



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2023**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30 June 2023 RM'000	Preceding Year Corresponding Quarter Ended 30 June 2022 RM'000	Current Year To Date Ended 30 June 2023 RM'000	Preceding year To Date Ended 30 June 2022 RM'000
Revenue	17,695	20,840	39,050	38,127
Cost of sales	(13,730)	(14,496)	(30,796)	(27,090)
Gross profit	3,965	6,344	8,254	11,037
Other income	328	280	599	386
Administration expenses	(2,614)	(2,187)	(5,304)	(4,053)
Selling and distribution costs	(206)	(260)	(470)	(398)
Finance costs	(341)	(219)	(668)	(429)
Profit before taxation	1,132	3,958	2,411	6,543
Taxation	(334)	(1,009)	(714)	(2,164)
Net profit for the financial period, representing total comprehensive income for the financial period	798	2,949	1,697	4,379
Profit for the period, representing total comprehensive income for the financial period attributable to:				
Equity owners of the Company	689	2,958	1,591	4,426
Non-controlling interests	109	(9)	106	(47)
	798	2,949	1,697	4,379
Earnings per share attributable to the equity holders of the Company (sen)	0.17	0.75	0.40	1.12

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 2022 and the accompanying explanatory notes attached to this interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	Unaudited As at 30 June 2023 RM'000	Audited As at 31 December 2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	29,904	30,367
Investment property	7,311	7,358
Right-of-use assets	47,439	46,675
Other receivables	92	128
	84,746	84,528
Current assets		
Inventories	6,703	7,586
Trade receivables	17,316	11,470
Other receivables	1,335	1,685
Tax recoverable	870	390
Fixed deposits	13,697	5,666
Cash and bank balances	2,914	13,427
	42,835	40,224
TOTAL ASSETS	127,581	124,752
EQUITY		
Share capital	49,981	49,981
Treasury shares	(401)	(401)
Merger deficit	(9,535)	(9,535)
Revaluation reserves	8,881	8,881
Retained profits	36,900	35,309
Equity attributable to owners of the Company	85,826	84,235
Non-controlling interests	(116)	(222)
Total equity	85,710	84,013
LIABILITY		
Non-current liabilities		
Lease liabilities	3,370	2,625
Bank borrowings	22,644	22,645
Deferred tax liabilities	7,364	7,519
	33,378	32,789
Current Liabilities		
Trade payables	2,997	3,460
Other payables	977	985
Provision for taxation	868	683
Lease liabilities	1,455	974
Bank borrowings	2,196	1,848
	8,493	7,950
Total liabilities	41,871	40,739
TOTAL EQUITY AND LIABILITIES	127,581	124,752
Net assets per share attributable to equity holders of the Company (RM)	0.22	0.21

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 2022 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 2023**

	<-----Attributable to Equity Holders of the Company ----->							
	<----- Non-distributable ----->				Distributable			
	Share Capital	Treasury Shares	Revaluation Reserves	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 2023								
At 1 January 2023	49,981	(401)	8,881	(9,535)	35,309	84,235	(222)	84,013
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	-	1,591	1,591	106	1,697
At 30 June 2023	49,981	(401)	8,881	(9,535)	36,900	85,826	(116)	85,710
Preceding year to date ended 30 June 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	-	-	-	-	4,426	4,426	(47)	4,379
At 30 June 2022	49,981	(401)	8,881	(9,535)	31,581	80,507	(169)	80,338

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 2022 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 2023**

	Current Year To-date Ended 30 June 2023 RM'000	Preceding Year To-date Ended 30 June 2022 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	2,411	6,543
Adjustments:		
Depreciation of property, plant and equipment	2,613	2,524
Depreciation of investment properties	47	91
Depreciation of right-of-use assets	1,274	780
Dividend income on short term investments	-	(113)
Fair value loss on short term investments	-	62
Bad debts written off	21	-
Gain on disposal of property, plant and equipment	(43)	(27)
Reversal of impairment loss on trade receivables	(21)	-
Property, plant and equipment written off	14	10
Interest income	(258)	(1)
Interest expenses	668	429
Operating profit before working capital changes	6,726	10,298
(Increase)/decrease in working capital:		
Inventories	883	(1,057)
Receivables	(5,299)	(6,747)
Payables	(471)	1,910
Cash generated from operations	1,839	4,404
Interest received	99	1
Interest paid	(664)	(421)
Tax refund	107	2
Tax paid	(1,271)	(205)
Net cash from operating activities	110	3,781
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,190)	(3,331)
Additions to right-of-use assets	(19)	-
Proceeds from disposal of property, plant and equipment	69	29
Placement of fixed deposit with maturity more than 3 months	(8,198)	-
Redemption/(placement) of short term investments	-	(3,500)
Net cash used in investing activities	(10,338)	(6,802)
CASH FLOW FROM FINANCING ACTIVITIES		
Drawdown of borrowings	1,210	1,131
Repayment of bank borrowings	(863)	(542)
Repayment of lease liabilities	(798)	(371)
Net cash (used in)/from financing activities	(451)	218
Net decrease in cash & cash equivalents	(10,679)	(2,803)
Cash and cash equivalents at beginning of the financial period	13,593	7,717
Cash and cash equivalents at end of the financial period	2,914	4,914
<u>Cash and Cash Equivalents at end of the period comprise the followings:</u>		
Fixed deposits with licenced banks	13,697	164
Cash and bank balances	2,914	4,750
	16,611	4,914
Less: Fixed deposit with licensed bank with maturity more than 3 months	(13,697)	-
	2,914	4,914

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 2022 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 2023

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 2022 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 2022 except for the following standards, amendments to published standards and interpretations to existing standards which are applicable in the current financial year:

- 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

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 2024*

- Amendments to MFRS 16, Leases – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101, Presentation of Financial Statements – Non-current Liabilities with Covenants
- Amendments to MFRS 107, Statement of Cash Flow and MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements

A2. Summary of significant accounting policies (continued)

(ii) 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 30 June 2023, 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 2023 RM'000
Contracted and approved for:	
- Purchase of machineries	1,869
- Factory construction and renovation	3,826
	5,695

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 2023 were as follows:

<u>Unsecured contingent liabilities</u>	Group 30 June 2023 RM'000
Bank guarantee for performance bond given to supplies	809

<u>Unsecured contingent liabilities</u>	Company 30 June 2023 RM'000
Corporate guarantee given to financial institutions and non-financial institutions for financing facilities granted to subsidiaries	47,434

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 2022.

A17. Status of corporate exercise

Employee Share option Scheme (“ESOS”)

As at the current financial period ended 30 June 2023, there was no ESOS option has been granted to the employee of the Group.

Private Placement

The Company had allotted 65,837,000 placement shares through Private Placement at an issue price of RM0.135 with gross proceeds of RM8,887,995 in the previous financial years.

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	Revised Intended Timeframe for Utilisation
(i)	Part finance the construction of a new waste treatment facility	3,000	-	3,000	Within 30 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	250	-	Within 1 months
(iv)	Working capital requirements	1,638	1,638	-	Within 12 months
	Total	8,888	5,888	3,000	

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 2023	Year-to-date 30 June 2023
	RM'000	RM'000
Allowance to a person connected to certain Directors	17	34

B. ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. Review of performance

Financial review for second quarter ended 30 June 2023 (“Q2 FY2023”) versus corresponding quarter ended 30 June 2022 (“Q2 FY2022”)

	Current Quarter Ended				Cumulative Quarter Ended			
	30 June 2023	30 June 2022	Change		30 June 2023	30 June 2022	Change	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	17,695	20,840	(3,145)	-15.09%	39,050	38,127	923	2.42%
Profit before taxation	1,132	3,958	(2,826)	-71.40%	2,411	6,543	(4,132)	-63.15%
Earnings before interest, taxes, depreciation and amortisation (“EBITDA”)	3,324	5,905	(2,581)	-43.71%	6,755	10,366	(3,611)	-34.84%

The Group registered revenue at RM17.70 million in Q2 FY2023 against RM20.84 million in Q2 FY2022, a decrease of 15.09%. Geographically, the revenue for local sales has reduced by 37.48% while the export sales showed an increase of 86.86%. In terms of product segments, the sales of recycled petroleum products dropped by 64.58% while sales were picked up by recycled petrochemicals products and scheduled waste collection services in the current quarter. Further, there was a new stream of revenue derived from the sales of biofuel products which has contributed approximately RM2.04 million to the Group’s revenue.

The gross profit margin dropped by 8.03% to 22.41% in Q2 FY2023 resulting from lower sales and lower selling prices on the products. Further, the direct labour cost and depreciation have increased by RM0.41 million and RM0.28 million respectively as compared to Q2 FY 2022.

The increase in other income was mainly due to the fixed deposit interest income arising from the placement of the deposit.

On the operating costs, the Group incurred RM3.16 million in Q2 FY2023 versus RM 2.67 million in Q2 FY2022. The higher operating costs was mainly due to the increase in staff costs by RM0.33 million in the current quarter. In addition, the finance costs have increased by RM0.12 million due to interest rate hike and additional drawdown of financing facility.

With that, the Group recorded a lower profit before tax of RM1.13 million and EBITDA of RM3.32 million in the current quarter.

Financial review for the financial period year-to-date ended 30 June 2023 (“YTD FY2023”) versus 30 June 2022 (“YTD FY2022”)

On year-to-date, the Group achieved a revenue of RM39.05 million in YTD FY2023, an increase of 2.42% from RM38.13 million in YTD FY2022. The export sales representing 38.89% of the total revenue in YTD FY2023 have grown to RM15.19 million whilst local sales have reduced by 15.52% due to the sluggish local market condition.

Recycled petrochemicals products and scheduled waste collection services showed an increase in sales by RM10.65 million coupled with the sales from new biofuel products of RM2.04 million during the financial period. Contrary, the sales of recycled petroleum products have decreased by 41.80%.

The gross profit margin, however, was down by 7.81% to 21.14% in the YTD FY2023. The decrease in the gross profit margin was due to lower margin secured on the selling price of finished products whilst there were increase in the production costs on material purchased, direct labour costs and higher depreciation charged.

B1. Review of performance (Continued)

Financial review for the financial period year-to-date ended 30 June 2023 (“YTD FY2023”) versus 30 June 2022 (“YTD FY2022”) (Continued)

The Group incurred higher operating costs of RM6.44 million in YTD FY2023 as compared to RM4.88 million in YTD FY 2022. The increase in operating expenses were arising from the increase in commission paid of RM0.09 million, increase in depreciation charged of RM0.05 million with additional assets capitalised, salary adjustment and performance awards paid out of RM0.56 million, higher insurance premium incurred of RM0.26 million and realised foreign exchange loss of RM0.25 million incurred in the current financial period. Finance costs also increased by RM0.24 million with higher interest rate charged and additional borrowing drawdown.

At closing, the Group posted a profit before tax of RM2.41 million against RM6.54 million in YTD FY2022. EBITDA marked at RM6.76 million in YTD FY2023 compared with RM10.37 million in YTD FY2022.

B2. Financial review of current quarter ended 30 June 2023 (“Q2 FY2023”) versus immediate preceding quarter ended 31 March 2023 (“Q1 FY2023”)

	Financial Quarter Ended			
	30 June 2023	31 March 2023	Change	
	RM'000	RM'000	RM'000	%
Revenue	17,695	21,355	(3,660)	-17.14%
Profit before taxation	1,132	1,279	(147)	-11.49%
Earnings before interest, taxes, depreciation and amortisation (“EBITDA”)	3,324	3,431	(107)	-3.12%

In the current quarter, the revenue of the Group stood at RM17.70 million, a 17.14% decrease from the immediate preceding quarter. The decline in revenue was due to the reduced sales in recycled petroleum and petrochemicals products by 48.46% and 30.03% respectively. However, there was an increase in scheduled waste collection services of 62.75% and additional revenue contributed by a new biofuel products of RM2.04 million.

In spite of the lower revenue during the quarter, the gross profit margin increased from 20.08% to 22.41% in the current quarter. Higher sales from scheduled waste collection services as well as reduction in spending on factory overhead costs contributed to the better gross profit margin.

The Group incurred total operating expenses of RM3.16 million in Q2 FY2023 as compared to RM3.28 million in Q1 FY2023. The decrease was due to the reduction in administration expenses, mainly from the foreign exchange loss incurred in Q1 FY2023 and selling and distribution costs. The finance costs have increased by RM0.01 million mainly due to higher interest rates charged during the quarter.

At the quarter end, the Group registered a profit before tax of RM1.13 million and EBITDA of RM3.32 million as compared to the profit before tax of RM1.28 million and EBITDA of RM3.43 million in Q1 FY2023.

B3. Prospects

In 2023, the impact of the global economic slowdown would pare down overall Gross Domestic Product (“GDP”) growth, mainly due to weaker external demand and waning discretionary spending as cost of living rises. Inflation continues to exert pressure on the nation, prompting government to implement various cost of living initiatives. Moreover, the fluctuation of ringgit against US dollar is on a volatile basis which affects the global supply chain.

Yet, the Group is vigilant to the changes of the external environment. The Group remains conscious and be adaptive to change its strategic planning to overcome the market uncertainty. The Management of the Group prioritise effective internal controls, efficient production process as well as prudent financial management to sustain the business.

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 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM'000	RM'000	RM'000
Current Tax				
- current year	309	758	869	1,734
Deferred Tax				
- origination and reversal of temporary differences	25	251	(155)	430
	334	1,009	714	2,164

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

B6. Bank borrowings

The Group’s bank borrowings as at 30 June 2023 are as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Secured</u>			
-Term Loans	22,644	2,196	24,840
	22,644	2,196	24,840

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		Cumulative Quarter Ended 30 June	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Interest income	(128)	-	(258)	(1)
Interest expenses	341	219	668	429
Depreciation of property, plant and equipment	1,299	1,282	2,613	2,524
Depreciation of investment properties	24	45	47	91
Depreciation of rights-of-use assets	656	403	1,274	780
Dividend income on short term investments	-	(57)	-	(113)
Fair value loss on short term investments	-	42	-	62
Gain on disposal of property, plant and equipment	(19)	(29)	(43)	(27)
Property, plant and equipment written off	8	3	14	10
Bad debts written off	21	-	21	-
Reversal of impairment loss on trade receivables	(21)	-	(21)	-

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 30 June		Cumulative Quarter Ended 30 June	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Group's net profit attributable to equity holders of the Company (RM'000)	689	2,958	1,591	4,426
Weighted average number of ordinary shares ('000)	395,025	395,025	395,025	395,025
Earnings per share (sen)				
- Basic	0.17	0.75	0.40	1.12

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 2023.

By order of the Board of Directors

DATO' CHAN SAY HWA
Executive Chairman

24 August 2023