



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 March 2022**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2022**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31 March 2022 RM'000	Preceding Year Corresponding Quarter Ended 31 March 2021 RM'000	Current Year To Date Ended 31 March 2022 RM'000	Preceding year To Date Ended 31 March 2021 RM'000
Revenue	17,287	10,769	17,287	10,769
Cost of sales	(12,594)	(7,657)	(12,594)	(7,657)
Gross profit	4,693	3,112	4,693	3,112
Other income	106	222	106	222
Administration expenses	(1,866)	(1,544)	(1,866)	(1,544)
Selling and distribution costs	(138)	(161)	(138)	(161)
Finance costs	(210)	(203)	(210)	(203)
Profit before taxation	2,585	1,426	2,585	1,426
Taxation	(1,155)	(468)	(1,155)	(468)
Net profit for the financial period, representing total comprehensive income for the financial period	1,430	958	1,430	958
Profit for the period, representing total comprehensive income for the financial period attributable to:				
Equity owners of the Company	1,468	1,040	1,468	1,040
Non-controlling interests	(38)	(82)	(38)	(82)
	1,430	958	1,430	958
Earnings per share attributable to the equity holders of the Company (sen)	0.37	0.32	0.37	0.32

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 2021 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 2022**

	Unaudited As at 31 March 2022 RM'000	Audited As at 31 December 2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	31,863	31,055
Investment property	7,495	7,541
Right-of-use assets	42,471	42,848
Other receivables	184	201
	82,013	81,645
Current assets		
Inventories	7,937	7,065
Trade receivables	8,508	7,191
Other receivables	778	687
Tax recoverable	-	103
Short term investment	10,152	6,616
Fixed deposits	163	163
Cash and bank balances	5,476	7,554
	33,014	29,379
TOTAL ASSETS	115,027	111,024
EQUITY		
Share capital	49,981	49,981
Treasury shares	(401)	(401)
Merger deficit	(9,535)	(9,535)
Revaluation reserve	8,881	8,881
Retained profits	28,623	27,155
Equity attributable to owners of the Company	77,549	76,081
Non-controlling interests	(160)	(122)
Total equity	77,389	75,959
LIABILITY		
Non-current liabilities		
Lease liabilities	650	839
Bank borrowings	22,288	21,479
Deferred tax liabilities	7,184	7,005
	30,122	29,323
Current Liabilities		
Trade payables	3,117	2,981
Other payables	1,343	524
Provision for taxation	754	-
Lease liabilities	742	735
Bank borrowings	1,560	1,502
	7,516	5,742
Total liabilities	37,638	35,065
TOTAL EQUITY AND LIABILITIES	115,027	111,024
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 2021 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 2022**

	<-----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 31 March 2022								
At 1 January 2022	49,981	(401)	8,881	(9,535)	27,155	76,081	(122)	75,959
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	-	1,468	1,468	(38)	1,430
At 31 March 2022	49,981	(401)	8,881	(9,535)	28,623	77,549	(160)	77,389
Preceding 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 period, representing total comprehensive income for the financial period	-	-	-	-	1,040	1,040	(82)	958
Transactions with owner								
Purchase of treasury shares	-	-	-	-	-	-	(97)	(97)
At 31 March 2021	41,093	(401)	8,881	(9,535)	24,640	64,678	(179)	64,499

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 2021 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 2022**

	Current Year To-date Ended 31 March 2022 RM'000	Preceding Year To-date Ended 31 March 2021 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	2,585	1,426
Adjustments:		
Depreciation of property, plant and equipment	1,242	883
Depreciation of investment properties	46	46
Depreciation of right-of-use assets	377	507
Dividend income on short term investment	(56)	-
Fair value loss/(gain) on short term investment	20	(19)
Reversal of impairment loss on trade receivables	-	(7)
Property, plant and equipment written off	7	-
Loss on disposal of property, plant and equipment	2	-
Interest income	(1)	(20)
Interest expenses	210	203
Operating profit before working capital changes	4,432	3,019
(Increase)/decrease in working capital:		
Inventories	(871)	(368)
Receivables	(1,391)	(1,696)
Payables	954	4,051
Cash generated from operations	3,124	5,006
Interest received	1	20
Interest paid	(210)	(197)
Tax refund	1	-
Tax paid	(121)	(123)
Net cash from operating activities	2,795	4,706
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,059)	(2,924)
Disposal of a subsidiary	-	(97)
Placement of short term investment	(3,500)	-
Net cash used in investing activities	(5,559)	(3,021)
CASH FLOW FROM FINANCING ACTIVITIES		
Drawdown of borrowings	1,131	-
Repayment of bank borrowings	(264)	(702)
Repayment of lease liabilities	(181)	(342)
Net cash from/(used in) financing activities	686	(1,044)
Net (decrease)/increase in cash & cash equivalents	(2,078)	641
Cash and cash equivalents at beginning of the financial period	7,717	7,720
Cash and cash equivalents at end of the financial period	5,639	8,361
<u>Cash and Cash Equivalents at end of the period comprise the followings:</u>		
Fixed deposits with licenced banks	163	3,806
Cash and bank balances	5,476	4,555
	<u>5,639</u>	<u>8,361</u>

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 2021 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 2022

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 2021 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 2021 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 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

(ii) 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)

(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 intend to adopt the abovementioned accounting standards, interpretations and amendments when they become effective.

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 issuance, cancellation, repurchases, resale and repayments of debt and equity securities in the current financial period under review.

As at 31 March 2022, 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
	31 March 2022
	RM'000
Contracted and approved for:	
- Purchase of equipments	3,082

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 31 March 2022 were as follows:

<u>Unsecured contingent liabilities</u>	Company 31 March 2022 RM'000
Corporate guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	39,645

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 2021.

A17. Status of corporate exercise

Employee Share option Scheme (“ESOS”)

As at the current quarter ended 31 March 2022, there was no ESOS option has been granted to the employee of the Group.

Private Placement

In the previous financial year, 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) (“Private Placement”). The Private Placement has been approved by Bursa Securities with conditional on the compliance of relevant provisions under listing requirements.

A total of 65,837,000 placement shares have been allotted and listed to third party investors at an issue price of RM0.135 with gross proceeds of RM8,887,995.

As at the date of this report, the status of utilisation of proceeds from the Private Placement is as below:

	Purpose	Proposed Utilisation After Variation RM'000	Actual Utilisation RM'000	Balance Utilisation RM'000	Intended Timeframe for Utilisation
(i)	Part finance the construction of a new waste treatment facility	3,000	-	3,000	Within 18 months
(ii)	Purchase of new palm oil waste refining system	4,000	4,000	-	Within 18 months
(iii)	Estimated expenses for the Private Placement	250	76	174*	Within 1 months
(iv)	Working capital requirements	1,638	1,500	138	Within 12 months
	Total	8,888	5,576	3,312	

* The amount unutilised for private placement expenses will be used for general working capital purposes.

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 2022	Year-to-date 31 March 2022
	RM'000	RM'000
Allowance to shareholder	17	17

B. ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. Review of performance

Financial review for first quarter ended 31 March 2022 (“Q1 FY2022”) versus corresponding quarter ended 31 March 2021 (“Q1 FY2021”)

	Current Quarter Ended				Cumulative Quarter Ended			
	31 March 2022	31 March 2021	Change		31 March 2022	31 March 2021	Change	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	17,287	10,769	6,518	60.53%	17,287	10,769	6,518	60.53%
Profit before taxation	2,585	1,426	1,159	81.28%	2,585	1,426	1,159	81.28%
Earnings before interest, taxes, depreciation and amortisation (“EBITDA”)	4,461	3,045	1,416	46.50%	4,461	3,045	1,416	46.50%

In Q1 FY2022, the Group generated a revenue of RM17.29 million, with an increase of 60.53% as compared to RM10.77 million in the corresponding quarter. The increase was mainly contributed by the export sales which amounted to RM6.13 million, approximate 35.44% of the total revenue. On the product segment, the revenue from the recycled petroleum products was on the upward trend with an increase of RM9.38 million in Q1 FY2022, mainly from the export sales. This increase was contra against the decrease of the recycled petrochemical products and scheduled waste collection services of RM2.86 million.

The gross profit margin in the current quarter was at 27.18% against 28.90% in the corresponding quarter. The slight drop of its gross profit margin of 1.72% was due to the increase in cost of goods sold off-setting with the higher sales occurred in the current quarter. The increase in cost was due to the higher purchase price of materials purchased as well as increase in labour cost, depreciation charged and factory overhead cost in Q1 FY2022.

Other income consists of rental income, interest from fixed deposit, dividend income from the deposit of the money market fund as well as the foreign exchange gain at the quarter end.

The Group incurred RM2.21 million of operating expenses in the current quarter, up by 16.04% against RM1.91 million in Q1 FY2021. This was mainly due to the increase in staff cost with additional headcount and salary adjustment. Further, the Group also incurred expenses on COVID-19 related such as purchase of face mask and periodic Rapid Test Kit (“RTK Test”) on staff.

With the above, the Group registered a profit before tax of RM2.59 million in the current quarter compared to RM1.43 million in the corresponding quarter. EBITDA of the Group has improved by RM1.42 million to RM4.46 million in the current financial period.

B2. Financial review of current quarter ended 31 March 2022 (“Q1 FY2022”) versus immediate preceding quarter ended 31 December 2021 (“Q4 FY2021”)

	Financial Quarter Ended			
	31 March 2022	31 December 2021	Change	
	RM'000	RM'000	RM'000	%
Revenue	17,287	12,980	4,307	33.18%
Profit before taxation	2,585	209	2,376	1136.84%
Earnings before interest, taxes, depreciation and and amortisation (“EBITDA”)	4,461	1,938	2,523	130.19%

In Q1 FY2022, the Group’s revenue was well off by 33.18% to RM17.29 million comparing with RM12.98 million in Q4 FY2021. The increase was mainly due to the increase in export sales by RM4.06 million to RM6.13 million in the current quarter. The Group achieved a gross profit margin of 27.18% in the current quarter, with an increase of 8.07% as compared to Q4 FY2021 which in line with the higher sales volume and better selling price on the products.

Total operating expenses of the Group was downed by 4.04% to RM2.21 million in Q1 FY2022. The decrease was at the administration expenses whereby there was decrease in professional fees and insurance incurred offsetting the increase in staff cost with net decrease of RM0.05 million. Further, the finance cost has reduced to RM0.21 million, a decrease of RM0.07 million due to finance cost incurred on the utilisation of trade facilities in the immediate preceding quarter.

At quarter ended 31 March 2022, the Group closed its profit before tax at RM2.59 million with EBITDA of RM4.46 million. In Q4 FY2021, the Group achieved a profit before tax of RM0.21 million and EBITDA of RM1.94 million.

B3. Prospects

Malaysia is moving to the endemic phase following the outbreak of the pandemic Covid-19 in the previous years. Markets and international border are re-opened along with the relaxation of the policy to recover and boost up the economy of the country. The government is at the positive outlook that the Gross Domestic Product (“GDP”) growth is expected between 5.5% and 6.5% in 2022 upon the reopening of economy.

The product pricing of the Group is still on the volatile basis with the Russia-Ukraine war which affecting the international oil price and its supply chain. The Group is closely monitoring its fluctuation and adjusting its business strategy to adapt the change arisen.

The business environment is expected to be challenging, yet, the Group remains conscious of the disruption of the market changes and be adaptive to grips with the potential business opportunity ahead. On the management side, the Group is always ensuring the effectiveness and efficiency of the internal control and production process as well as prudent financial management to sustain its business operations.

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 2022	31 March 2021	31 March 2022	31 March 2021
	RM'000	RM'000	RM'000	RM'000
Current Tax				
- current year	976	41	976	41
Deferred Tax				
- origination and reversal of temporary differences	179	427	179	427
	1,155	468	1,155	468

The effective tax rate of the Group for the current financial period was higher than the statutory tax rate due to higher non-deductibility of certain expenses and movement of temporary differences arising.

B6. Bank borrowings

The Group's bank borrowings as at 31 March 2022 are as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Secured</u>			
-Term Loans	22,288	1,560	23,848
	22,288	1,560	23,848

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		Cumulative Quarter Ended 31 March	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Interest income	(1)	(20)	(1)	(20)
Interest expenses	210	203	210	203
Depreciation of property, plant and equipment	1,242	883	1,242	883
Depreciation of investment properties	46	46	46	46
Depreciation of rights-of-use assets	377	507	377	507
Dividend income on short term investment	(56)	-	(56)	-
Fair value loss on short term investment	20	(19)	20	(19)
Loss on disposal of property, plant and equipment	2	-	2	-
Reversal of impairment loss on trade receivables	-	(7)	-	(7)
Property, plant and equipment written off	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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Group's net (loss)/profit attributable to equity holders of the Company (RM'000)	1,468	1,040	1,468	1,040
Weighted average number of ordinary shares ('000)	395,025	329,188	395,025	329,188
Earnings/(Loss) per share (sen)				
- Basic	0.37	0.32	0.37	0.32

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 25 May 2022.

HIAP HUAT HOLDINGS BERHAD (Registration No.: 200901038858 (881993-M))

By order of the Board of Directors

DATO' CHAN SAY HWA
Group Managing Director

25 May 2022