13	13
Property, plant and equipment written off	315	315

B10. (Loss)/earnings per share

Basic earnings per share is calculated by dividing the Group's net profit attributable to the owners of the Company for the financial period by the weighted average number of ordinary shares in issue during the financial period, excluding ordinary shares purchased by the Company and held as treasury shares.

	Current Quarter Ended 30 June		Cumulative Quarter Ended 30 June	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Group's net (loss)/ profit attributable to equity holders of the Company (RM'000)	(2,444)	381	(2,022)	2,048
Weighted average number of ordinary shares ('000)	330,172	331,265	330,172	332,277
(Loss)/Earning per share (sen)				
- Basic	(0.74)	0.12	(0.61)	0.62

The Group has no dilution impact in their (loss)/earnings per share as there was no potential dilutive ordinary shares during the current financial period.

B11. 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 August 2020.

By order of the Board of Directors

DATO' CHAN SAY HWA
Group Managing Director

24 August 2020