



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2021**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2021**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31 March 2021 RM'000	Preceding Year Corresponding Quarter Ended 31 March 2020 RM'000	Current Year To Date Ended 31 March 2021 RM'000	Preceding year To Date Ended 31 March 2020 RM'000
Revenue	10,769	11,888	10,769	11,888
Cost of sales	(7,657)	(9,473)	(7,657)	(9,473)
Gross profit	3,112	2,415	3,112	2,415
Other income	222	96	222	96
Administration expenses	(1,544)	(1,725)	(1,544)	(1,725)
Selling and distribution costs	(161)	(108)	(161)	(108)
Finance costs	(203)	(213)	(203)	(213)
Profit before taxation	1,426	465	1,426	465
Taxation	(468)	(43)	(468)	(43)
Net profit for the financial period	958	422	958	422
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
(Impairment)/revaluation of land and buildings	-	-	-	-
Deferred tax liabilities relating to component of other comprehensive (expense)/income	-	-	-	-
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive (expense)/income for the financial period	958	422	958	422
Profit for the year attributable to:				
Equity owners of the Company	1,040	422	1,040	422
Non-controlling interests	(82)	-	(82)	-
	958	422	958	422
Total comprehensive income attributable to:				
Equity owners of the Company	1,040	422	1,040	422
Non-controlling interests	(82)	-	(82)	-
	958	422	958	422
Earnings per share attributable to the equity holders of the Company (sen)				
	0.32	0.13	0.32	0.13

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 2020 and the accompanying explanatory notes attached to this interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE FIRST QUARTER ENDED 31 MARCH 2021**

	Unaudited As at 31 March 2021 RM'000	Audited As at 31 December 2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	24,409	22,368
Investment property	7,678	7,724
Right-of-use assets	31,395	31,902
	<u>63,482</u>	<u>61,994</u>
Current assets		
Non-current assets classified as held for sale	1,380	1,380
Inventories	5,273	4,905
Trade receivables	5,456	3,698
Other receivables	2,892	2,952
Tax recoverable	157	75
Short term investment	4,269	4,250
Fixed deposits	3,806	4,801
Cash and bank balances	4,555	2,919
	<u>27,788</u>	<u>24,980</u>
TOTAL ASSETS	<u>91,270</u>	<u>86,974</u>
EQUITY		
Share capital	41,093	41,093
Treasury shares	(401)	(401)
Merger deficit	(9,535)	(9,535)
Revaluation reserve	8,881	8,881
Retained profits	24,640	23,600
Equity attributable to owners of the Company	<u>64,678</u>	<u>63,638</u>
Non-controlling interests	(179)	-
Total equity	<u>64,499</u>	<u>63,638</u>
LIABILITY		
Non-current liabilities		
Lease liabilities	989	1,082
Bank borrowings	12,208	12,030
Deferred tax liabilities	5,543	5,115
	<u>18,740</u>	<u>18,227</u>
Current Liabilities		
Trade payables	3,563	1,063
Other payables	3,355	1,804
Lease liabilities	646	895
Bank borrowings	467	1,347
	<u>8,031</u>	<u>5,109</u>
Total liabilities	<u>26,771</u>	<u>23,336</u>
TOTAL EQUITY AND LIABILITIES	<u>91,270</u>	<u>86,974</u>
Net assets per share attributable to equity holders of the Company (RM)	0.20	0.19

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 2020 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 2021**

	<-----Attributable to Equity Holders of the Company ----->							
	<----- Non-distributable ----->				Distributable		Non- Controlling Interests	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 31 March 2021								
At 1 January 2021	41,093	(401)	8,881	(9,535)	23,600	63,638	-	63,638
Profit for the financial year	-	-	-	-	1,040	1,040	(82)	958
Other comprehensive income for the financial year	-	-	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	-	1,040	1,040	(82)	958
Transactions with owner								
Disposal of a subsidiary	-	-	-	-	-	-	(97)	(97)
At 31 March 2021	41,093	(401)	8,881	(9,535)	24,640	64,678	(179)	64,499
Preceding year to date ended 31 March 2020								
At 1 January 2020	41,093	(302)	9,488	(9,535)	24,898	65,642	-	65,642
Profit for the financial year	-	-	-	-	422	422	-	422
Other comprehensive income for the financial year	-	-	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	-	422	422	-	422
At 31 March 2020	41,093	(302)	9,488	(9,535)	25,320	66,064	-	66,064

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 2020 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 2021**

	Current Year To-date Ended 31 March 2021 RM'000	Preceding Year To-date Ended 31 March 2020 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,426	465
Adjustments:		
Depreciation of property, plant and equipment	883	487
Depreciation of investment properties	46	20
Depreciation of right-of-use assets	507	690
Fair value gain on short term investment	(19)	-
Reversal of impairment loss on trade receivables	(7)	-
Interest income	(20)	(93)
Interest expenses	203	213
Operating profit before working capital changes	3,019	1,782
(Increase)/decrease in working capital:		
Inventories	(368)	645
Receivables	(1,696)	560
Payables	4,051	(1,062)
Cash generated from operations	5,006	1,925
Interest received	20	93
Interest paid	(197)	(213)
Tax refund	-	1
Tax paid	(123)	(119)
Net cash from operating activities	4,706	1,687
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,924)	(1,453)
Disposal of a subsidiary	(97)	-
Net cash used in investing activities	(3,021)	(1,485)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(702)	(404)
Repayment of lease liabilities	(342)	(204)
Net cash used in financing activities	(1,044)	(608)
Net increase/(decrease) in cash & cash equivalents	641	(406)
Cash and cash equivalents at beginning of the financial period	7,720	8,774
Cash and cash equivalents at end of the financial period	8,361	8,368
<u>Cash and Cash Equivalents at end of the period comprise the followings:</u>		
Fixed deposits with licenced banks	3,806	3,737
Cash and bank balances	4,555	4,631
	8,361	8,368

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 2020 and the accompanying explanatory notes attached to this interim financial statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

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 2020 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 2020 except for the following standards, amendments to published standards and interpretations to existing standards which are applicable in the current financial year:

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

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 April 2021

- Amendment to MFRS 16, Leases – Covid-19 – Related Rent Concessions beyond 30 June 2021

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

- 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

(iii) MFRSs, Interpretations and Amendments effective for annual financial periods beginning on or after 1 January 2023

- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101, Presentation of Financial Statements – Disclosure of Accounting Policies
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

A2. Summary of significant accounting policies (continued)

(iv) 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 31 March 2021, a total of 4,113,000 buy-back 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 previous financial years.

A11. Capital commitments

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

	Group 31 March 2021 RM'000
Contracted and approved for:	
- Purchase of leasehold industrial land	9,573
- Purchase of equipments	4,364
	13,937

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

On 5 January 2021, the Company entered into a Share Sale Agreement with a third party to dispose of 40% of its equity interests in Hiap Huat Services Sdn Bhd representing 40,000 ordinary shares, to a third party for a cash consideration of RM40,000.

Other than above, 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 31 March 2021 were as follows:

<u>Unsecured contingent liabilities</u>	Company 31 March 2021 RM'000
Corporate guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	12,939

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 2020.

A17. Status of corporate exercise

On 15 March 2021, the Company announced that it proposed to establish an employee share option scheme of up to 30% of the total number of issued shares of the Company (excluding treasury shares) at any point in time for the eligible Directors and employees of the Company and its subsidiary companies (excluding dormant subsidiary companies) (“Proposed ESOS”). The proposed ESOS has been approved by Bursa Malaysia Securities Berhad vide its letter dated 5 April 2021.

The proposed ESOS is conditional upon approval by shareholders of the Company at an extraordinary general meeting (“EGM”) to be convened.

A18. Related party transaction

Related party transactions for the quarter under review in which certain Directors have direct/indirect interest are as follows:

	Group	
	Quarter ended 31 March 2021	Year-to-date 31 March 2021
	RM’000	RM’000
Allowance to shareholder	17	17

B. ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. Review of performance

	Current Quarter Ended				Cumulative Quarter Ended			
	31 March 2021	31 March 2020	Change		31 March 2021	31 March 2020	Change	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	10,769	11,888	(1,119)	-9.41%	10,769	11,888	(1,119)	-9.41%
Profit before taxation	1,426	465	961	206.67%	1,426	465	961	206.67%
Earnings before interest, taxes, depreciation and amortisation ("EBITDA")	3,045	1,782	1,263	70.88%	3,045	1,782	1,263	70.88%

Financial review for first quarter ended 31 March 2021 ("Q1 FY2021") versus corresponding quarter ended 31 March 2020 ("Q1 FY2020")

In Q1 FY2021, the Group recorded RM10.77 million of revenue against RM11.89 million in Q1 FY2020, with a decrease of 9.41%. The decrease was due to lower sales order in the current quarter, mainly on the recycled petroleum and recycled petrochemical products. Nevertheless, the revenue contributed a better gross profit margin at 28.90% in Q1 FY2021 with an increase of 8.59% compared with Q1 FY2020. Better gross profit margin was resulted from the lower cost of material purchased and production cost incurred during the quarter.

Other income consisted of rental income and interest income. There was an increase in other income in the current quarter which was due to the gain on disposal of subsidiary to a non-controlling interest amounted to RM0.14 million.

Total operating expenses within the quarters has slightly decreased by 6.74% from Q1 FY2020 to RM1.91 million in the current quarter. The decrease was contributed by the lower depreciation charged for fully depreciated assets as well as the reduction in staff cost incurred in Q1 FY2021.

Accordingly, the Group closed at profit before tax of RM1.43 million in the current quarter against RM0.47 million in the corresponding quarter. The EBITDA has improved to RM3.05 million in tandem with the better gross profit margin and lower operating expenses incurred in the current quarter.

B2. Financial review of current quarter ended 31 March 2021 (“Q1 FY2021”) versus immediate preceding quarter ended 31 December 2020 (“Q4 FY2020”)

	Financial Quarter Ended			
	31 March 2021	31 December 2020	Change	
	RM'000	RM'000	RM'000	%
Revenue	10,769	9,085	1,684	18.54%
Profit before taxation	1,426	235	1,191	506.81%
Earnings before interest, taxes, depreciation and amortisation (“EBITDA”)	3,045	1,858	1,187	63.89%

In the comparison of the financial performance of the current quarter versus immediate preceding quarter, the Group’s revenue has increased by 18.54% in Q1 FY2021 to RM10.77 million. The Group has secured higher sales order where the revenue was realised in the current quarter. Higher revenue was contributed, mainly from the recycled petrochemicals product and scheduled waste collection services with an increase of 11.92% and 77.09% respectively. With the increase, the gross profit margin of the group has risen from 23.58% to 28.89%.

Overall operating expenses have reduced from RM2.05 million to RM1.91 million, down by 7%. The decrease was due to the impairment loss incurred on property held for sale of RM0.29 million and higher professional fees incurred amounting to RM0.16 million in Q4 FY2020.

With the above, the Group registered a better performance with profit before tax of RM1.43 million and EBITDA of RM3.05 million in the current quarter as compared to profit before tax of RM0.24 million and EBITDA of RM1.86 million the immediate preceding quarter.

B3. Prospects

The current market sentiment remains conservative with the recent resurgence of Covid-19 cases. Conditional Movement Control Order (“CMCO”) and Movement Control Order (“MCO”) has been re-implemented with the spike of Covid-19 cases in Malaysia. At this juncture, it is difficult to gauge the market direction in the near term in view of the Covid-19 pandemic.

Notwithstanding the unpredictable market condition, the Group will stay vigilant on the market outlook, while at the same time taking stringent measures in its internal control and production efficiency, as well as prudent financial management to sustain its business operations. The Group continues to remain adaptive and will explore untapped opportunities to remain relevant in the competitive business landscape.

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	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	RM'000	RM'000	RM'000	RM'000
Current Tax				
- current year	41	43	41	43
Deferred Tax				
- origination and reversal of temporary differences	427	-	427	-
	468	43	468	43

B6. Bank borrowings

The Group's bank borrowings as at 31 March 2021 are as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Secured</u>			
-Term Loans	12,208	467	12,675
	12,208	467	12,675

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. Profit for the period

	Current Quarter Ended 31 March 2021 RM'000	Cumulative Quarter Ended 31 March 2021 RM'000
Profit before taxation is arrived at after charging/(crediting):		
Interest income	(20)	(20)
Interest expenses	203	203
Depreciation of property, plant and equipment	883	883
Depreciation of investment properties	46	46
Depreciation of rights-of-use asset	507	507
Fair value gain on short term investment	(19)	(19)
Reversal of impairment loss on trade receivables	(7)	(7)

B10. 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 31 March		Cumulative Quarter Ended 31 March	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group's net profit attributable to equity holders of the Company (RM'000)	1,040	422	1,040	422
Weighted average number of ordinary shares ('000)	329,188	330,172	329,188	330,172
Earnings per share (sen)				
- Basic	0.32	0.13	0.32	0.13

The Group has no dilution impact in their earnings/(loss) 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 May 2021.

By order of the Board of Directors

DATO' CHAN SAY HWA
Group Managing Director

24 May 2021