



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2023**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2023**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31 March 2023 RM'000	Preceding Year Corresponding Quarter Ended 31 March 2022 RM'000	Current Year To Date Ended 31 March 2023 RM'000	Preceding year To Date Ended 31 March 2022 RM'000
Revenue	21,355	17,287	21,355	17,287
Cost of sales	(17,066)	(12,594)	(17,066)	(12,594)
Gross profit	4,289	4,693	4,289	4,693
Other income	271	106	271	106
Administration expenses	(2,690)	(1,866)	(2,690)	(1,866)
Selling and distribution costs	(264)	(138)	(264)	(138)
Finance costs	(327)	(210)	(327)	(210)
Profit before taxation	1,279	2,585	1,279	2,585
Taxation	(380)	(1,155)	(380)	(1,155)
Net profit for the financial period, representing total comprehensive income for the financial period	899	1,430	899	1,430
Profit for the period, representing total comprehensive income for the financial period attributable to:				
Equity owners of the Company	902	1,468	902	1,468
Non-controlling interests	(3)	(38)	(3)	(38)
	899	1,430	899	1,430
Earnings per share attributable to the equity holders of the Company (sen)	0.23	0.37	0.23	0.37

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 31 MARCH 2023**

	Unaudited As at 31 March 2023 RM'000	Audited As at 31 December 2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	29,875	30,367
Investment property	7,335	7,358
Right-of-use assets	47,689	46,675
Other receivables	110	128
	85,009	84,528
Current assets		
Inventories	5,858	7,586
Trade receivables	15,058	11,470
Other receivables	1,378	1,685
Tax recoverable	-	390
Fixed deposits	13,600	5,666
Cash and bank balances	6,307	13,427
	42,201	40,224
TOTAL ASSETS	127,210	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	36,211	35,309
Equity attributable to owners of the Company	85,137	84,235
Non-controlling interests	(225)	(222)
Total equity	84,912	84,013
LIABILITY		
Non-current liabilities		
Lease liabilities	3,656	2,625
Bank borrowings	22,852	22,645
Deferred tax liabilities	7,339	7,519
	33,847	32,789
Current Liabilities		
Trade payables	4,533	3,460
Other payables	875	985
Provision for taxation	49	683
Lease liabilities	1,157	974
Bank borrowings	1,837	1,848
	8,451	7,950
Total liabilities	42,298	40,739
TOTAL EQUITY AND LIABILITIES	127,210	124,752
Net assets per share attributable to equity holders of the Company (RM)	0.21	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 FIRST QUARTER ENDED 31 MARCH 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 31 March 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	-	-	-	-	902	902	(3)	899
At 31 March 2023	49,981	(401)	8,881	(9,535)	36,211	85,137	(225)	84,912
Preceding 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

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 FIRST QUARTER ENDED 31 MARCH 2023**

	Current Year To-date Ended 31 March 2023 RM'000	Preceding Year To-date Ended 31 March 2022 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,279	2,585
Adjustments:		
Depreciation of property, plant and equipment	1,314	1,242
Depreciation of investment properties	23	46
Depreciation of right-of-use assets	618	377
Dividend income on short term investments	-	(56)
Fair value loss on short term investments	-	20
(Gain)/loss on disposal of property, plant and equipment	(24)	2
Property, plant and equipment written off	6	7
Interest income	(130)	(1)
Interest expenses	327	210
Operating profit before working capital changes	3,413	4,432
(Increase)/decrease in working capital:		
Inventories	1,728	(871)
Receivables	(3,134)	(1,391)
Payables	963	954
Cash generated from operations	2,970	3,124
Interest received	1	1
Interest paid	(327)	(210)
Tax refund	-	1
Tax paid	(803)	(121)
Net cash from operating activities	1,841	2,795
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(826)	(2,059)
Additions to right-of-use assets	(19)	-
Proceeds from disposal of property, plant and equipment	24	-
Placement of fixed deposit with maturity more than 3 months	(8,100)	-
Redemption/(placement) of short term investments	-	(3,500)
Net cash used in investing activities	(8,921)	(5,559)
CASH FLOW FROM FINANCING ACTIVITIES		
Drawdown of borrowings	545	1,131
Repayment of bank borrowings	(349)	(264)
Repayment of lease liabilities	(402)	(181)
Net cash (used in)/from financing activities	(206)	686
Net increase/(decrease) in cash & cash equivalents	(7,286)	(2,078)
Cash and cash equivalents at beginning of the financial period	13,593	7,717
Cash and cash equivalents at end of the financial period	6,307	5,639
<u>Cash and Cash Equivalents at end of the period comprise the followings:</u>		
Fixed deposits with licenced banks	13,600	163
Cash and bank balances	6,307	5,476
	19,907	5,639
Less: Fixed deposit with licensed bank with maturity more than 3 months	(13,600)	-
	6,307	5,639

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 31 MARCH 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
- (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

A2. Summary of significant accounting policies (continued)

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 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 31 March 2023 RM'000
Contracted and approved for:	
- Purchase of equipments	2,291
- Renovation	33
	2,324
	2,324

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 2023 were as follows:

<u>Unsecured contingent liabilities</u>	Group 31 March 2023 RM'000
Bank guarantee for performance bond given to supplies	68

<u>Unsecured contingent liabilities</u>	Company 31 March 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 31 March 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 31 March 2023	Year-to-date 31 March 2023
	RM'000	RM'000
	Allowance to shareholder	17

B. ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. Review of performance

Financial review for first quarter ended 31 March 2023 (“Q1 FY2023”) versus corresponding quarter ended 31 March 2022 (“Q1 FY2022”)

	Current Quarter Ended				Cumulative Quarter Ended			
	31 March 2023	31 March 2022	Change		31 March 2023	31 March 2022	Change	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	21,355	17,287	4,068	23.53%	21,355	17,287	4,068	23.53%
Profit before taxation	1,279	2,585	(1,306)	-50.52%	1,279	2,585	(1,306)	-50.52%
Earnings before interest, taxes, depreciation and amortisation (“EBITDA”)	3,431	4,461	(1,030)	-23.09%	3,431	4,461	(1,030)	-23.09%

The Group’s revenue was recorded at RM21.36 million in Q1 FY2023 versus RM17.29 million in Q1 FY2022. The increase of RM4.07 million was mainly from the increase in export sales of 33.43% while local sales increased by 18.10%. Recycled petroleum products were still the main contributor to the total revenue, however, it posted a decrease of 12.95% in the current quarter. Further, there was considerable increase in the revenue of recycled petrochemicals products by 244.30% while 18.49% increase from scheduled waste collection services.

The Group recorded the gross profit margin at 20.08% in the current quarter, a drop of 7.07% as compared to 27.15% in the corresponding quarter. Lower gross profit margin was due to the higher material purchases in the current quarter with higher purchase price as compared to Q1 FY2022. In addition, there was increase in labour cost subsequent to the salary adjustment in mid year of 2022 and higher depreciation charged with additional assets capitalised. This increase was offset with the decrease in factory overhead cost, mainly on the upkeep of factory and machinery.

Increase in the other income was mainly due to the interest income of RM0.13 million on the placement of fixed deposit.

On expenditure, the Group incurred RM3.28 million of operating costs in the current quarter, up by RM1.07 million as compared to the corresponding quarter. The increase was mainly due to the increase in Directors’ remuneration of RM0.29 million, higher insurance premium incurred of RM0.17 million and realised foreign exchange loss of RM0.25 million. Commission payout to agent also increased by RM0.1 million. Higher finance costs incurred by RM0.12 million on term loan and lease interest subsequent to the additional loan drawdown in the previous financial year.

As a result, the Group closed at RM1.28 million of profit before tax and RM3.43 million of EBITDA in the current quarter compared to RM2.59 million of profit before tax and RM4.46 million of EBITDA in the corresponding quarter.

B2. Financial review of current quarter ended 31 March 2023 (“Q1 FY2023”) versus immediate preceding quarter ended 31 December 2022 (“Q4 FY2022”)

	Financial Quarter Ended			
	31 March 2023	31 December 2022	Change	
	RM'000	RM'000	RM'000	%
Revenue	21,355	17,409	3,946	22.67%
Profit before taxation	1,279	271	1,008	371.96%
Earnings before interest, taxes, depreciation and amortisation (“EBITDA”)	3,431	2,413	1,018	42.19%

In Q1 FY2023, the Group achieved its revenue at RM21.36 million, an increase of 22.67% as compared to RM17.41 million in Q4 FY2022. It was mainly contributed by the increase in export sales by RM5.63 million in the current quarter, mainly on recycled petrochemical and petroleum products. Local sales, on the contrary, was downed by 11.35% to RM13.18 million. On the product segment, revenue on recycled petrochemicals products and scheduled waste collection services showed an increase of 87.11% and 52.06% respectively. However, the revenue of recycled petroleum products dropped by 6.59% as compared to the immediate preceding quarter.

The gross profit margin was improved from 18.35% in Q4 FY2022 to 20.08% in Q1 FY2023. The improvement of the gross profit margin was due to the better selling price on the product mix coupled with lower overhead cost incurred in the current quarter.

Total operating expenses incurred was RM3.28 million in the current quarter as compared to RM3.22 million in Q4 FY2022 which was fairly consistent within the quarters.

At the quarter end, the Group closed at profit before tax of RM1.28 million with EBITDA of RM3.43 million in the current quarter with an improvement of RM1.01 million on profit before tax and RM1.02 million on EBITDA as compared to the immediate preceding quarter.

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 still surrounded the nation while the government is carried out the cost of living initiatives. 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 is always ensuring the effectiveness and efficiency of the internal control and production process as well as prudent financial management to sustain its 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	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	RM'000	RM'000	RM'000	RM'000
Current Tax				
- current year	560	976	560	976
Deferred Tax				
- origination and reversal of temporary differences	(180)	179	(180)	179
	380	1,155	380	1,155

The effective tax rate of the Group for the 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 31 March 2023 are as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Secured</u>			
-Term Loans	22,852	1,837	24,689
	22,852	1,837	24,689

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Interest income	(130)	(1)	(130)	(1)
Interest expenses	327	210	327	210
Depreciation of property, plant and equipment	1,314	1,242	1,314	1,242
Depreciation of investment properties	23	46	23	46
Depreciation of rights-of-use assets	618	377	618	377
Dividend income on short term investments	-	(56)	-	(56)
Fair value loss on short term investments	-	20	-	20
(Gain)/loss on disposal of property, plant and equipment	(24)	2	(24)	2
Property, plant and equipment written off	6	7	6	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	
	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)	902	1,468	902	1,468
Weighted average number of ordinary shares ('000)	395,025	395,025	395,025	356,025
Earnings per share (sen)				
- Basic	0.23	0.37	0.23	0.37

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 29 May 2023.

By order of the Board of Directors

DATO' CHAN SAY HWA
Group Managing Director

29 May 2023