



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2021**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2021**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30 June 2021 RM'000	Preceding Year Corresponding Quarter Ended 30 June 2020 RM'000	Current Year To Date Ended 30 June 2021 RM'000	Preceding year To Date Ended 30 June 2020 RM'000
Revenue	12,126	6,263	22,895	18,151
Cost of sales	(8,640)	(6,805)	(16,297)	(16,278)
Gross profit	3,486	(542)	6,598	1,873
Other income	76	66	298	162
Administration expenses	(1,824)	(1,937)	(3,368)	(3,662)
Selling and distribution costs	(129)	(47)	(290)	(155)
Finance costs	(138)	(27)	(341)	(240)
Profit/(Loss) before taxation	1,471	(2,487)	2,897	(2,022)
Taxation	(215)	43	(683)	-
Net profit/(loss) for the financial period	1,256	(2,444)	2,214	(2,022)
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 income/(expense) for the financial period	1,256	(2,444)	2,214	(2,022)
Profit/(Loss) for the year attributable to:				
Equity owners of the Company	1,206	(2,444)	2,246	(2,022)
Non-controlling interests	50	-	(32)	-
	1,256	(2,444)	2,214	(2,022)
Total comprehensive income/(expense) attributable to:				
Equity owners of the Company	1,206	(2,444)	2,246	(2,022)
Non-controlling interests	50	-	(32)	-
	1,256	(2,444)	2,214	(2,022)
Earnings/(Loss) per share attributable to the equity holders of the Company (sen)				
	0.37	(0.74)	0.68	(0.61)

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
AS AT 30 JUNE 2021**

	Unaudited As at 30 June 2021 RM'000	Audited As at 31 December 2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	26,226	22,368
Investment property	7,632	7,724
Right-of-use assets	31,659	31,902
	<u>65,517</u>	<u>61,994</u>
Current assets		
Non-current assets classified as held for sale	-	1,380
Inventories	4,598	4,905
Trade receivables	4,880	3,698
Other receivables	3,620	2,952
Tax recoverable	81	75
Short term investment	277	4,250
Fixed deposits	3,823	4,801
Cash and bank balances	6,682	2,919
	<u>23,961</u>	<u>24,980</u>
TOTAL ASSETS	<u>89,478</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	25,846	23,600
Equity attributable to owners of the Company	<u>65,884</u>	<u>63,638</u>
Non-controlling interests	(129)	-
Total equity	<u>65,755</u>	<u>63,638</u>
LIABILITY		
Non-current liabilities		
Lease liabilities	1,196	1,082
Bank borrowings	12,255	12,030
Deferred tax liabilities	5,589	5,115
	<u>19,040</u>	<u>18,227</u>
Current Liabilities		
Trade payables	2,829	1,063
Other payables	333	1,804
Lease liabilities	878	895
Bank borrowings	643	1,347
	<u>4,683</u>	<u>5,109</u>
Total liabilities	<u>23,723</u>	<u>23,336</u>
TOTAL EQUITY AND LIABILITIES	<u>89,478</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 SECOND QUARTER ENDED 30 JUNE 2021**

	<-----Attributable to Equity Holders of the Company ----->							
	<----- Non-distributable ----->				Distributable			
	Share Capital	Treasury Shares	Revaluation Reserve	Merger Deficit	Retained Profits	Total	Non- Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current year to date ended 30 June 2021								
At 1 January 2021	41,093	(401)	8,881	(9,535)	23,600	63,638	-	63,638
							-	
Profit for the financial year, representing total comprehensive income for the financial period	-	-	-	-	2,246	2,246	(32)	2,214
Transactions with owner								
Disposal of a subsidiary	-	-	-	-	-	-	(97)	(97)
At 30 June 2021	41,093	(401)	8,881	(9,535)	25,846	65,884	(129)	65,755
Preceding year to date ended 30 June 2020								
At 1 January 2020	41,093	(302)	9,488	(9,535)	24,898	65,642	-	65,642
Profit for the financial year, representing total comprehensive income for the financial period	-	-	-	-	(2,022)	(2,022)	-	(2,022)
At 30 June 2020	41,093	(302)	9,488	(9,535)	22,876	63,620	-	63,620

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 SECOND QUARTER ENDED 30 JUNE 2021**

	Current Year To-date Ended 30 June 2021 RM'000	Preceding Year To-date Ended 30 June 2020 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	2,897	(2,022)
Adjustments:		
Depreciation of property, plant and equipment	1,764	1,559
Depreciation of investment properties	91	38
Depreciation of right-of-use assets	1,010	836
Fair value loss/(gain) on short term investment	2	(58)
Gain on disposal of a subsidiary	(137)	-
Reversal of impairment loss on trade receivables	(7)	-
Property, plant and equipment written off	31	315
Loss on disposal of property, plant and equipment	-	13
Interest income	(36)	(101)
Interest expenses	341	240
Operating profit before working capital changes	5,956	820
(Increase)/decrease in working capital:		
Inventories	307	2,429
Receivables	(1,847)	5,521
Payables	295	(1,919)
Cash generated from operations	4,711	6,851
Interest received	36	101
Interest paid	(325)	(229)
Tax paid	(216)	(197)
Net cash from operating activities	4,206	6,526
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,653)	(5,268)
Proceeds from disposal of investment property	1,380	-
Proceeds from disposal of property, plant and equipment	-	12
Disposal of short term investment	3,971	-
Disposal of a subsidiary	40	-
Net cash used in investing activities	(262)	(5,256)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(479)	(285)
Repayment of lease liabilities	(680)	(700)
Net cash used in financing activities	(1,159)	(985)
Net increase in cash & cash equivalents	2,785	285
Cash and cash equivalents at beginning of the financial period	7,720	8,656
Cash and cash equivalents at end of the financial period	10,505	8,941
Cash and Cash Equivalents at end of the period comprise the followings:		
Fixed deposits with licenced banks	3,823	5,774
Cash and bank balances	6,682	3,167
	10,505	8,941

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 30 JUNE 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
- Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 30 June 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 financial period. 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 30 June 2021 RM'000
Contracted and approved for:	
- Purchase of leasehold industrial land	9,573
- Purchase of equipments	7,022
	16,595

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 30 June 2021 were as follows:

<u>Unsecured contingent liabilities</u>	Company 30 June 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

Employee Share option Scheme

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 (“Bursa”) vide its letter dated 5 April 2021. The shareholders of the Company have approved the proposed ESOS at extraordinary general meeting (“EGM”) which held on 24 May 2021.

On 28 July 2021, the Company has implemented the ESOS, being the date on which the Company is in full compliance with Rule 6.44 (1) of the Listing Requirements.

Private Placement

On 24 May 2021, the Company proposes to undertake a private placement of up to 66,660,000 new ordinary shares in the Company, representing up to approximately 20% of the total number of issued shares of the Company (excluding treasury shares) (“Proposed Private Placement”). The proposed Private Placement has been approved by Bursa on 10 June 2021 with conditional on the compliance of relevant provisions under listing requirements.

On 5 August 2021, 65,837,000 Placement Shares have been allotted to third party investors at issue price of RM0.135 with gross proceeds of RM8,887,995 raised by the Company. The Private Placement has been completed following the listing of and quotation for 65,837,000 Placement Shares on the ACE Market of Bursa Securities on 11 August 2021.

As at the date of this report, there is no utilisation of Private Placement proceeds except for the professional fees incurred of RM76,108.

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 30 June 2021	Year-to-date 30 June 2021
	RM’000	RM’000
Allowance to shareholder	17	34

B. ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. Review of performance

Financial review for second quarter ended 30 June 2021 (“Q2 FY2021”) versus corresponding quarter ended 30 June 2020 (“Q2 FY2020”)

	Current Quarter Ended				Cumulative Quarter Ended			
	30 June 2021	30 June 2020	Change		30 June 2021	30 June 2020	Change	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	12,126	6,263	5,863	93.61%	22,895	18,151	4,744	26.14%
Profit/(Loss) before taxation	1,471	(2,487)	3,958	159.15%	2,897	(2,022)	4,919	243.27%
Earnings/(Loss) before interest, taxes, depreciation and amortisation (“EBITDA”/ (“LBITDA”))	3,023	(1,224)	4,247	346.98%	6,068	651	5,417	832.10%

In Q2 FY2021, the revenue of the Group increased by 93.61% from RM6.26 million in Q2 FY2020 to RM12.13 million. In the previous corresponding quarter, the performance of the Group was impacted by the full lockdown imposed by the government due to Covid-19 pandemic. As such, the revenue was low in consequence to the lockdown imposed. In the current quarter, the revenue generated from all product segments have increased and has achieved an overall gross profit margin of 28.75% as compared to a gross loss in the corresponding quarter.

Overall operating expenses have increased from RM2.01 million in Q2 FY2020 to RM2.09 million in the current quarter. The increase of 3.98% in operating expenses was mainly due to higher selling and distribution expenses of RM0.08 million and increase in term loan interest of RM0.11 million. However, this was partly mitigated by the decrease in administration expenses of RM0.11 million.

With the above, the Group registered a profit before tax of RM1.47 million with EBITDA of RM3.02 million in the current quarter as compared to a loss before tax of RM2.49 million with LBITDA of RM1.22 million.

Financial review for the financial period year-to-date ended 30 June 2021 (“YTD FY2021”) versus 30 June 2020 (“YTD FY2020”)

The year-on-year performance of the Group has improved in the current financial period as compared to the preceding financial period where Movement Control Order (“MCO”) with full lockdown (except essential services) was imposed commenced from 18 March 2020 to contain the Covid-19 pandemic.

Revenue of the Group stood at RM22.90 million in YTD FY2021, an increase of 26.14% from YTD FY2020. The main increase was contributed by recycled petrochemicals products and scheduled waste collection services by RM6.68 million and RM1.83 million respectively. With the increase in revenue, the gross profit margin has improved from 10.32% to 28.82% in the current financial period.

The total operating expenses for the current financial periods was fairly consistent, with a slight decrease of 1.43% as compared to YTD FY2020. The decrease in administration expenses of RM0.29 million was offsetting with the increase in selling and distribution expenses and finance costs.

As a result, the Group recorded a profit before tax of RM2.90 million in current financial period, rebounded from a loss before tax of RM2.02 million in the corresponding financial period. EBITDA also has improved from RM0.65 million to RM6.07 million in YTD FY2021 in line with the increase of its revenue and gross profit margin.

B2. Financial review of current quarter ended 30 June 2021 (“Q2 FY2021”) versus immediate preceding quarter ended 31 March 2021 (“Q1 FY2021”)

	Financial Quarter Ended			
	30 June 2021	31 March 2021	Change	
	RM'000	RM'000	RM'000	%
Revenue	12,126	10,769	1,357	12.60%
Profit before taxation	1,471	1,426	45	3.16%
Earnings before interest, taxes, depreciation and amortisation (“EBITDA”)	3,023	3,045	(22)	-0.72%

In the current quarter, the Group generated higher revenue by 12.60% to RM12.13 million as compared to RM10.77 million in the immediate preceding quarter. The increase was due to higher sales order secured especially on the recycled petroleum products, with an increase of 47.73%, followed by the increase in recycled petrochemicals products of 19.95% in Q2 FY2021. However, the revenue of the scheduled waste collection services declined by 48.17% in Q2 FY2021 resultant from the lower sales order for the services as well as the product mix within the segment products in Q2 FY2021.

Although there was increases in the revenue, its gross profit margin between the quarters are fairly consistent, stood at 28.75% (Q2 FY2021) and 28.89% (Q1 FY2021).

The Group has incurred total operating expenses of RM2.09 million in Q2 FY2021, up by 9.59% from Q1 FY2021. The increase was on administration expenses, mainly on professional fees, directors’ fees, subscription fees, foreign exchange losses and property, plant and equipment written off totalling RM0.21 million in the current quarter. The increase was off-setting with lower commission paid out in selling and distribution expenses as well as the decrease in finance costs on term loan.

Hence, in closing the quarter, the Group registered a profit before tax of RM1.47 million, a slight increase of 3.16% from the immediate preceding quarter. EBITDA was recorded at RM3.02 million in Q2 FY2021 as compared to RM3.05 million in Q1 FY2021.

B3. Prospects

The current market sentiment remains conservative with the recent resurgence of Covid-19 cases. Various movement control orders have 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	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	RM'000	RM'000	RM'000	RM'000
Current Tax				
- current year	168	(43)	209	-
Deferred Tax				
- origination and reversal of temporary differences	47	-	474	-
	215	(43)	683	-

B6. Bank borrowings

The Group's bank borrowings as at 30 June 2021 are as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Secured</u>			
-Term Loans	12,255	643	12,898
	12,255	643	12,898

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 30 June 2021 RM'000	Cumulative Quarter Ended 30 June 2021 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):		
Interest income	(16)	(36)
Interest expenses	138	341
Depreciation of property, plant and equipment	881	1,764
Depreciation of investment properties	45	91
Depreciation of rights-of-use asset	503	1,010
Fair value loss on short term investment	21	2
Gain on disposal of a subsidiary	-	(137)
Reversal of impairment loss on trade receivables	-	(7)
Property, plant and equipment written off	31	31

B10. Earnings/(Loss) 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group's net profit/(loss) attributable to equity holders of the Company (RM'000)	1,206	(2,444)	2,246	(2,022)
Weighted average number of ordinary shares ('000)	329,188	330,172	329,188	330,172
Earnings/(Loss) per share (sen)				
- Basic	0.37	(0.74)	0.68	(0.61)

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 August 2021.

By order of the Board of Directors

DATO' CHAN SAY HWA
Group Managing Director

24 August 2021