

# **HPP HOLDINGS BERHAD**

Registration No: 201801043588 (1305620-D)  
(Incorporated in Malaysia)

## **Unaudited Condensed Combined Interim Financial Report for the First Quarter Ended 31 August 2020**

**HPP Holdings Berhad**Registration No: 201801043588 (1305620-D)  
(Incorporated in Malaysia)**Unaudited condensed combined statement of financial position as at 31 August 2020**

	<b>Unaudited As at 31 August 2020 RM'000</b>	<b>Audited As at 31 May 2020 RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	53,076	53,386
<b>Current Assets</b>		
Inventories	8,717	8,977
Trade receivables	27,289	17,024
Other receivables	1,313	522
Tax recoverable	533	747
Fixed deposits with licensed banks	10,281	11,033
Cash and bank balances	14,713	13,974
<b>Total Current Assets</b>	<b>62,846</b>	<b>52,277</b>
<b>Total Assets</b>	<b>115,922</b>	<b>105,663</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	5,500	5,500
Retained earnings	65,638	61,888
<b>Total equity attributable to owners of the Company</b>	<b>71,138</b>	<b>67,388</b>
Non-controlling interest	2,004	1,926
<b>Total Equity</b>	<b>73,142</b>	<b>69,314</b>
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Borrowings	19,547	17,684
Deferred tax liabilities	5,499	5,499
<b>Total Non-Current Liabilities</b>	<b>25,046</b>	<b>23,183</b>
<b>Current Liabilities</b>		
Borrowings	3,648	4,410
Lease liability	142	193
Trade payables	10,724	6,659
Other payables	2,845	1,893
Amounts due to Directors	-	11
Tax payable	375	-
<b>Total Current Liabilities</b>	<b>17,734</b>	<b>13,166</b>
<b>Total Liabilities</b>	<b>42,780</b>	<b>36,349</b>
<b>Total Equity And Liabilities</b>	<b>115,922</b>	<b>105,663</b>

The Unaudited Condensed Combined Statement of Financial Position should be read in conjunction with the Accountants' Report dated 1 December 2020 to be included in the Prospectus and the accompanying explanatory notes attached to the condensed combined interim financial report.

**Unaudited condensed combined statement of profit or loss and other comprehensive income for the first quarter ended 31 August 2020**

	Unaudited Individual / Cumulative quarter ended 31 August	
	2020 RM'000	2019 RM'000
Revenue	26,694	28,617
Cost of sales	(20,015)	(21,867)
<b>Gross Profit ("GP")</b>	<b>6,679</b>	<b>6,750</b>
Other income	586	275
Administrative expenses	(1,938)	(1,781)
Profit from operations	5,327	5,244
Finance costs	(263)	(265)
<b>Profit before tax ("PBT")</b>	<b>5,064</b>	<b>4,979</b>
Income tax expenses	(1,236)	(1,210)
<b>Profit and total comprehensive income for the financial period</b>	<b>3,828</b>	<b>3,769</b>
<b>Profit and total comprehensive income for the financial period attributable to:</b>		
- Owners of the Company	3,750	3,755
- Non-controlling interests	78	14
	<b>3,828</b>	<b>3,769</b>
<b>Earnings per ordinary share (RM)</b>	<b>3,750</b>	<b>3,755</b>

The Unaudited Condensed Combined Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Accountants' Report dated 1 December 2020 to be included in the Prospectus and the accompanying explanatory notes attached to the condensed combined interim financial report.

**Unaudited condensed combined statement of changes in equity for the first quarter ended 31 August 2020**

	← Attributable to owners of the Company →		Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Non- distributable	Distributable			
	Share capital RM'000	Retained earnings RM'000			
<b>Unaudited</b>					
<b>As at 1 June 2020</b>	5,500	61,888	67,388	1,926	69,314
Profit and total comprehensive income for the financial period	-	3,750	3,750	78	3,828
<b>As at 31 August 2020</b>	<b>5,500</b>	<b>65,638</b>	<b>71,138</b>	<b>2,004</b>	<b>73,142</b>
<b>Unaudited</b>					
<b>As at 1 June 2019</b>	5,500	53,655	59,155	903	60,058
Profit and total comprehensive income for the financial period	-	3,755	3,755	14	3,769
<b>As at 31 August 2019</b>	<b>5,500</b>	<b>57,410</b>	<b>62,910</b>	<b>917</b>	<b>63,827</b>

The Unaudited Condensed Combined Statement of Changes in Equity should be read in conjunction with the Accountants' Report dated 1 December 2020 to be included in the Prospectus and the accompanying explanatory notes attached to the condensed combined interim financial report.

**Unaudited condensed combined statement of cash flows for the first quarter ended 31 August 2020**

	Unaudited Quarter ended 31 August	
	2020 RM'000	2019 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	5,064	4,979
<i>Adjustment for:</i>		
Depreciation of property, plant and equipment	1,021	773
Finance costs:		
- Hire purchase liabilities	5	5
- Term loans	255	260
- Lease liability	3	-
Interest income	(52)	(31)
Realised gain on foreign exchange	(5)	(20)
Unrealised gain on foreign exchange	(29)	(26)
<b>Operating profit before working capital changes</b>	<b>6,262</b>	<b>5,940</b>
Change in working capital:		
Inventories	260	212
Receivables	(11,105)	(6,972)
Payables	4,885	5,978
Amount due to Directors	(11)	-
<b>Cash generated from operations</b>	<b>291</b>	<b>5,158</b>
Interest paid	(3)	(265)
Interest received	52	30
Tax paid	(648)	(1,289)
Tax refunded	-	65
<b>Net cash (used in)/ generated from operating activities</b>	<b>(308)</b>	<b>3,699</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(525)	(276)
<b>Net cash (used in)/ generate from investing activities</b>	<b>(525)</b>	<b>(276)</b>
<b>Cash flow from financing activities</b>		
Drawdown of bank borrowing	1,000	-
Repayments of borrowing	(158)	(1,108)
Repayment of lease liability	(51)	-
Repayment of amount due to Directors	-	(360)
Repayment of amount due to Shareholders	-	(80)
<b>Net cash generated from / (used in) financing activities</b>	<b>791</b>	<b>(1,548)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(42)</b>	<b>953</b>
Net increase in cash and cash equivalents at the beginning of the financial period	25,007	20,314
Effect of exchange rate changes on cash and cash equivalents	29	5
<b>Cash and cash equivalents at the end of the financial period</b>	<b>24,994</b>	<b>21,272</b>

**Unaudited condensed combined statement of cash flows for the first quarter ended 31 August 2020 (continued)**

**(i) Cash and cash equivalents**

Cash and cash equivalents included in the combined statement of cash flows comprise the following combined statement of financial position amounts:

	<b>Unaudited Quarter ended 31 August</b>	
	<b>2020 RM'000</b>	<b>2019 RM'000</b>
Cash and cash balances	14,713	18,080
Fixed deposits with licensed banks	10,281	3,192
	<u>24,994</u>	<u>21,272</u>
Fixed deposits pledged as security	(1,200)	(1,167)
	<u><b>23,794</b></u>	<u><b>20,105</b></u>

**(ii) Acquisition of property, plant and equipment**

During the financial period, the Group acquired property, plant and equipment as follows:

	<b>Unaudited Quarter ended 31 August</b>	
	<b>2020 RM'000</b>	<b>2019 RM'000</b>
Paid in cash	394	276
Deposits paid in prior financial year capitalised in current financial period	55	39
Balances remained unpaid at financial period end	262	883
	<u><b>711</b></u>	<u><b>1,198</b></u>

During the financial period, the Group paid the remaining outstanding amounts in relation to property, plant and equipment acquired in the previous financial year of RM131,085 (31 August 2019: nil)

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(iii) Reconciliation of movement of liabilities to cash flows arising from financing activities

	← Unaudited →				
	At 1 June 2020 RM'000	Payments RM'000	Interest accrued RM'000	Acquisition of new lease RM'000	At 31 August 2020 RM'000
Term loans	21,848	<sup>(i)</sup> (158)	<sup>(ii)</sup> 254	1,000	22,944
Hire purchase liabilities	246	-	<sup>(ii)</sup> 5	-	251
Lease liabilities	193	<sup>(i)</sup> (51)	-	-	142
	<b>22,287</b>	<b>(209)</b>	<b>259</b>	<b>1,000</b>	<b>23,337</b>

	← Unaudited →				
	At 1 June 2019 RM'000	Payments RM'000	Interest accrued RM'000	Acquisition of new lease RM'000	At 31 August 2019 RM'000
Term loans	19,940	(1,055)	-	-	18,885
Hire purchase liabilities	422	(53)	-	-	369
Lease liabilities	-	-	-	-	-
	<b>20,362</b>	<b>(1,108)</b>	<b>-</b>	<b>-</b>	<b>19,254</b>

Notes:

- (i) Represent net payment of principal amount after deducting the interest.
- (ii) The subsidiaries of HPP Holdings Berhad have been granted a 6-month automatic moratorium which ended on 30 September 2020. Term loan interest and hire purchase interest during the current financial quarter under review had been accrued.

The Unaudited Condensed Combined Statement of Cash Flows should be read in conjunction with the Accountants' Report dated 1 December 2020 to be included in the Prospectus and the accompanying explanatory notes attached to the condensed combined interim financial report.

## **HPP Holdings Berhad**

Registration No: 201801043588 (1305620-D)  
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### **PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134**

#### **A1. Basis of preparation**

The condensed combined interim financial report is unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134 *Interim Financial Reporting* and Paragraph 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

The condensed combined interim financial report of HPP Holdings Berhad (“the Company”) and its subsidiaries (“the Group”) has been prepared as if the Group operated as a single economic entity throughout the financial periods under review.

The condensed combined interim financial report should be read in conjunction with the Accountants’ Report dated 1 December 2020 to be included in the Prospectus and the accompanying explanatory notes attached to the condensed combined interim financial report. The explanatory notes attached to the condensed combined interim financial report provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 May 2020.

The condensed combined interim financial report has been prepared on the historical cost basis and on the assumption that the Group is a going concern.

The ability of the Group to continue as a going concern is dependent on the Group’s ability to generate positive cash flows. The Group did generate a negative cash flow for the period ended 31 August 2020 as it generated increased revenue in this period that were not matched by cash inflows (as the trade receivables for the increased revenue were not yet due for collection). The increased revenue in this period, as compared to the financial period ended 31 May 2020, had contributed to an increase in trade receivables.

The increase in trade receivables was mainly due to the following:

- (i) increase in orders from one of the Group’s direct major customers in Consumer E&E industry who has been granted 90 day’s credit period as compared to an earlier credit term of 60 days when they were an indirect customer of Hayan Group prior to financial year ending 31 May 2021. The trade receivables due from this customer as at 31 August 2020 amounted to approximately RM3.90 million; and
- (ii) The credit terms granted to Karex group of companies of 90 days. The trade receivables due from Karex group of companies as at 31 August 2020 amounted to approximately RM10.12 million.

Further, Hayan Group had been paying its suppliers earlier than the 90 days’ credit term granted by its suppliers.

The abovementioned negative cash flow for the financial period ended 31 August 2020 is expected to be temporary and should reverse with the collection of the outstanding trade receivables in the future.



Premised on the above, the Directors are of the opinion that the Group is able to continue as a going concern despite its negative operating cash flow as the Group will be able to continue to generate net cash inflows from its operating activities for a period of 12 months from the date this condensed combined interim financial report was approved and to enable it to meet its financial obligations as and when they fall due. In addition, the Group has sufficient unutilised banking facilities of approximately RM8.74 million available for future use should the need arise.

## A2. Significant accounting policies

Except as described below, the same accounting policies and methods of computation are followed in this condensed combined interim financial report as compared with the audited combined financial statements for the financial years ended 31 May 2018, 2019 and 2020. The Group has also considered the new accounting pronouncements in the preparation of the financial statements.

### (i) Accounting pronouncements that are effective and adopted during the financial year

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to References to the Conceptual Framework in MFRSs	

### (ii) Accounting pronouncements that are issued but not yet effective and have not been early adopted

The Group has not adopted the following accounting pronouncements that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group:

#### ***Effective for financial periods beginning on or after 1 June 2020***

Amendments to MFRS 16	Covid-19 - Related Rent Concessions
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#### ***Effective for financial periods beginning on or after 1 January 2021***

Amendments to MFRS 9, MFRS 7 MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2
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#### ***Effective for financial periods beginning on or after 1 January 2022***

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRSs 2018 - 2020	

#### ***Effective for financial periods beginning on or after 1 January 2023***

Amendments to MFRS 4	Insurance Contracts (Extension of the Temporary Exemption from Applying MFRS 9)
MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current

**Effective date to be announced**

Amendments to MFRS 10  
and MFRS 128

Sale or Contribution of Assets between an  
Investor and its Associate or Joint Venture

**A3. Auditors' report**

There was no qualified audit report issued by the auditors in the audited combined financial statements for the financial years ended ("FYE") 31 May 2018, 31 May 2019 and 31 May 2020.

**A4. Seasonal or cyclical factors**

The nature of the Group's business was not subject to any significant seasonal and cyclical factors.

**A5. Exceptional items**

There were no material exceptional items during the current financial quarter under review.

**A6. Material changes in accounting estimates**

There were no material changes in accounting estimates for the current financial quarter under review.

**A7. Material events subsequent to the statement of financial position date**

Saved as disclosed in Note B6 "Status of corporate proposals announced", there were no other material events subsequent to the end of the current financial quarter under review that have not been reflected in the interim financial report.

**A8. Changes in the composition of the Group**

There were no changes in the composition of the Group for the current financial quarter under review except for those disclosed in Note B6.

**A9. Capital commitments**

Outstanding capital commitments at financial position date not provided for at the end of each reporting period are as follows:

	<b>Unaudited As at 31 August 2020 RM'000</b>	<b>Audited As at 31 May 2020 RM'000</b>
<b>Approved and contracted for:</b>		
Property, plant and equipment	(1)5,439	131
Balance committed for initial public offering expenses	<u>2,023</u>	<u>2,023</u>

Note:

- (i) This relates to the acquisition of a standard format printing machine which the Company has paid cash deposits of approximately RM0.60 million in August 2020. This new standard format printing machine will cost JPY153.00 million (equivalent to approximately RM6.04 million based on the actual exchange rate of RM3.95: JPY100 on the transaction date). The remaining balance of approximately RM5.44 million will be funded via the proceeds raised from the Public Issue as detailed in Section 2.7.1 of the Prospectus. In the event of any potential delay in the Listing, Hayan Group will draw down a term loan to pay for the said remaining balance ("**Bridging Loan**") and upon receipt of the proceeds raised from the Public Issue, the amount allocated for the acquisition of this standard format printing machine will be utilised to repay the Bridging Loan.

**A10. Debt and equity securities**

There were no other issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial quarter under review, except as disclosed in Note B7.

#### A11. Dividends paid

There were no dividends paid during the current financial quarter under review.

#### A12. Segment information

For internal management purposes, the Group is organised into business units based on its products and services, and has four reportable operating segments as follows:

Corrugated packaging	Printing and production of corrugated packaging
Non-corrugated packaging	Printing and production of non-corrugated packaging
Rigid box	Trading and production of rigid boxes
Others	Printing and production of brochures, leaflets, labels and paper bags

Except as indicated above, no other operating segments has been aggregated to form the above reportable operating segments.

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segmental performance is evaluated based on operating profit or loss. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

The segment revenue based on products is as follows:

Product	Unaudited Individual quarter ended 31 August	
	2020 RM'000	2019 RM'000
Corrugated packaging	7,960	8,339
Non-corrugated packaging	9,057	8,111
Rigid box		
– Trading	8,404	10,721
– Production	1	139
Others (brochure, leaflet, label, paper bag)	1,272	1,307
<b>Total</b>	<b>26,694</b>	<b>28,617</b>

#### A13. Valuations of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

#### A14. Contingencies

There were no contingent assets and contingent liabilities as at the date of this condensed combined interim financial report.

## A15. Related party transactions

### Identity of related parties

For the purposes of this condensed combined interim financial report, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has related party relationship with its shareholders, related parties and key senior management. Related parties refer to companies in which Directors have substantial financial interests and/or are also Directors of the companies.

### Related party transactions

The related party transactions of the Group are as follows:

Transactions	Unaudited Individual quarter ended 31 August	
	2020 RM'000	2019 RM'000
<b>A. Directors/substantial shareholders</b>		
Hostel rental	13	-
Purchase of sub-printing, binding and folding services	7	3
<b>B. Key senior management</b>		
Insurance expenses	171	74

## A16. Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The carrying amounts of long-term floating rate borrowings approximate their fair value as the borrowings will be repriced to market interest rate on or near reporting date.

There was no gain or loss arising from fair value changes of the Group's financial liabilities for the current quarter and financial period under review.

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## PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS

### B1. Financial performance

For the year-to-date ended 31 August 2020

	Unaudited Individual quarter ended 31 August		Variance %
	2020 RM'000	2019 RM'000	
Revenue	26,694	28,617	(6.72)
GP	6,679	6,750	(1.05)
PBT	5,064	4,979	1.71

The Group reported revenue of RM26.69 million for the three-month financial period ended 31 August 2020 ("Q1 2021"). This represented a decline in revenue of approximately 6.72% against its revenue for the three-month financial period ended 31 August 2019 ("Q1 2020") of approximately RM28.62 million. The decrease was mainly due to decrease in orders from the Group's major customers in the Consumer electrical and electronics and food and beverage industries.

The GP of RM6.68 million for the Q1 2021 was similar to the GP of RM6.75 million for the Q1 2020. The Group recorded a GP margin of 25.02% for the Q1 2021 as compared to a GP margin of 23.59% for the Q1 2020. The increase in GP margin was mainly due to the decrease in revenue from trading of rigid boxes which yielded lower GP margin coupled with the increase in revenue from non-corrugated packaging which yielded higher GP margin.

The Group recorded PBT of RM5.06 million for the Q1 2021, representing a slight increase of approximately 1.71% against the PBT of RM4.98 million for the Q1 2020. The increase was mainly due to an increase in other income (the receipt of government subsidy as part of the initiatives under the Economic Stimulus Package).

The Group's reported net assets of RM71.14 million as at 31 August 2020 as compared to RM62.91 million as at 31 August 2019. The increase in net assets was mainly due to increase in trade receivables (as explained below) and retained earnings.

The Group recorded a negative operating cash flow for the Q1 2021. The negative operating cash flow position was due to increase in trade receivables which was in line with the increase in the Group's revenue subsequent to the FYE 31 May 2020.

The increase in trade receivables was mainly due to the following:

- (i) increase in orders from one of the Group's direct major customers in Consumer E&E industry who has been granted 90 day's credit period as compared to an earlier credit term of 60 days when they were an indirect customer of Hayan Group prior to financial year ending 31 May 2021. The trade receivables due from this customer as at 31 August 2020 amounted to approximately RM3.90 million; and
- (ii) The credit terms granted to Karex group of companies of 90 days. The trade receivables due from Karex group of companies as at 31 August 2020 amounted to RM10.12 million.

Further, Hayan Group had been paying its suppliers earlier than the 90 days' credit term granted by its suppliers.

The abovementioned negative cash flow for the financial period ended 31 August 2020 is expected to be temporary and should reverse with the collection of the outstanding trade receivables in the future.

## B2. Variation of results against preceding quarter

	Unaudited As at 31 August 2020 RM'000	Unaudited As at 31 May 2020 RM'000	Variance %
Revenue	26,694	15,604	71.07
GP	6,679	2,293	191.28
PBT	5,064	281	1,702.14

The increase in revenue of approximately 71.07% for the financial period ended ("FPE") 31 August 2020 against its revenue for the FPE 31 May 2020 was mainly due to the resumption of full operations since 29 April 2020, following the announcement by MITI that economic sectors which were allowed to operate during the Movement Control Order ("MCO") period are allowed to resume operations at full capacity starting from 29 April 2020. The Group temporarily ceased its operations from 18 March 2020 in view of the MCO. However, Hayan Prints (M) Sdn Bhd ("Hayan Prints") and Envy Premium Box Supplies Sdn Bhd resumed operations on a reduced capacity basis on 30 March 2020 and 20 April 2020.

In line with the increase in revenue for the FPE 31 August 2020, the GP for the FPE 31 August 2020 had increased by 191.28% to RM6.68 million as compared to GP for the FPE 31 May 2020 of RM2.29 million. The Group continued to incur fixed expenses such as labour cost, factory overheads during the temporary cessation of its operations. This had resulted in a lower GP margin in the FPE 31 May 2020.

The increase in PBT for the FPE 31 August 2020 as compared to PBT for the FPE 31 May 2020 was mainly due to the increase in revenue as the Group had fully resumed operations as elaborated above.

The Group's reported combined net assets of RM71.14 million as at 31 August 2020 as compared to RM67.39 million as at 31 May 2020 as the Group continued to record positive earnings. In addition, the Coronavirus 2019 ("COVID-19") pandemic has not resulted in any material impairment to its assets (including inventories or receivables) for the FPE 31 August 2020 or affected the Group's ability to continue its business as a going-concern.

## B3. Commentary on prospects

Starting from the financial year ending ("FYE") 2021 onwards, Group of Companies D and/or its contract manufacturers will place orders of paper-based packaging with the Group directly (i.e. without going through Group of Companies A). The Group expects Group of Companies D to contribute significantly to its revenue and that it will be dependent on Group of Companies D as one of its major customers for the FYE 2021.

In addition, for the FYE 2021, the Group also expects its long-term customer - Karex group of companies to continue to contribute significantly to its revenue.

The Group expects the delivery of a new standard format printing machine in the first quarter of 2021. This new standard format printing machine will replace one of its existing standard format printing machines which is 10 years in age. The new standard format printing machine is expected to improve printing quality and colour accuracy, reduce printing defects and wastage and will automate blanket cleaning, amongst others.

The Group intends to expand its rigid box business by acquiring an additional rigid box production line during 2021. This will double the Group's production capacity and allow the Group to secure more rigid box production orders which would enable the Group to grow its sources of revenue and improve the Group's financial performance moving forward.

Moving forward, the Group also intends to expand its reach to a wider customer base in both the local and overseas markets by participating in local and overseas tradeshows and exhibitions. The demand for packaging printing globally is expected to be supported by demand for consumer goods including, amongst others, Consumer E&E, food and beverages and pharmaceuticals. This is because packaging plays a significant role in the preservation and protection from physical damage of consumer products, and it is also used to provide aesthetic and branding appeal. As such, the Group sees opportunities to grow and expand its paper-based packaging printing business in these sectors overseas.

In response to the COVID-19 pandemic, the Group has and will continue to implement various precautionary measures at its factories and offices to minimise the risk of COVID-19 infections and to ensure compliance with the standard operating procedures imposed by the Government. The Group has no specific plans that are required to be implemented to ensure continuity and sustainability of its business or to address the impact of the COVID-19 pandemic. Nonetheless, the Board of Directors ("Board") will continue to monitor the developments arising from the COVID-19 pandemic and will adopt the necessary strategies to mitigate any potential risks and/or seize the opportunities arising therefrom.

Based on the above, the Group's Directors are of the opinion that the Group's prospects for the financial year ending 31 May 2021 remains favourable.

#### **B4. Profit forecast**

Not applicable as the Group does not publish any profit forecast.

#### **B5. Tax expense**

Tax expense comprises the following:

	<b>Unaudited</b>	
	<b>Individual quarter ended 31 August</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Recognised in profit or loss</b>		
<b>Current tax expense</b>		
Current financial period	1,236	1,210
<b>Deferred tax expense</b>		
Current financial period	-	-
	<u>1,236</u>	<u>1,210</u>
Effective tax rate (%)	24.41	24.30

The overall effective tax rate for current financial quarter under review was higher than the statutory tax rate of 24% due to non-deductible expenses incurred during the financial period.

## B6. Status of corporate proposals announced

### Pre-IPO Exercise

As part of the IPO reorganisation, the Company had on 11 November 2019 entered into 2 conditional share sale agreements (“SSAs”) to acquire the entire issued share capital of Hayan Prints (M) Sdn Bhd and Hayan Packaging Sdn Bhd (“Hayan Packaging”) respectively (“Acquisitions”) as detailed below:

<b>Company</b>	<b>Number of shares issued</b>	<b>Consideration</b>	<b>RM</b>
Hayan Prints	269,755,000		53,951,000
Hayan Packaging	30,005,000		6,001,000
<b>Total</b>	<b>299,760,000</b>		<b>59,952,000</b>

The SSAs were supplemented by a letter dated 7 August 2020 to the vendors of Hayan Prints and Hayan Packaging, respectively to extend the conditional period to 31 January 2021 to fulfil the conditions precedent for the SSAs. Subsequently, the SSAs were completed on 30 November 2020.

### IPO

On 29 November 2019, the Company submitted the relevant application to the Securities Commission Malaysia (“SC”) and Bursa Securities in relation to proposed initial offering of 88,669,000 ordinary shares of the Company (“IPO”), and the proposed listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Securities (“Listing”). The total enlarged issued share capital of the Company subsequent to the IPO will be 388,430,000 ordinary shares.

Bursa Securities has, vide its letter dated 17 November 2020, approved the Company’s admission to the Official List and the listing of and quotation for its entire enlarged issued share capital on the ACE Market of Bursa Securities, subject to certain conditions as set out in the Approvals and Conditions section of the Prospectus.

The Listing is an exempt transaction under Section 212(8) of the Capital Markets and Services Act, 2007 and is therefore not subject to the approval of the SC. The SC has, vide its letter dated 19 November 2020, approved the resultant equity structure of the Company under the equity requirement for public listed companies pursuant to the Group’s Listing, subject to the Company allocating shares equivalent to at least 12.5% of its enlarged number of issued shares at the point of listing to Bumiputera investors. This includes the shares offered to Malaysian public via balloting, of which at least 50% are to be offered to Bumiputera public investors.

Ministry of International Trade and Industry had stated that it has taken note of and has no objection to the Listing vide its letter dated 14 January 2020.

The IPO and Listing are pending completion.



## B7. Loans and borrowings

Particulars of the Group's loans and borrowings are as follows:

	Note	Unaudited As at 31 August 2020 RM'000	Audited As at 31 May 2020 RM'000
<b>Non-current</b>			
Term loans – secured		19,441	17,577
Hire purchase liabilities	B7.1	106	107
		<b>19,547</b>	<b>17,684</b>
<b>Current</b>			
Term loans – secured		3,503	4,271
Hire purchase liabilities	B7.1	145	139
		<b>3,648</b>	<b>4,410</b>
		<b>23,195</b>	<b>22,094</b>

### B7.1 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Future minimum lease payments RM'000	Interest RM'000	Present value of future minimum lease payments RM'000
<b>Unaudited 31 August 2020</b>			
Less than one year	149	4	145
Betw een one to five years	108	2	106
	<b>257</b>	<b>6</b>	<b>251</b>
<b>Audited 31 May 2020</b>			
Less than one year	149	10	139
Betw een one to five years	108	2	107
	<b>257</b>	<b>12</b>	<b>246</b>

All the bank borrowings of the Group are denominated in RM as at 31 August 2020.

## B8. Material litigation

There are no material litigations as at the date of this report.

## B9. Dividends

The Board does not recommend any dividend for the current financial quarter under review.

## B10. Earnings per ordinary share

The calculation of earnings per ordinary share at 31 August 2019 and 2020, was based on the profit attributable to ordinary shareholders and weighted number of ordinary shares outstanding calculated as follows:

	Unaudited Individual quarter ended 31 August	
	2020 RM'000	2019 RM'000
Profit for the financial period attributable to owners of the Company (RM'000)	3,750	3,755
<b>Earnings per ordinary share attributable to owners of the Company</b>		
Based on ordinary shares of the Company:		
Number of ordinary shares (000)	1	1
Earnings per ordinary share (RM'000)	3,750	3,755
Based on enlarged ordinary shares in issue after:		
Pre-IPO Exercise and IPO:		
Number of ordinary shares (000)	388,430	388,430
Earnings per ordinary share (sen) (For illustrative purpose only)	0.97	0.97

Save as disclosed in Note B6 "Status of corporate proposal announced", the Company has no potential ordinary shares in issue as at the date of the statement of financial position. Diluted earnings per share is equal to basic earnings per share.

## B11. Trade and other receivables

	Unaudited As at 31 August 2020 RM'000	Audited As at 31 May 2020 RM'000
<b>Current Trade</b>		
Trade receivables	27,371	17,106
Less: Impairment loss	(82)	(82)
	<u>27,289</u>	<u>17,024</u>
<b>Non-trade</b>		
Other receivables	160	301
Deposits	1,153	221
	<u>1,313</u>	<u>522</u>
	<u>28,602</u>	<u>17,546</u>

**(a) Ageing analysis of trade receivables**

	<b>Unaudited As at 31 August 2020 RM'000</b>	<b>Audited As at 31 May 2020 RM'000</b>
0 – 90 days	25,646	9,998
91 – 120 days	1,350	2,952
121 – 180 days	253	2,215
More than 180 days	40	1,859
	<u>27,289</u>	<u>17,024</u>

**B12. Profit before tax**

	<b>Unaudited Individual quarter ended 31 August</b>	
<b>Note</b>	<b>2020 RM'000</b>	<b>2019 RM'000</b>
<b>Material expenses/(income)</b>		
Auditor's remuneration:		
- current year	15	15
Depreciation of property, plant and equipment	1,021	773
Directors' remuneration:		
- Directors' fee	78	47
- Salaries, wages, allowances and bonus	187	175
- Contributions to defined contribution plan	35	33
Finance costs:		
- Hire purchase liabilities	5	5
- Term loans	255	260
- Lease liability	3	-
Interest income	(52)	(31)
Realised (gain) on foreign exchange	(5)	(20)
Rental expenses/Short-term lease rental:		
- Equipment	11	11
- Factory	-	138
- Hostel	16	14
Rental income	(8)	(70)
ROU assets:		
- Lease of low value assets	(i) -	-
Staff costs:		
- Salaries, wages, allowances and bonus	2,211	1,938
- Contributions to defined contribution plan	198	164
- Contributions to social security	29	23
Unrealised gain on foreign exchange	(29)	(26)

Note:

- (i) The Group has applied the following practical expedients under MFRS 16:
- No adjustments are made on transition for leases for which the underlying assets are of low value; and
  - The Group does not apply the standard to leases which lease terms end within 12 months from 1 June 2020.

The Group did not report any other income including investment income, provision for and write off of receivables, provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets and gain or loss on derivatives for the financial period under review.

### **B13. Utilisation of proceeds**

The proposed utilisation of proceeds from the IPO of RM31.92 million is as follows:

<b>Details of utilisation</b>	<b>Amount RM'000</b>	<b>%</b>	<b>Intended timeframe for utilisation upon listing</b>
Capital expenditure and expansion	13,031	40.82	Within 24 months
Repayment of bank borrowings	7,783	24.38	Within 12 months
Working capital	5,207	16.31	Within 24 months
Sales and marketing expenses	2,000	6.27	Within 36 months
Estimated listing expenses	3,900	12.22	Within 3 months
<b>Total</b>	<b>31,921</b>	<b>100.00</b>	

The proposed utilisation of the proceeds as disclosed above should be read in conjunction with the prospectus of the Company dated 15 December 2020. As at the date of this condensed combined interim financial report, the IPO and Listing are pending completion, and therefore, the proceeds have yet to be raised and utilised.

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