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Established Since 1986

HENG HUAT RESOURCES GROUP BERHAD

201101041555 (969678-D)

ANNUAL REPORT 2020

CONTENTS

VISION STATEMENT

To be the pioneering leader in the manufacturing of eco-friendly biomass material products, mattresses products and focusing on value optimisation for all stakeholders and shareholders.

MISSION STATEMENT

- Optimising value-creation for all stakeholders: wealth creation and enhancement for shareholders, value-for-money products for customers, and a mutually beneficial relationship and growth for suppliers.
- Cultivating a corporate culture that embraces positive and open-minded thinking, team-orientation, mutual respect and continuing professional and knowledge development.
- Maintaining production integrity at all times, providing customers with products of only the finest quality.
- Creating a work environment that is conducive to learning and innovation.
- Promoting effective communication with open-mindedness, both internally and externally.

PHILOSOPHY AND CORPORATE CULTURE

- Challenge and problem solving.
- Change and continuously improve.
- Customers' satisfaction is a top priority.
- Good leadership.
- Honesty, integrity, ethical and professional.
- Listen and appreciate.
- Maximise resources and quality.

COMPANY PROFILE

Heng Huat Resources Group Berhad ("Heng Huat" or the "Company") was incorporated in Malaysia under the Companies Act, 1965 on 25 November 2011 as a private limited company under the name of Heng Huat Resources Group Sdn Bhd. We were subsequently converted into a public limited company and assumed our present name on 18 June 2012. We were listed on the ACE Market of Bursa Malaysia Securities Berhad on 25 July 2014.

Heng Huat and its subsidiaries ("the Group") are principally involved in the manufacturing and trading of biomass material and value-added products, focusing on oil palm empty fruit bunch ("EFB") fibre, coconut fibre and value-added products. We are also a manufacturer and distributor of our own brands of mattresses and bedding accessories.

Biomass Materials Manufacturing

Our Group's biomass materials manufacturing operations are carried out by our subsidiaries, namely, HK Fibre Sdn Bhd, HK Kitaran Sdn Bhd, HK Gua Musang Sdn Bhd and HK Power Sdn Bhd.

The Group, through its subsidiaries, invested approximately RM50 million in the production plant (which is attached with a power plant) built on a 10-acre land located at Gua Musang, Kelantan. At present, HK Gua Musang Sdn Bhd production focuses on the manufacturing of bio oil and oil palm EFB fibre. Our bio oil is mainly supplied to refinery company for manufacture of sanitary consumer products.

We treat and process coconut husks, oil palm EFB and bio oil utilising our proprietary production process to produce large quantities of high quality fibres at a competitive price. We exert stringent quality controls over our production processes and this has enabled us to produce quality coconut and oil palm EFB fibre which are not only long, clean and fine, but has great uniformity and low oil content. As a testament to our commitment to quality, our subsidiaries, HK Kitaran Sdn Bhd and Fibre Star (M) Sdn Bhd have been awarded the ISO 9001:2015 accreditation.

Currently, most of our oil palm EFB fibres are exported overseas directly and/or through agents. The oil palm EFB fibres are exported to China where it is mainly used as raw materials for the production of mattresses.

Meanwhile, we consume a large proportion of our internally-produced coconut fibres through the manufacturing of our value-added products such as mattress fibre sheets and coconut peats. We have lined up various initiatives to innovate new manufacturing and processing technologies to produce various green and environmentally-friendly biomass value-added products.

Fully-Integrated Fibre Mattress and Other Bedding Accessories

Our Group's fibre mattress manufacturing operations are carried out by our subsidiary, namely Fibre Star (M) Sdn Bhd.

Our Group is one of the few mattress manufacturers who has successfully moved upstream into the manufacturing of our own mattress fibre sheets which are made from coconut fibres. We are a fully integrated fibre mattress, divan and headboard manufacturer. We design, market, produce and distribute our own fibre mattresses under the brand of "Fibre Star", which is made from our internally-produced mattress fibre sheets, whilst our other bedding accessories such as cushions, pillows and bolsters are marketed under the brand of "Xiong Mao". Currently, all our fibre and other mattresses and bedding accessories are distributed to furniture retailers in Malaysia. By manufacturing our own mattress fibre sheets, we are able to effectively control the availability of materials. This allows us the flexibility of scaling up production with greater predictability while giving us better control over production costs through the reduction of production time and material costs. In addition, we play an important role as an Original Equipment Manufacturer (OEM) of fibre mattresses for reputable brands in the local market.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' H'ng Choon Seng
Managing Director

Kee Swee Lai
Deputy Managing Director

Cheah Swi Chun
Independent Non-Executive Director

Dr. Lo Liang Kheng
Independent Non-Executive Director

Ho Whye Chong
Independent Non-Executive Director

SHARE REGISTRAR

AGRITEUM Share Registration Service Sdn Bhd (578473-T)
2nd Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang

Tel : (604) 228 2321
Fax : (604) 227 2391

AUDIT COMMITTEE

Chairman
Cheah Swi Chun

Members
Dr. Lo Liang Kheng
Ho Whye Chong

RISK MANAGEMENT COMMITTEE

Chairman
Kee Swee Lai

Members
Dr. Lo Liang Kheng
Cheah Swi Chun
Ho Whye Chong

AUDITORS

Grant Thornton (AF 0042)
Level 5, Menara BHL Bank
51, Jalan Sultan Ahmad Shah
10050 Penang Malaysia

Tel : (604) 227 7828
Fax : (604) 229 9828

NOMINATION COMMITTEE

Chairman
Ho Whye Chong

Members
Cheah Swi Chun
Dr. Lo Liang Kheng

COMPANY SECRETARY

Ooi Yoong Yoong
SSM PC No 202008002042
(MAICSA:7020753)

PRINCIPAL BANKERS

AmBank (M) Berhad (8515-D)
CIMB Bank Berhad (13491-P)
HSBC Bank Malaysia Berhad (127776-V)

REMUNERATION COMMITTEE

Chairman
Dr. Lo Liang Kheng

Members
Cheah Swi Chun
Ho Whye Chong

REGISTERED OFFICE

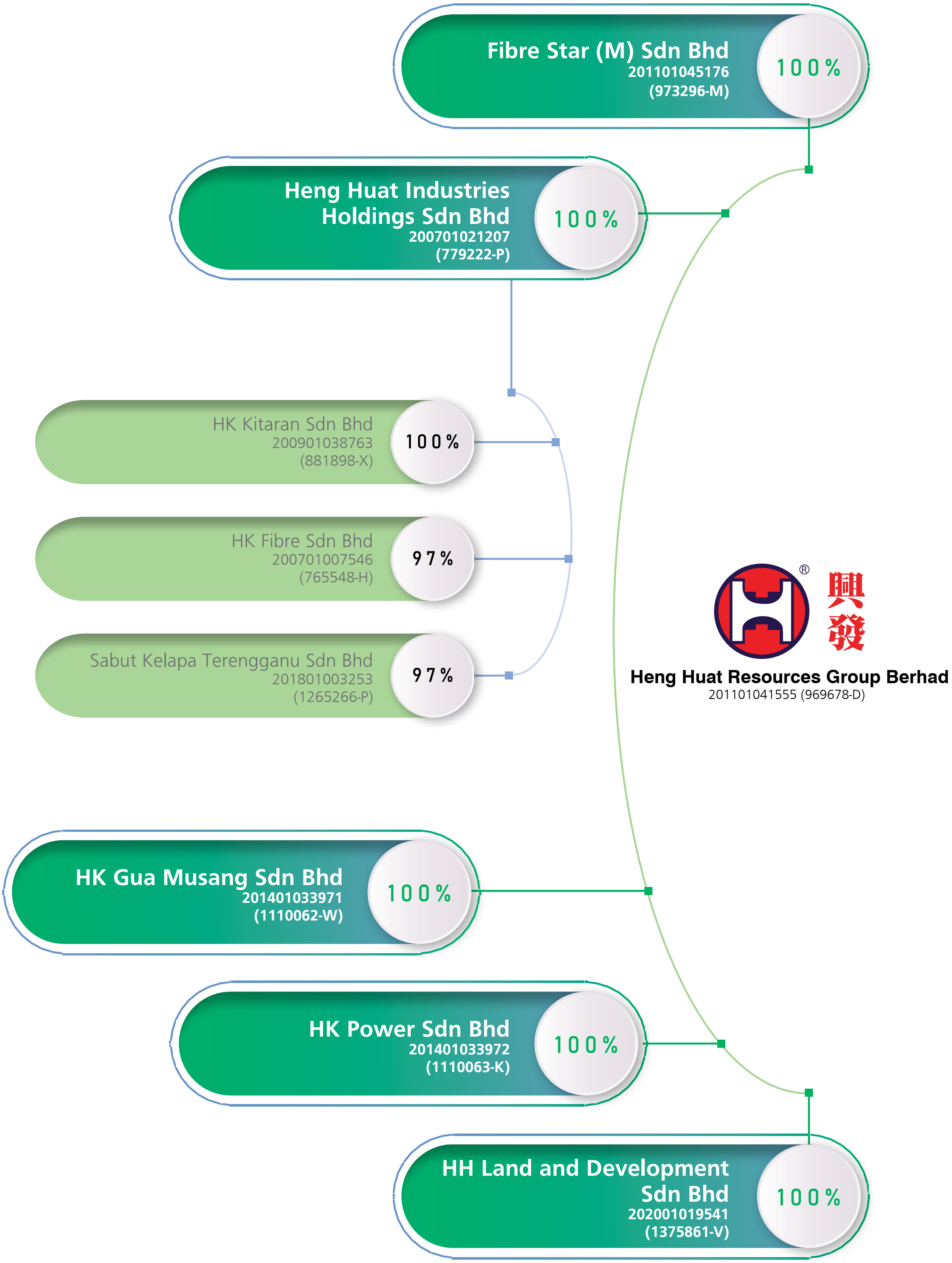
39 Salween Road
10050 Georgetown Penang

Tel : (604) 210 9828
Fax : (604) 210 9827

STOCK EXCHANGE LISTING

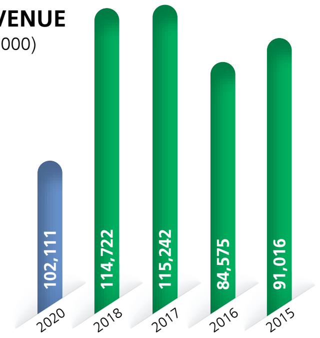
ACE Market of Bursa Malaysia Securities Berhad
Stock Name : HHGroup
Stock Code : 0175

CORPORATE STRUCTURE

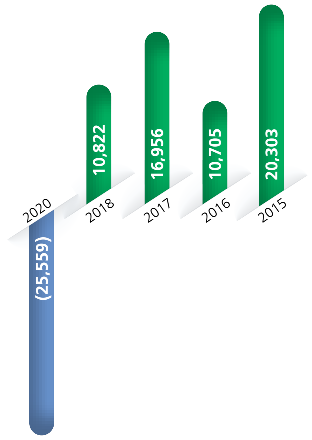


FINANCIAL HIGHLIGHTS

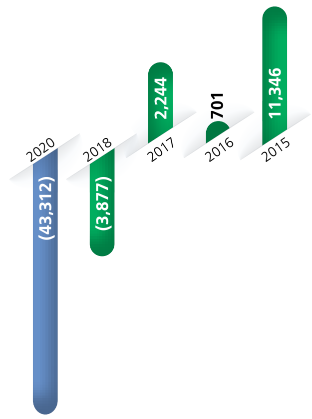
REVENUE
(RM'000)



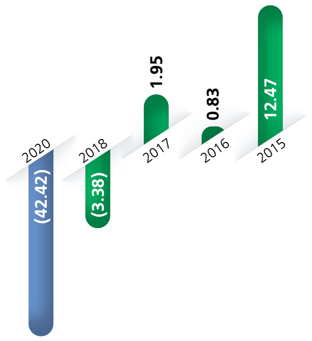
EBITDA
(RM'000)



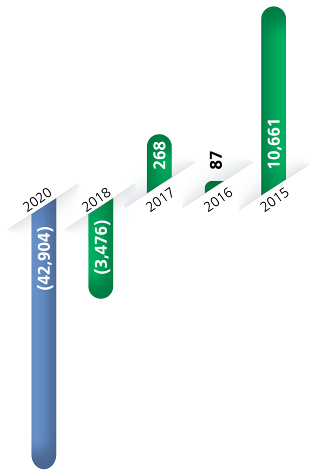
PBT
(RM'000)



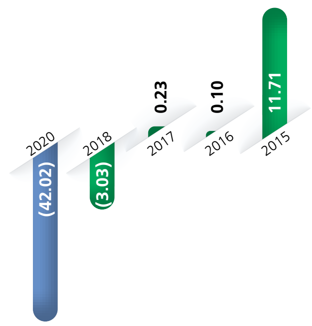
PBT MARGIN
(%)



PAT
(RM'000)



PAT MARGIN
(%)



	Audited 2015	Audited 2016	Audited 2017	Audited 2018	Audited 2020
Revenue	91,016	84,575	115,242	114,722	102,111
Earnings Before Interest, Tax, Depreciation & Amortisation	20,303	10,705	16,956	10,822	(25,559)
Profit/(Loss) Before Tax	11,346	701	2,244	(3,877)	(43,312)
Profit/(Loss) Before Tax Margin (%)	12.47	0.83	1.95	(3.38)	(42.42)
Profit/(Loss) After Tax	10,661	87	268	(3,476)	(42,904)
Profit/(Loss) After Tax Margin (%)	11.71	0.10	0.23	(3.03)	(42.02)
Gross Earnings/(Loss) Per Share (Sen)*	44.77	2.27	7.27	(12.52)	(127.55)
Net Earnings/(Loss) Per Share (Sen)*	34.72	0.15	1.19	(11.30)	(126.26)
Diluted Net Earnings/(Loss) Per Share (Sen)*	34.72	0.15	1.19	(11.30)	(126.26)

Notes:
**Computed based on the weighted average number of ordinary shares in issue (Restated to take into consideration the effect of share consolidation).*

Please read this section in conjunction with Heng Huat Resources Group Berhad's Prospectus dated 30 June 2014, Annual Report and Annual Audited Accounts.

MANAGEMENT DISCUSSION AND ANALYSIS

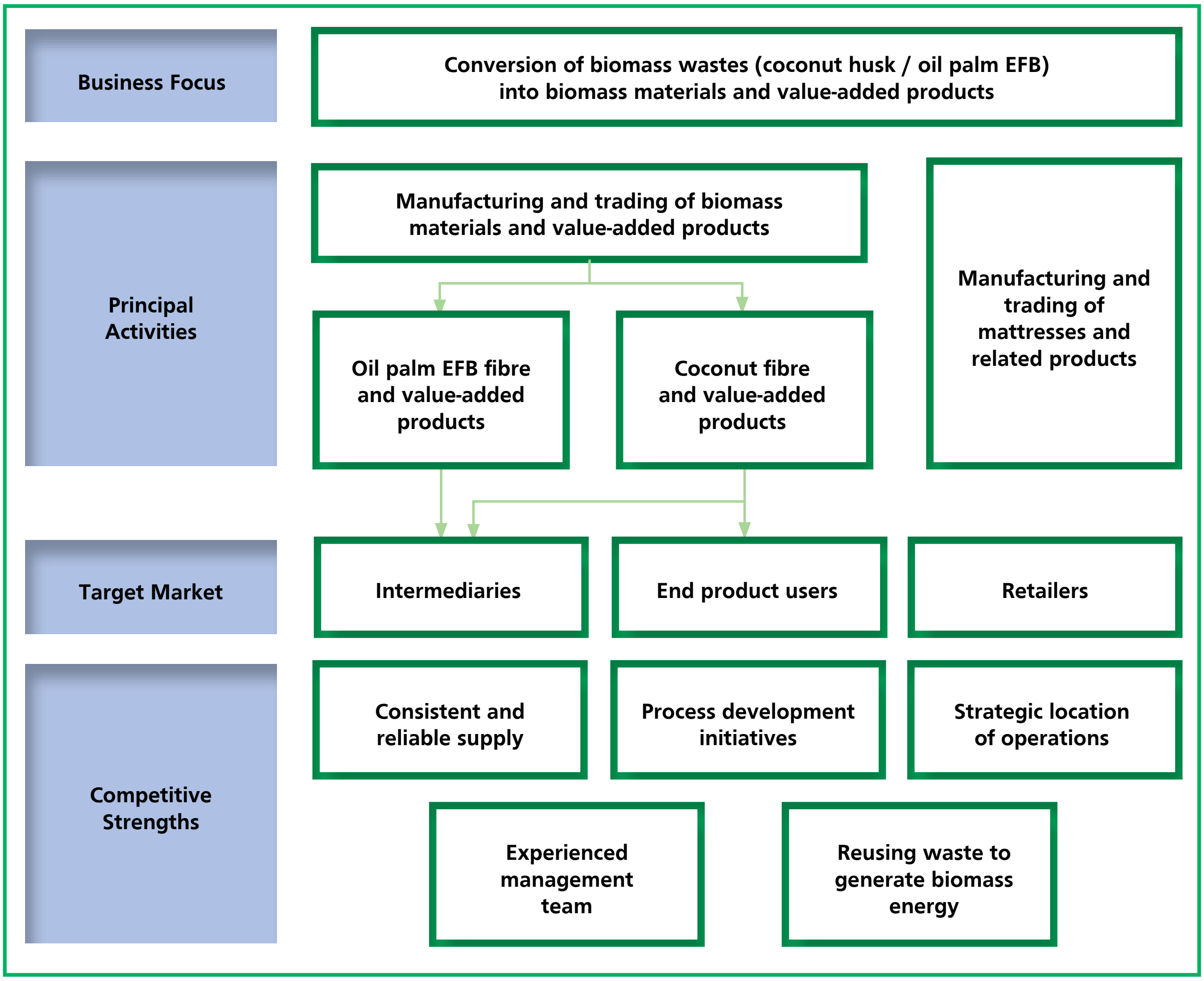
OVERVIEW OF THE GROUP'S OPERATIONS

Our Group is principally involved in the manufacturing, and trading of biomass materials and value-added products focusing on:

(i) Oil palm empty fruit bunch ("EFB") fibre and value-added products; and
(ii) Coconut fibre and value-added products.

Apart from upstream activities, our Group has also ventured downstream to manufacture and distribute our own-brands of mattresses and related products utilising primarily the coconut fibre produced internally.

Our Group's business model is as depicted below:



During the financial year under review, our oil palm EFB fibres were primarily exported to China with other products primarily distributed within the domestic market in Malaysia.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL RESULTS & CONDITION

- **Financial Performance**

	2020 RM'000	2018 RM'000	Year-on-Year Variance (%)
Revenue			
Biomass materials and value-added products	77,229	91,663	-15.75
Mattresses and related products	24,882	23,059	7.91
	102,111	**114,722**	**-10.99**
Profitability			
Gross profit "GP"	1,819	19,319	-90.58
GP margin	*1.78%*	*16.84%*	
(Loss) before tax "(LBT)"	(43,312)	(3,877)	-1,017.15
(LBT) margin	*-42.42%*	*-3.38%*	
Net (loss) for the year "(LAT)"	(42,904)	(3,476)	-1,134.29
(LAT) margin	*-42.02%*	*-3.03%*	

15 Months ("15M") For Period Ended ("FPE") 31 March 2020 vs For Year Ended ("FYE") 31 December 2018

The Group's revenue for the 15M FPE 31 March 2020 decreased by RM12.61 million (or 10.99%) to RM102.11 million (FYE 31 December 2018: RM114.72 million) (the annualised revenue for the 15M FPE 31 March 2020 was RM81.69 million) due to lower sales performance of the biomass division by RM14.43 million (or 15.75%) to RM77.23 million (FYE 31 December 2018: RM91.66 million) (the annualised revenue of the biomass division for the 15M FPE 31 March 2020 was RM61.78 million) arising from:

i. decrease in sales volume of oil palm empty fruit bunch fibre by 13.69% due to the absence of sales volume from HK Palm Fibre Manufacturer Sdn Bhd, a subsidiary involved in the manufacturing and trading of oil palm biomass materials, which was disposed on 11 December 2018;

ii. decrease in the average selling price of oil palm empty fruit bunch fibre by 14.03% due to decrease in overall market price;

iii. decrease in sales volume of bio-oil by approximately 6.65% due to the absence of sales volume from HK Palm Fibre Manufacturer Sdn Bhd as explained above; and

iv. decrease in average selling price of bio-oil, a secondary product derived from manufacturing process of oil palm empty fruit bunch fibre by approximately 7.80% due to decrease in overall market price.

The Group's LAT for the 15M FPE 31 March 2020 increased by RM39.43 million (or 1,134.29%) to RM42.90 million (FYE 31 December 2018: LAT of RM3.50 million) (the annualised LAT for the 15M FPE 31 March 2020 was RM34.32 million) mainly due to:

i. decrease in sales volume of oil palm empty fruit bunch as explained above; and

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL RESULTS & CONDITION (CONT'D)

- **Financial Performance (cont'd)**

15M FPE 31 March 2020 vs FYE 31 December 2018 (cont'd)

ii. higher administrative and other expenses by RM23.10 million (or 152.94%) to RM38.21 million (FYE 31 December 2018: RM15.10 million) (the annualised administrative and other expenses for the 15M FPE 31 March 2020 was RM30.57 million) mainly due to provision for impairment of receivables of RM11.88 million (FYE 31 December 2018: RM0.75 million) mainly from an overseas customer without any recovery as well as provision of impairment of property, plant and equipment of RM9.17 million (FYE 31 December 2018: nil) due to these assets were left idle and not in use following the decision of a subsidiary to cease its oil palm fibre production due to anticipated reduction in demand for the foreseeable future; and

iii. lower gross profit margin as a result of higher average unit cost arising from lower production output.

- **Financial Position**

	2020 RM'000	2018 RM'000	Year-on-Year Variance (%)
Total assets	117,564	152,366	-22.84
Total liabilities	81,289	73,155	11.12
Shareholders' equity	36,071	78,947	-54.31
Net assets per share (sen)	**106.23**	**254.91**	

As at 31 March 2020, our Group's total assets and total liabilities stood at RM117.56 million and RM81.29 million respectively, representing decrease of 22.84% and increase of 11.12% as compared to the preceding year.

As at 31 March 2020, our shareholders' equity remained at a positive level, stood at RM36.07 million (2018: RM78.95 million).

- **Liquidity**

	2020 Days	2018 Days	Changes Day
Trade receivables' turnover period[1]	71	66	+ 5 days
Inventories' turnover period[2]	24	59	- 35 days
Trade payables' turnover period[2]	22	21	+ 1 day
Cash conversion cycle	**73**	**104**	**- 31 days**

[1] *This is derived using the formula: (Closing balance as at year-end / Total revenue) x 365 days*
[2] *This is derived using the formula: (Closing balance as at year-end / Cost of sales) x 365 days*

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL RESULTS & CONDITION (CONT'D)

- **Liquidity (cont'd)**

Our Group managed to improve the cash conversion cycle from 104 days in the FYE 2018 to 73 days in the FYE 2020.

	2020 RM'000	2018 RM'000
Cash flows from operating activities	11,516	11,671
Cash flow (used in) from investing activities	(5,536)	2,846
Cash flow used in financing activities	(16,690)	(10,719)
Net movements in cash and cash equivalents	(10,710)	3,798
Cash and cash equivalents at end of financial year:		
Cash and bank balances	5,909	8,438
Deposits with licensed banks	2,029	1,742
	7,938	10,180
Less:		
Deposits pledges to licensed banks	(2,029)	(1,742)
Bank overdrafts included in borrowings	(17,632)	(9,495)
	(11,723)	(1,057)
Current ratio (times)	0.88	1.04

Our Group's current ratio had reduce from 1.04 times in the preceding year to 0.88 times for the financial year under review, as a result of internal cash paid for borrowing.

- **Capital Expenditure Requirements, Capital Structure and Capital Resources**

Capital Commitment	2020 RM'000	2018 RM'000
Capital expenditure in respect of purchase of property, plant and equipment		
Approved but not contracted for	-	-
Contacted but not provided for	595	4,120
	595	4,120

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL RESULTS & CONDITION (CONT'D)

• Capital Expenditure Requirements, Capital Structure and Capital Resources (cont'd)

As of 31 March 2020, our Group's do not incurred any new expansion or future project.

Borrowings	2020 RM'000	2018 RM'000
Short terms (repayable within 12 months)	30,712	29,000
Long terms (repayable within 12 months)	12,275	17,744
	42,987	46,744
Gearing ratio (times) *Borrowing /Shareholders' Equity*	1.19	0.59

During the financial year under review, our Group's gearing ratio increase to 1.19 time as compared to prior year. Our borrowings decrease by RM3.76 million or 8.04% from RM46.74 million in the preceding year to RM42.99 million as at 31 March 2020.

The decrease in our Group's borrowings was primarily attributable to the following:
- Repayment of borrowing of bankers' acceptance, bank overdraft, hire-purchase and term loan.

Our Group will evaluate the capital requirements and capital structure on a regular basis, to ensure that adequate capital resources are available to meet the working capital requirements and expansion needs and gearing ratio is maintained within a reasonable range.

REVIEW OF OPERATING ACTIVITIES

Proposed Share Consolidation and Proposed Rights Issue

On 18 November 2019, the Company had announced to undertake the following:

(i) Proposed consolidation of every 10 existing ordinary shares in the Company into 1 consolidated share ("Consolidated Share") ("Proposed Share Consolidation"); and

(ii) Proposed renounceable rights issue up to 237,699,028 ordinary shares ("Rights Shares") on the basis of 7 Rights Shares for every 1 Consolidated Shares held on an entitlement date to be determined later, together with up to 135,828,016 free detachable warrants ("Warrants") on the basis of 4 Warrants for every 7 Rights Shares subscribed for ("Proposed Rights Issue").

The Proposed Share Consolidation had been completed on 31 January 2020. Arising from this, the Company's ordinary shares of 339,570,045 have been consolidated into 33,957,001 ordinary shares.

On 14 May 2020, the Company announced it has decided not to proceed with the Proposed Rights Issue.

REVIEW OF OPERATING ACTIVITIES (CONT'D)

Proposed Disposal of Land in Mukim 4, District of Seberang Perai Selatan Penang

On 14 May 2020, the Company announced that HK Kitaran Sdn. Bhd., an indirectly wholly-owned subsidiary had entered into a sale and purchase agreement with SBJ Property Sdn. Bhd. to dispose 5 parcels of adjoining lots of land together with factory-cum-office buildings and other ancillary structures erected on 2 lots of land with a total gross floor area measuring approximately 264,244 square feet ("Property") in Mukim 4, District of Seberang Perai Selatan, Penang for a cash consideration of RM22,000,000 ("Proposed Disposal")

On 30 July 2020, shareholders of the Company have approved the Proposed Disposal at the Extraordinary General Meeting ("EGM").

Proposed Fund Raising: Private Placement 10% and 30%

On 15 June 2020, the Company announced to undertake the following:

(i) Proposed private placement of up to 3,395,700 new shares of the Company, representing approximately 10% of the existing number of issued and paid up shares of the Company ("Proposed 10% Placement"); and

(ii) Proposed private placement of up 10,187,100 new shares of the Company, representing approximately 30% of the existing number of issued and paid up shares of the Company ("Proposed 30% Placement").

The Proposed 10% Placement had been completed on 20 July 2020 following the listing of and quotation of the 3,395,700 placement shares at RM0.33 per placement share on the ACE Market of Bursa.

The Proposed 30% Placement is subject to and conditional upon the approvals from:

(i) Bursa Securities for the listing of and quotation for placement shares on the ACE Market of Bursa Securities; and

(ii) Shareholders of the Company at an extraordinary general meeting to be convened.

Propose Fund Raising: Multiple exercise

On 13 August 2020, the Company announced to undertake the following:

(i) Proposed settlement of debt owing to selected creditors of the Group in aggregate sum of RM7,750,272 to be fully satisfied through the issuance of 24,219,600 new ordinary shares of the Company at an issue price of RM0.32 each ("Proposed Debt Settlement with Creditors");

(ii) Proposed settlement of debt owing to directors of the Company in the aggregate sum of RM7,000,000 to be fully satisfied through the issuance of 21,875,000 new ordinary shares of the Company at an issue price of RM0.32 each ("Proposed Debt Settlement with Directors");

(iii) Proposed issuance of 9,024,300 new ordinary shares at an issue price of RM0.41 each, to satisfy the total purchase consideration of RM3,699,963 for two separate acquisition of land by HH Land and Development Sdn. Bhd. ("HH Land"), a wholly-owned subsidiary of the Company ("Proposed Issuance of Consideration Shares"). HH Land was incorporated on 20 July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF OPERATING ACTIVITIES (CONT'D)

Propose Fund Raising: Multiple exercise (cont'd)

(iv) Proposed share issuance scheme of up to 30% of the total number of issued ordinary shares of the Company (excluding any treasury shares) at any one time during the duration of the share issuance scheme ("Proposed SIS"). The Proposed SIS will involve the granting of SIS options ("SIS Options") to the eligible directors and employees of the Company and its subsidiaries (excluding subsidiaries which are dormant), who meet the criteria of eligibility for participation in the Proposed SIS, to subscribe for new ordinary shares of the Company in accordance with the by-laws of the Proposed SIS.

Save from the above, there were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter and financial period under review.

ANTICIPATED OR KNOW RISK

Principal Risk	Description/Consequences	Strategies to Mitigate Risk
Dependent on single market	- The biomass products are sold mainly to customers in China. - The products are suitable and acceptable in the China market. - Any changes in China's ruling and economic may give significant impact to the company.	- Exploring new market such as Australia, Japan and Korea. - Diversifying the product range. - Participating in roadshow and exhibition.

FORWARD LOOKING STATEMENT

Prospect

The COVID-19 pandemic and its subsequent containment measures undertaken around the world has disrupted the global supply chains, severely impacted the global economic activity in the first half of 2020. Nevertheless, the economy is anticipated to slowly recover in the second half of 2020 as the outbreak eases and containment measures are gradually being lifted, and production activity resumes, particularly in China. Against this backdrop, the global economy is expected to contract by 4.9% in 2020. The global economy is projected to rebound to 5.4% in 2021 as the economic activity recover. Similarly, the Malaysian Government is mindful of various external challenges, such as uncertainties surrounding the spread of COVID-19, commodity supply shock, continued trade tensions between United States of America-China trade and domestic policy uncertainties that may bring economic headwinds for the local economy. Hence, the growth of the biomass materials market for coconut and oil palm empty fruit bunch fibres in Malaysia is expected to be affected by this development in 2020 going in to 2021 as well.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FORWARD LOOKING STATEMENT (CONT'D)

Prospect (cont'd)

However, due to increasing environmental awareness and enforcements coupled with better processing technologies, natural fibres are gaining in popularity and are increasingly finding its way into various applications across industries. The Malaysian biomass materials market for coconut and oil palm fibres caters to both local and foreign demand. As such, growth and expansion of the local biomass materials market for coconut and oil palm fibres is highly diversified as demands are not restricted to local market only but also to the international market, in particular China.

Factors priming growth within the market is likely to come from a combination of market demand drivers including sustained demand from China, the population growth and greater affluence which spurs demand for end-products, and growing applications of natural fibre. Meanwhile, in terms of supply, the various market drivers including strong governmental support, increasing domestic and foreign investments and initiatives, the increase of oil palm production and better legislation enforcement on environmental protection would help fuel development of the supply environment going forward. The Malaysian government, both at federal and state levels have generally increased their attention towards environment protection and sustainability efforts. Biomass materials such as coconut and oil palm empty fruit bunch fibres will play a key role in Malaysia’s emerging “green” economy.

(Source: Protégé Associates Sdn Bhd, an independent market researcher)

DIVIDEND POLICY

Our Company presently does not have any formal dividend policy. The declaration of interim dividends and the recommendation of any final dividends are subject to the discretion of our Board of Directors and any final dividend proposed is subject to our shareholders’ approval.

Our Board of Directors seeks to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group while maintaining an optimal capital structure and ensuring sufficient funds for our future growth. In determining the payment of dividends, our Board of Directors take into consideration, amongst other factors, the operational performance, financial condition, capital expenditure plans and business expansion plans of Group.

DIRECTORS' PROFILE

DATO' H'NG CHOON SENG

Managing Director
Malaysian,
Male,
aged 53

Dato' H'ng Choon Seng was appointed to our Board as Director on 25 November 2011 and on 28 May 2012, he was designated as our Managing Director. He completed his high school education at Sekolah Menengah Kebangsaan Tun Syed Sheh Barakbah, Jawi, Seberang Perai Selatan, Penang in 1983. He has since accumulated 37 years of experience in the furniture and biomass material industries. As our Managing Director, he is responsible for overseeing our Group's operations and has been instrumental in the growth and development of our Group.

Dato' H'ng started his career in 1983 when he joined a home-based furniture manufacturer in Jawi, Penang. In 1986, he started his own home-based furniture manufacturing and trading businesses under Chiang Wei Enterprise and Heng Huat Industries Enterprise respectively. In 1997, he established Heng Huat Manufacturer Sdn Bhd to manufacture mattresses.

In 2007, he co-founded HK Fibre Sdn Bhd, together with Kee Swee Lai to manufacture coconut fibre which paved the way for his involvement in the biomass industry. Subsequently, HK Kitaran Sdn Bhd was established in 2009 to manufacture oil palm EFB fibre. He does not hold any directorship in other public companies in Malaysia.

He attended all 8 Board of Directors' Meeting held in the financial period ended 31 March 2020.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past 5 years other than traffic offences, if any.

DIRECTORS' PROFILE (CONT'D)

Deputy Managing Director
Malaysian, Male, aged 57

KEE SWEE LAI

Kee Swee Lai was appointed to our Board as Director on 25 November 2011 and on 28 May 2012, he was designated as our Deputy Managing Director. He graduated with a Bachelor of Science in Microbiology from Universiti Kebangsaan Malaysia in 1987. He has since accumulated 33 years of experience in plantation management and factory operations. As our Deputy Managing Director, he is responsible for overseeing our production operations and process development activities and has been instrumental in developing our automated production process. He is presently the Chairman of the Risk Management Committee.

Mr Kee started his career with Lion Plantation Sdn Bhd in 1987 as a Management Trainee and was subsequently promoted to Plantation Manager in 1989. In 1991, he left Lion Plantation Sdn Bhd and joined PT Riau Sakti Plantations (RSUP) under Sambu Group as an Assistant General Manager and was subsequently promoted to General Manager in 1993. He left PT Riau Sakti Plantations (RSUP) in 2006 and subsequently co-founded HK Fibre Sdn Bhd in 2007 followed by HK Kitaran Sdn Bhd in 2009. He does not hold any directorship in other public companies in Malaysia.

He attended all 8 Board of Directors' Meeting held in the financial period ended 31 March 2020.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past 5 years other than traffic offences, if any.

Independent
Non-Executive Director
Malaysian, Male, aged 47

CHEAH SWI CHUN

Cheah Swi Chun is our Independent Non-Executive Director and was appointed to our Board on 2 August 2016. He is presently the Chairman of the Audit Committee and a member of the Nomination Committee, Remuneration Committee and Risk Management Committee of the Company.

Mr Cheah graduated with a Bachelor of Commerce (Accounting) from La Trobe University, Australia in 1996. He is a member of Malaysian Institute of Accountants and also a member of CPA Australia.

He started his career with Messrs. Ernst & Young as Junior of Corporate Advisory Services division in 1996 and was promoted to Senior in 1999. In 2000, he left Messrs. Ernst & Young and joined B. Braun Medical Industries Sdn Bhd as Corporate Controller Asia Pacific region. In 2002, he left B. Braun Medical Industries Sdn Bhd and joined Astino Berhad as an Accountant and Corporate Manager. Upon the successful listing of Astino Berhad onto the Bursa Malaysia in 2003, he left to join Cooldec Industries Sdn Bhd in 2004 as Corporate Manager and was subsequently appointed as Director among its group of companies to oversee the group corporate affairs and financial matters. In 2011, under a corporate restructuring exercise he left Cooldec Industries Sdn Bhd to set up Eco Modular Sdn Bhd and was appointed as Director among the group of companies. He does not hold any directorship in other public companies in Malaysia.

He attended 7 out of 8 Board of Directors' Meeting held in the financial period ended 31 March 2020.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past 5 years other than traffic offences, if any.

DIRECTORS' PROFILE (CONT'D)

Independent
Non-Executive Director
Malaysian, Male, aged 56

DR. LO LIANG KHENG

Dr. Lo Liang Kheng is our Independent Non-Executive Director and was appointed to our Board on 28 May 2012. He is presently the Chairman of the Remuneration Committee and a member of the Audit Committee, Nomination Committee and Risk Management Committee of the Company.

Dr. Lo graduated with a Bachelor of Business Administration from American City University, Cheyenne, Wyoming, USA in 2004 and obtained his Master in Business Administration from Universiti Sains Malaysia in 2008. He also obtained a Certified Credit Professional from Institut Bank-Bank Malaysia in 2005. He is the Internal Auditor of Old Frees Association since 2019.

He started his career with Public Bank Berhad as a Clerk in 1984 and was promoted to Operations Officer in 1992. He then left Public Bank Berhad in the same year and joined Pacific Bank Berhad as a Senior Operations Officer, and was subsequently promoted to Assistant Manager in 1996. In 1997, he left Pacific Bank Berhad and joined Dynamix Sound and Light Sdn Bhd as Financial Controller. In 2000, he left Dynamix Sound and Light Sdn Bhd and joined Kawyn Ornaments Sdn Bhd as Financial Controller. He then left Kawyn Ornaments Sdn Bhd in 2004 to set up his own business. Since 2005, he set up Kheng Consultancy Sdn Bhd, which specialises in the provision of management and financial consultancy services. He does not hold any directorship in other public companies in Malaysia.

He attended all 8 Board of Directors' Meeting held in the financial period 31 March 2020.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past 5 years other than traffic offences, if any.

Independent
Non-Executive Director
Malaysian, Male, aged 42

HO WHYE CHONG

Ho Whye Chong is our Independent Non-Executive Director and was appointed to our Board on 23 July 2020. He is presently the Chairman of the Nomination Committee and a member of the Audit Committee, Remuneration Nomination Committee and Risk Management Committee of the Company.

Mr Ho graduated with a Bachelor of Civil Engineering from the University of New South Wales, Sydney, Australia in 2001. Upon graduation, he started his career with a construction company as a Project Engineer. He left the company in 2002 and joined an engineering consultant company as a Civil Engineer.

In 2003, Mr. Ho co-founded a company called Pena Builders Sdn. Bhd. The company is mainly involved in the provision of interior fit-out solution and construction. As the managing director of Pena Builders Sdn Bhd, he is responsible for the overall business operations and project management as well as the strategic planning, formulation and implementation of the strategies. He is also actively involved in developing the business networking of the company.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past 5 years other than traffic offences, if any.

KEY SENIOR MANAGEMENT PROFILE

CHENG PEK TONG

Chief Finance Officer
Malaysian, Male, aged 41

Cheng Pek Tong is our Chief Finance Officer and was appointed on 1 January 2014. He graduated with a Bachelor of Accountancy from Universiti Utara Malaysia in 2004. He is a Chartered Accountant and a member of the Malaysian Institute of Accountants. He started his career in Aljeffridean, Chartered Accountants (M) as an Audit Assistant in 2004 and was subsequently promoted to Assistant Manager in 2005. In 2008, he left Aljeffridean, Chartered Accountants (M) and joined Eonmetall Group Berhad as an Accountant. In 2011, he left Eonmetall Group Berhad and joined our Group as an Accountant, and was subsequently promoted to Chief Finance Officer. He is currently responsible for overseeing and monitoring our financial accounting and taxation matters, as well as planning and coordinating our financial reporting activities.

He does not hold any directorship in other public companies in Malaysia.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past 5 years other than traffic offences, if any.

SIM KOK SIANG

General Manager
Malaysian, Male, aged 41

Sim Kok Siang is our General Manager and was appointed on 1 August 2014. He graduated with a Bachelor of Art in Urban Studies and Planning (Major) and International Studies and Strategy (Minor) (Honours) from University of Malaya in 2004. He started his career with UPA Press Sdn Bhd as Production Planner cum Purchaser in 2003 and was promoted to Senior Production Planner cum Purchaser in 2004. In 2007, he left UPA Press Sdn Bhd and joined Kilang Sprocket S.A. Sdn Bhd as an Assistant Production Control Manager and was promoted to Production Control Manager in 2008. In 2009, he left Kilang Sprocket S.A. Sdn Bhd and joined Mardec Berhad as Assistant Factory Manager until 2010. He joined our Group as Factory Manager in 2010 and was subsequently promoted to General Manager. He is currently responsible for overseeing the daily operations of our Biomass division.

He does not hold any directorship in other public companies in Malaysia.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past 5 years other than traffic offences, if any.

BOO CHIN WENG

Factory Manager
Malaysian, Male, aged 56

Boo Chin Weng is our mattress and coconut fibre division's Factory Manager and was appointed on 1 March 2012. He graduated with a Diploma in Mechanical Technician from Institute Technology of Butterworth in 1986 and started his career with Hicom-Suzuki Malaysia Sdn Bhd as Quality Controller in the same year. He then joined Teoh Huat Feedmill Sdn Bhd as Technician in 1985 and was promoted to Assistance Supervisor in 1986. He subsequently joined NTPM Sdn Bhd as Supervisor in 1988 and was promoted to Store and Scheduling Manager in 2005. He joined our Group as Factory Manager in 2012. He is currently responsible for overseeing and monitoring mattress and coconut fibre operations.

He does not hold any directorship in other public companies in Malaysia.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past 5 years other than traffic offences, if any.

AWARDS AND ACHIEVEMENTS

Left

HK Kitaran Sdn. Bhd.
ISO 9001:2015

Right

Fibre Star (M) Sdn Bhd
ISO 9001:2015

Left

Golden Bull Award
Year : 2010

Right

SME 100 Fast Moving Company Award
Year : 2011

Left

Green TAG Certificate of Endorsement
Year : 2013

Right

Superbrands Award
Year : 2015

Left

Golden Eagle Award 2015
Malaysia 100 Excellent Enterprises
Year : 2015

Right

Asia Honesty Product Award 2015
Year : 2015

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Heng Huat Resources Group Berhad **("Board")** is committed to ensure that good corporate governance is practised and applied throughout the Group. These best practices will not only safeguard and enhance sustainability of its shareholders' value but also ensure that the interests of all the stakeholders are protected.

The Board is guided and remains vigilant of the principles and recommendations of corporate governance as stipulated in the Malaysian Code on Corporate Governance which took effect on April 2017 **("the Code")**. The Group will continuously uphold good corporate governance practices and will endeavour to ensure that the principles and recommendations advocated therein by the Code are observed, where applicable and appropriate. The detailed explanation on the application of the corporate governance practices are reported under Corporate Governance Report **("CG Report")** as published in the Company's website at http://www.henghuat.com.my

The three (3) principles set out below describe the extent of how the Group has applied and complied with the principles and recommendations set out in the Code pursuant to Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad **("Listing Requirements")** for the financial year under review.

Principle A	Board leadership and effectiveness
Principle B	Effective audit and risk management
Principle C	Integrity in corporate reporting and meaningful relationship with stakeholders

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Roles and Responsible of the Board

The Board acknowledges its key responsibilities in establishing the Group's overall strategic objectives, deliberating and directing strategic action plans and policies and strategic allocation of the Group's resources to align with the overall objectives of the Group. The primary focus of the Board mainly comprised formulation of strategies, overseeing the proper conduct of the Group's business and evaluating whether the business is properly managed, monitoring of financial performance, evaluation and management of principal risks faced by the Group, implementation and review of risk management and internal control system, succession planning, as well as development and implementation of investor relations programme and shareholders' policy.

To ensure the effective discharge of its function and responsibilities, the Board delegates some of the Board's authorities and discretion to the Executive Directors and key management staff of the operating units within the Group **("Management")**, as well as properly constituted Board committees. There is a clear segregation of responsibilities reserved for the Board and those delegated to the Management. Any material and important proposals that will significantly affect the policies, strategies, directions and assets of the Group will be subject to approval by the Board. None of the members of the Board has unfettered powers of decision.

The Board committees established are the Audit Committee, the Nominating Committee, Remuneration Committee and the Risk Management Committee (collectively referred to as the **"Board Committees"**). The Board committees are entrusted with specific duties and responsibilities to oversee the Group's affairs, in accordance with their respective terms of reference. At each Board meeting, minutes of the Board Committee meetings are presented to the Board. The respective Chairman of the Board Committees will also report to the Board on key issues deliberated by the Board Committees.

The roles and responsibilities of Executive and Non-Executive Directors are distinguished and clearly defined. The Executive Directors, through their daily involvement in the operations of the Group, assume the primary responsibility for managing the Group's operations and resources. Their intimate knowledge and vast experience of the business and their active-participation management style have contributed to the continued growth of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Roles and Responsible of the Board (cont'd)

The Independent Non-Executive Directors, on the other hand, exercise with professional competence and independence, a supervisory role via their involvement in various Board committees and focus principally on performance monitoring and enhancement of corporate governance and internal controls. They offer a capable check and balance for the Executive Directors and ensure that issues pertaining to strategies, performance and resources allocation proposed by the Management (led by the Executive Directors) are objectively evaluated, taking into consideration the interests of the shareholders and relevant stakeholders of the Group.

Roles of Chairman

The Chairman's responsibilities include:

- Chairing Board meetings and ensures the following:
  - All relevant issues are on the agenda;
  - Board freely debates on the strategic and critical issues;
  - Board receives the necessary management reports on a timely basis; and
  - Accurate, timely and clear information are provided to members of the Board.
- Providing leadership to the Board and is responsible for the developmental needs of the Board.
- Chairing shareholders' meetings and ensuring effective communication with shareholders and stakeholders.
- Facilitating the effective contribution of non-executive directors and ensuring constructive relations between the executive and non-executive directors.

The roles of the Chairman are mentioned in detail in the Board Charter which is made available on the Company's corporate website www.henghuat.com.my

Separation of Roles of Chairman and Managing Director

A segregation of responsibilities between the Independent Non-Executive Chairman and the Managing Director is practiced by the Company. Their roles are clearly defined and segregated to ensure appropriate balance of power and authority, increased accountability and enhanced capacity of the Board for independent decision-making. The Chairman is not related to the Managing Director and is responsible for leading the Board in the oversight and supervision of the Group's management. The Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board and the Management. The Managing Director is responsible for the day-to-day operations of the Group, making strategic business decision and implementing Board policies and decisions.

Role of Company Secretary

The Board is supported by a qualified Company Secretary. The Company Secretary plays an advisory role to the Board in relation to the Company's Articles of Association, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary is also responsible in ensuring that deliberations at the Board and its Committees meetings are properly minuted and kept. During the financial year under review, the Board is satisfied with the performance and support rendered by the Company Secretary to the Board in discharging its duties and responsibilities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Information and Support of Director

The Board convenes regular meetings on a quarterly basis to deliberate on the Group's overall strategies, operations and financial performance of the Group, with additional meetings to be convened from time to time to resolve any major and ad hoc matters requiring immediate attention. Directors are allowed to either participate in person, or through electronic means of communication (via teleconference).

During the financial year under review, 8 Board meetings have been called. The attendance of the individual Directors at the Board meetings are as follows:

	Attendance of Meeting
Executive Directors	
Dato' H'ng Choon Seng	8/8
Kee Swee Lai	8/8
Lim Ghim Chai (Resigned on 05.02.2020)	7/7(i)
Datin Khor Mooi Kim (Resigned on 05.02.2020)	6/7
Ooi Chieng Sim (Appointed on 01.11.2019 and resigned on 10.02.2020)	1/3(ii)
Dato Teoh Hai Hin (Appointed on 07.02.2020 and resigned on 19.02.2020)	(iii)
Alternate Director	
Teh Chai Luang alternate Director to Kee Swee Lai (Resigned on 21.11.2019)	Not require
Khor Teik Boon alternate Director to Dato' H'ng Choon Seng (Resigned on 21.11.2019)	Not require
Independent Non-Executive Directors	
Dato' Juzilman Bin Basir (Resigned on 01.11.2019)	4/4(iv)
Dr. Lo Liang Kheng	8/8
Cheah Swi Chun	7/8
Ng Chin Nam (Appointed on 14.11.2019 and ceased on 17.02.2020)	3/3(v)

Notes
(i) *Seven meetings were held prior to his resignation;*
(ii) *Three meetings were held subsequent to his appointment and resignation from board;*
(iii) *No meeting was held subsequent to his appointment and resignation from board;*
(iv) *Four meeting were held subsequent to his resignation.*
(v) *Three meeting was held subsequent to his appointment and ceased from board.*

The Board is satisfied with the Directors' commitment in fulfilling their roles and responsibilities as directors, as evidenced by the good attendance record of the Directors at the Board meetings.

The Board is given full and unrestricted access to all information pertaining to the Group's affairs to assist them in discharging their fiduciary duties effectively. The Board also has full access to the advice and services of the Company Secretary who are responsible to the Board for ensuring that the Board meeting procedures are adhered to and that the applicable rules and regulations are being complied with. The Board is allowed, whether as a full board or in their individual capacity, to solicit independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group's expense.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Information and Support of Director (cont'd)

Relevant formal meeting agenda are circulated to the Board members in advance of each Board meeting to ensure the Directors have sufficient time to solicit further explanations and/or information, where necessary, so as to enable them to duly discharge their duties and ensure that deliberations at the meeting are focused and constructive. Senior Management team and external advisers are normally invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda.

The proceedings and relevant resolutions passed at the Board meeting are duly recorded by the Company Secretary, and properly documented and filed in the Minutes Book maintained at the Registered Office of the Company.

Board Charter

A formal board charter **("the Charter")** has been drawn up and adopted by the Board in accordance with of the Code. The Board is guided by its Board Charter which clearly sets out the Board's roles, duties and responsibilities in discharging its fiduciary and leadership functions.

The objectives of the Charter are to ensure that the members of the Board are aware of their roles, duties and responsibilities and the application of principles and practices of good corporate governance in their business conduct and dealings in respect of, and on behalf of the Company and comply with the various laws and regulations governing them and the Company.

The Board will review the Charter at least once in every financial year and to make any necessary amendments when the Board deems necessary.

The Board Charter is available for reference on the Company's corporate website at www.henghuat.com.my.

Code of Conduct and Ethics

A formal code of conduct **("the Code of Conduct")** which outlines the standards of business conduct and ethical behaviour which the Directors and employees should adhere to has been put in place in accordance with the Code.

The Code of Conduct is available for reference on the Company's corporate website at www.henghuat.com.my.

Whistleblowing Policies and Procedures

The Group has a whistleblowing policy and procedure to allow employees and any external stakeholders to report cases of bribery amongst other matters in the workplace. There are proper grievance procedures in place to allow employees to report on matters that they wish to highlight to Management's attention.

The Whistleblowing policies and procedures is available for reference on the Company's corporate website at www.henghuat.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Board Composition and Independence

The Board currently consists of 5 members, comprising 2 Executive Directors and 3 Independent Non-Executive Directors as follows:

Executive Directors

Dato' H'ng Choon Seng	(Managing Director)
Kee Swee Lai	(Deputy Managing Director)

Independent Non-Executive Directors

Cheah Swi Chun

Dr. Lo Liang Kheng

Ho Whye Chong

The composition of the Board is in compliance with paragraph 15.02 of the Listing Requirements, which requires at least 2 Directors or 1/3 of the Board, whichever is the higher, to consist of Independent Non-Executive Directors.

The biographical information of each Director are presented on pages 15 to 17 of this Annual Report, under Directors' Profile.

Members of the Board are persons of high calibre with different professional and commercial backgrounds. With a blend of good management, entrepreneurial skills and industry-specific knowledge, they bring extensive depth and diversity in experience and perspectives which are essential for the sustainability of the Group. To ensure an effective and independent supervision, all the Independent Non-Executive Directors in office are independent of the Executive Directors, Management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a proper check and balance on the Board's deliberations.

Continuing Education Programme for Directors

The Board takes cognisance of the importance of appropriate continuous training in keeping the Directors updated and informed on the changes and developments of operating environment and the corporate regulatory framework.

All the Directors have attended and completed the Mandatory Accreditation Programme (MAP) except Ho Whye Chong. Moreover, the Directors are briefed and updated at the quarterly meetings by the Company Secretary, Internal and/or External Auditors on relevant amendments to the Listing Requirements, corporate governance practices and principles, risk management and internal control approaches, Malaysian Financial Reporting Standards, as well as auditing requirements. The Directors also gained insights to the market development through constructive and active deliberations at the Board meetings.

During the financial year under review, the training programmes, seminars and briefings attended by the Directors are as follows:

Name of Director	**Training Programme**
Dato' H'ng Choon Seng	• Team Power Toward Excellence Performance • Developing High Performance Sales Team
Kee Swee Lai	• Team Power Toward Excellence Performance • Developing High Performance Sales Team
Cheah Swi Chun	• Compliance with Companies Act 2016 & Director's Responsibilities
Dr. Lo Liang Kheng	• HSBC – Economic and FX seminar

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Continuing Education Programme for Directors (cont'd)

The Board is mindful of the importance of continuing professional development and the need for continuous update and training. The Board, via the Nominating Committee, will assess the training needs of the Directors on a continuing basis. The Directors are expected to identify suitable training programmes for participation to ensure that they are updated and kept abreast with the economy developments, changes in the industry and business environment, new regulatory and financial reporting requirements, as well as essential practices for effective corporate governance, risk management and internal control. Thus, allowing them to discharge their roles and responsibilities effectively.

Compliance with Applicable Financial Reporting Standard

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the issuance of Annual Audited Financial Statements, quarterly financial reports, and corporate announcements on significant developments affecting the Group in accordance with the Listing Requirements.

The Annual Audited Financial Statements and quarterly financial reports are prepared in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 2016 and the Listing Requirements of Bursa Securities.

Directors' responsibilities in relation to the preparation of the Group's financial statements are further elaborated under Directors' Responsibility Statement.

The Audit Committee assists the Board in overseeing the Group's financial reporting processes and ensuring the quality of its financial reporting. The Group's annual and quarterly financial statements are reviewed by the Audit Committee, with the focus on changes in accounting policies, Management's judgement in applying these accounting policies as well as the assumptions and estimates applied in accounting for certain material transactions.

Assessment of Suitability and Independence of External Auditors

The Board acknowledges that the independent opinion of the Group's External Auditors is essential in reassuring the shareholders that the Group's financial statements present a true and fair view of its financial position, financial performance and cash flows status.

The Board strives to establish a transparent and professional relationship with the Group's External Auditors with the assistance of the Audit Committee. The Audit Committee members meet with the Group's External Auditors at least twice a year with the absence of the Executive Directors and Senior Management to discuss the results and concerns arising from their audit.

The Audit Committee is responsible to review and monitor the suitability and independence of the Group's External Auditors. The Audit Committee had obtained assurance from its external auditors, Messrs. Grant Thornton, confirming that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. After having satisfied with the performance of Messrs. Grant Thornton and its audit independence, the Audit Committee recommended the re-appointment of Messrs. Grant Thornton to the Board for approval by its shareholders at the forthcoming AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Tenure of Independent Director

The Board is aware that the tenure of an Independent Non-Executive Director should not exceed a cumulative term of 9 years as recommended by the Code.

Upon completion of the 9 years, the Independent Non-Executive Director concerned may:

- Continue to serve on the Board if deemed appropriate and suitable by the Board, subject to him/her being re-designated as Non-Independent Director; or
- Remain as an Independent Non-Executive Director if deemed appropriate and suitable by the Board, subject to the shareholders' approval. The Board must provide justification for the decision.

As of the date of this Annual Report, none of the Independent Non-Executive Directors has served a consecutive term of 9 years.

Board Diversity, Targets and Measures to Meet Those Targets

The Group currently has NIL female Board member.

The Board acknowledges the important of promoting gender diversity to comply with the recommendations of the Code.

As recommended under practice 4.5, the Code encourages that the Board comprises of 30% women directors. The Board will remain mindful and has set an objective to comply with the Code by appointing more women director to the Board when suitable candidate is identified to support the Group's objectives.

The Group is an employer who provides equal opportunity to all its employees. All appointments and employments are strictly based on meritocracy and are not driven by any racial, gender, ethnicity or age bias.

Sourcing of Director

The Nominating Committee shall exclusively comprise of Non-Executive Directors, a majority of whom are Independent Directors and is primarily responsible for the following:

- Propose, consider and recommend suitable persons for appointment as Director. In making its recommendations, the Nominating Committee should consider the candidates:

  - Skills, knowledge, expertise and experience;
  - Professionalism;
  - Integrity; and
  - In the case of candidates for the position of Independent Non-Executive Directors, to evaluate the candidates' ability to discharge such responsibilities/ functions as expected from the Independent Non-Executive Directors;

- Recommend to the Board the Directors to fill the seats on the Board Committees;

- Annual review of the required mix of skills, experience, competencies, independency and other qualities, which Non-Executive Directors should bring to the Board;

- Annual assessment of the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director including the Independent Non-Executive Directors as well as the Chief Executive Directors;

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Sourcing of Director (cont'd)

- Review the succession plans and training programmes for the Board; and
- Perform such other responsibilities as may be delegated by the Board from time to time.

During the financial year under review, 2 meetings of the Nominating Committee was held to undertake the following activities:

- Assessed the size and composition of the Board;
- Reviewed and discussed the performance and contribution of the individual Directors (both the Executive Directors and Independent Non-Executive Directors);
- Assessed the performance of the Board and of the respective Board Committees;
- Reviewed the terms of office and performance of Audit Committee and each of its members; and
- Evaluated the Directors that shall retire at the forthcoming Annual General Meeting **("AGM")** pursuant to the Company's Articles of Association and made recommendation for their re-election.

The details of attendance are reflected below:

	Attendance of Meeting
Chairman	
Ng Chin Nam *(Independent Non-Executive Director)* (Appointed on 14.11.2019 and ceased on 17.02.2020)	1/1[(1)]
Members	
Dr. Lo Liang Kheng *(Independent Non-Executive Director)*	2/2
Cheah Swi Chun *(Independent Non-Executive Director)*	2/2

Notes
(i) One meeting were held subsequent to his appointment and ceased from board.

Chairmanship of the Nomination Committee

Practice of the Code advocates that the Chairman of the Nominating Committee should be the Independent Director or a Senior Independent Non-Executive Director.

The Nominating Committee carries out an assessment on the composition of the Board, contribution of each individual Directors and overall effectiveness of the Board as a whole, and the Board Committees, on an annual basis, to ensure as far as possible, the Board is equipped with members of different mix of skill sets, competencies and gender diversity as well as to identify areas for improvement and for the purposes of reappointment of Directors of the Company.

Upon assessment of the Board's size and composition, the Nominating Committee is satisfied that the Board's size is appropriate given the scale of the Group's business and operations and the composition is well-balanced with mix of knowledge, skills and attributes to enable the Board to discharge its duties efficiently.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Evaluation of Board, Board Committees and Individual Directors

The Board as a whole makes decisions on appointment of Director, upon recommendation by the Nominating Committee.

The selection and appointment of suitable candidates for the Board membership are conducted in a systematic manner. It involves the following 5 nomination procedures:

- Identification/selection of potential candidate(s);
- Assessment of suitability of candidate(s);
- Formal interview with potential candidate(s);
- Final deliberation by the Nominating Committee; and
- Recommendation to the Board for approval.

In the selection process, the Board and the Nominating Committee endeavour to appoint member that can improve the Board's overall compositional balance and enhance the Board's overall effectiveness in discharging its duties. The selection process is unbiased and unprejudiced in respect of race, religion and gender although the Board and the Nominating Committee are cognisant of the gender diversity recommendation advocated by the Code.

Pursuant to the Company's Articles of Association, 1/3 of the Directors are required to retire at each Annual General Meeting and be subjected to re-election by shareholders. All Directors shall also retire at least once every 3 years. Directors who are newly appointed by the Board shall retire and subject themselves for re-election by the shareholders at the next Annual General Meeting held following their appointments.

The Companies Act, 2016 abolished the maximum age for Directors and hence, the appointment or re-appointment of Directors will be based on their qualifications and merits.

Upon the recommendation of the Nominating Committee and the Board, the Directors who are standing for re-election and re-appointment at the firth coming Annual General Meeting of the Company to be held in 2020 are as stated in the Notice of Annual General Meeting.

Annual Assessment of the Board

The Nominating Committee carries out an assessment on the composition of the Board, contribution of each individual Directors and overall effectiveness of the Board as a whole, and the Board Committees, on an annual basis, to ensure as far as possible, the Board is equipped with members of different mix of skill sets, competencies and gender diversity as well as to identify areas for improvement and for the purposes of reappointment of Directors of the Company.

Upon assessment of the Board's size and composition, the Nominating Committee is satisfied that the Board's size is appropriate given the scale of the Group's business and operations and the composition is well-balanced with mix of knowledge, skills and attributes to enable the Board to discharge its duties efficiently.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Remuneration Policy and Procedures for Director and Senior Management

According to the Code, the Remuneration Committee shall only consist of Non-Executive Directors, a majority of whom are Independent Directors and is primarily responsible for the following:

- Recommend to the Board the remuneration package of the Executive Directors and key senior management personnel in all its form, drawing from outside advice, if necessary;

- Recommend to the Board the remuneration of Non-Executive Directors which shall be a decision of the Board as a whole, save and except where the remunerations is in respect of any member or members of this Committee; and

- Assist the Board in discharging its responsibilities relating to, amongst others, compensation strategy, succession planning, management development and other compensation arrangements.

During the financial year ended under review, 2 meetings of the Remuneration Committee was held and the details of attendance are reflected below:

	Attendance of Meeting
Chairman	
Dr. Lo Liang Kheng *(Independent Non-Executive Director)*	2/2
Members	
Cheah Swi Chun *(Independent Non-Executive Director)*	2/2
Ng Chin Nam *(Independent Non-Executive Director)* (Appointed on 14.11.2019 and ceased on 17.02.2020)	1/1[1]

Notes
(i) One meeting were held subsequent to his appointment and ceased from board.

The principal objective of the Group's remuneration policy is to attract, retain and motivate the Directors of the necessary calibre and experience to lead and manage the Group effectively. For Executive Directors, the remuneration package is structured to align the interests of the Executive Directors with those of shareholders and is linked to corporate and individual performance, service seniority, experience and responsibilities. For Independent Non-Executive Directors, the level of remuneration is based on the level of their experience and responsibilities.

The framework of Executive Directors' remuneration package and the terms of their employment are recommended by the Remuneration Committee for the Board's approval. The remuneration package of Independent Non-Executive Directors is determined by the Board as a whole. Directors are required to abstain from deliberations and voting on decisions concerning their own remuneration.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Disclosure of Remuneration

The details of the remuneration of the Directors for the financial period ended 31 March 2020 are as follows:

Group	**Fees RM'000**	**Meeting Allowance RM'000**	**Salary RM'000**	**Bonus RM'000**	**Other emoluments RM'000**	**Benefit in-kind RM'000**
Non-Executive Director						
Dato' Juzilman Bin Basir	70	*	-	-	-	-
Cheah Swi Chun	30	*	-	-	-	-
Dr. Lo Liang Kheng	30	1	-	-	-	-
Ng Chin Nam	6	*	-	-	-	-
						-
Executive Director						
Dato' H'ng Choon Seng	80	-	902	-	113	28
Kee Swee Lai	55	-	697	10	88	24
Lim Ghim Chai	-	-	202	17	27	13
Datin Khor Mooi Kim	17	-	202	-	22	17
Ooi Chieng Sim	80	-	-	-	-	-
Alternate Director						
(i) Khor Teik Boon	20	-	159	13	19	9
(ii) Teh Chai Luang	20	-	180	17	24	9

Company	**Fees RM'000**	**Meeting Allowance RM'000**	**Salary RM'000**	**Bonus RM'000**	**Other emoluments RM'000**	**Benefit-in-kind RM'000**
Non-Executive Director						
Dato' Juzilman Bin Basir	70	*	-	-	-	-
Cheah Swi Chun	30	*	-	-	-	-
Dr. Lo Liang Kheng	30	1	-	-	-	-
Ng Chin Nam	6	*	-	-	-	-
Executive Director						
Dato' H'ng Choon Seng	-	-	30	-	4	-
Kee Swee Lai	-	-	30	-	4	24
Lim Ghim Chai	-	-	202	17	27	13
Datin Khor Mooi Kim	-	-	30	-	4	-
Ooi Chieng Sim	80	-	-	-	-	-
Alternate Director						
(i) Teh Chai Luang	-	-	-	-	-	-
(ii) Khor Teik Boon	-	-	-	-	-	-

Note:
* Less than RM1,000

(i) Alternate Director to Dato' H'ng Choon Seng, our Managing Director.
(ii) Alternate Director to Kee Swee Lai, our Deputy Managing Director.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Disclosure of Remuneration (cont'd)

The total remuneration paid to the top Key Senior Management for the financial year ended 31 March 2020 is set out below:

Remuneration	**For the financial year ended 31 March 2020 RM'000**
Salaries and bonus	840
Social contribution	107
Benefit-in-kind	21
	968

The Company does not comply with the recommendations to disclose the detailed remuneration of each member of Senior Management in bands of RM50,000 on a named basis in order to preserve confidentiality, negative impact arising from the disclosure, and the larger need to maintain a stable work environment to meet long-term strategic goals.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Risk Management

The Board recognises the significance of sound risk management and internal control systems, which are necessary to safeguard the Group's assets and shareholders' investment. To this end, the Board affirms its overall responsibility in ensuring the adequacy, effectiveness and integrity of the Group's risk management and internal control system which encompasses risk management practices as well as financial, operational and compliance controls. Nonetheless, it is important to note that such system, by its nature, manages but not eliminates risks and therefore can provide only reasonable and not absolute assurance against material misstatement, loss or fraud.

The *Statement on Risk Management and Internal Control* set out on pages 37 to 40 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

Internal Audit Function

The Board has outsourced its internal audit function to a professional consulting firm, which is independent to the activities and operations of the Group. The Outsourced Internal Auditors conduct independent reviews on the state of risk management and internal controls of the Group and report directly to the Audit Committee. The findings of the internal auditors, together with recommended action plans, are reported to the Audit Committee and conveyed to the Management.

A summary of the major areas of work performed by the internal auditors during the financial year are set out in the *Audit Committee Report* on pages 41 to page 44 of this Annual Report.

Risk Management Committee

The Risk Management Committee ("RMC") has been established to review the adequacy and effectiveness of risk management of the Group. The RMC's main role is to review, on behalf of the Board, the system of risk management necessary to manage the key risks inherent in the business and to present its findings to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Risk Management Committee (cont'd)

Risk Management enables the Group to identify, assess and mitigate risks systematically.

Continuous risk assessment is fundamental to the Group's risk management process where the risk owners from the business and corporate units are responsible to develop the appropriate response strategies to mitigate the risks.

Detail of the activities carries out by the RMC in 2020 are set out on pages 37 to page 40.

The Term of Reference is available for reference on the Company's corporate website at www.henghuat.com.my.

PRINCIPLE C – INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Corporate Disclosure Policy

The Board is aware of the importance of maintaining proper corporate disclosure procedures with the aim of providing shareholders and investors with comprehensive, accurate and quality information on a timely basis. Personnel and working team preparing the disclosure will conduct proper verification, as well as coordinate the efficient disclosure of material information to the investing public.

The Board, in its best efforts, always ensure that the financial results are released to the shareholders and the general public on a timely manner and the financial statements are presented with accuracy and adequacy and comply with all relevant regulatory reporting requirements and financial reporting standards.

Leverage on Information Technology for Effective Dissemination of Information

To ensure effective dissemination of information to the shareholders and stakeholders, an Investor Relations ("IR") section has been incorporated in its corporate website, which provides all relevant information on the Group and is accessible by the public. This IR section enhances the IR function by including all announcements made by the Company to the website of Bursa Securities, quarterly report, annual report, board charter as well as corporate governance structure of the Company.

The Company will continuously enhance the disclosures on its website for broader and effective dissemination of information to its shareholders and stakeholders.

Shareholders' Participation at General Meeting

All shareholders are invited and encouraged by the Board to attend the Company's general meeting, particularly the Annual General Meeting, as it forms an important platform where the shareholders can engage directly with the Board and the Management and raise any questions and concerns they may have on the Group. The Company is looking forward to solicit feedbacks and views from its shareholders and answer shareholders' question on all issues pertaining to the Company at the AGM. Shareholders who are unable to attend personally are allowed to appoint proxy/proxies to attend and vote on their behalf. Notice of the Annual General Meeting is circulated to the shareholders at least 28 days prior to the meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C – INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

Poll Voting

The Board is mindful of the poll voting requirement under Paragraph 8.31A of the Listing Requirements. The Board will implement poll voting for all the resolutions to be passed in the forthcoming Annual General Meeting. The Company will appoint 1 scrutineer, who is independent of the Group and the person undertaking the polling process, to validate the votes casted.

The Board will consider adopting electronic voting to facilitate greater shareholders participation when the facilities for electronic voting mechanism are more prevalent in the future.

Effective Communication and Proactive Engagement

The Board acknowledges the paramount importance of an active and constructive communication policy that enables effective communication between the Board, shareholders, stakeholders and general public and the importance of timely dissemination of information to shareholders, stakeholders and general public and their rights to be updated of the Group’s activities and performance to enable them to make informed evaluation and investment decision.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

- Interim financial reports to provide updates on the Group’s operations and business developments on a quarterly basis;
- Annual audited financial statements and annual report to provide an overview of the Group’s state of governance, state of affairs, financial performance and cash flows for the relevant financial year;
- Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements;
- Annual General Meetings; and
- Corporate website under www.henghuat.com.my.

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the “Corporate Information” section of this Annual Report. Notwithstanding that, shareholders and investors may also direct their queries to other Director of the Group as the Board operates in an open environment in which information is freely exchanged among the Board members, with due care exercised to safeguard the confidentiality of the information.

While the Group strives to provide as much information as possible to the shareholders and stakeholders, the Board upholds strict standards of confidentiality with regard to undisclosed material information under all circumstances and is cognisant of the legal and regulatory framework governing the dissemination of information to shareholders and the general public particularly the rules and regulations stipulated under Chapter 9 of the Listing Requirements.

Corporate Governance Compliance Statement

The Board recognises the importance of good corporate governance towards long term sustainability of the Group. The Board always strive to adopt the principles and recommendations promoted by the Code. Save as disclosed within this Annual Report, the Group has, and will continue to apply the principles and recommendations as set out in the Code where practical and appropriate.

This statement was made in accordance with a Board of Directors’ resolution dated 25 August 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C – INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

DIRECTORS' RESPONSIBILITY STATEMENT

In the course of preparing the annual financial statements for the Group and the Company, the Directors reaffirm that they are collectively responsible for ensuring that these financial statements are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 2016 and the Listing Requirements of Bursa Securities; and that the financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group for the financial year period 31 March 2020.

To ensure that the financial statements are properly drawn up, the Directors have taken the following measures:

- adopted the relevant Malaysian Financial Reporting Standards and International Financial Reporting Standards;
- applied the appropriate and relevant accounting policies on consistent basis;
- where applicable, made judgements and estimates that are reasonable and prudent;
- prepared the financial statements on going concern basis; and
- ensured that proper accounting records are kept in accordance with the requirements of the Companies Act, 2016 so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors have also made reasonable steps to prevent and detect fraud as well as other irregularities in safeguarding the assets of the Group.

This statement was made in accordance with a Board of Directors' resolution dated 25 August 2020.

SUSTAINABILITY STATEMENT

The Group recognises the significance philosophy of sustainability towards the key stakeholders of the Company, as it believes that the well-doing of the society is essential for the continuous and long-term sustainability of the Group. The Group is committed to ensure ethical conduct of its business activities while striving to maximise the returns to the shareholders. The Group is dedicated to continuously improve its programs and hence, will review and monitor its sustainability policies from time to time to identify areas for enhancement.

The Group's sustainability policies and programs encompass 4 core areas:

- Workplace

  The Group recognises that continuous success is impossible to achieve, without the dedicated efforts and supports from its employees. The Group endeavours to create a safe and healthy working environment for its employees. Where appropriate, revision on employees' remuneration will be made accordingly after consideration of the respective employees' performance and the market rate.

  It is the Group's policy that the production floor is to be maintained neatly organised at all times for safety consideration. Safety officers are assigned to patrol around the production floor to ensure that the production workers adhere to the safety measures.

  In addition to that, an internal emergency response team has been established where regular trainings are provided to equip the team members with first-aid knowledge as well as emergency handling skills. The emergency response team will then conduct in-house briefings from time to time and share the knowledge and skills with other employees.

- Environment

  Environmental protection is embedded into the Group's operations and corporate culture and is one of the elementary competitive strength of the Group's operations. The Group's primary business focus is to convert biomass waste, namely coconut husks and oil palm EFB into biomass materials and value-added products comprising coconut fibre, coconut peat, coconut fibre sheet, oil palm EFB fibre, briquette and geotextiles.

  To enhance the environmental protection, the Group had installed scrubber to its plants to reduce the ash releases into the air and constructed a sludge pool to contain the ash. In addition, the bag filter system is being implemented to enhance the air pollution control system.

  To further minimise the environmental impact of the Group's operations, wastes (by-products from its biomass materials production such as foreign waste materials and short fibre) are reused to generate biomass energy. The biomass energy is then used to supplement the power needs of the manufacture of its biomass materials and value-added products. This helps to reduce its reliance on firewood and lower the risk of pollution.

  In addition to that, the Group maintains careful waste-handling procedures where the wastes are being gathered for subsequent proper disposal to avoid contaminating surrounding public areas.

- Marketplace

  The Group recognises the importance of ethical practices and conducts towards long term sustainable development of its operations. It places strong emphasis on the quality of all products produced and are committed towards ensuring a consistent and reliable supply to its customers according to their requirements. It continually seeks to uphold the quality of its main operation in biomass and mattress division. Its commitment to quality is testified by the ISO 9001:2015 Quality Management System accreditation attained by the Group's key operating subsidiaries.

SUSTAINABILITY STATEMENT (CONT'D)

- Marketplace (cont'd)

  Its entire production process including material handling, fibre production and packing system goes through proper quality checks at various critical points to ascertain that its product quality remains consistent throughout. In addition, it checks all incoming raw materials to ensure that the materials meet pre-determined standards and to reject materials that do not meet specification.

  The Group values the customers and suppliers being its key business partners who contribute to the continuing success of the Group. Accordingly, the Group always maintain active communication with the customers and suppliers and ensure prompt response to the customers' feedback and enquiries.

- Community

  The Group truly appreciates that it should contribute to the community, as the well-being of the community underlies the Group's long term and sustainable development. The Group has actively played its social role by taking the opportunity to interact with the local community through direct or indirect involvement in several activities during the year. Therefore, in line with the purpose of promoting a healthy lifestyle, the Group had sponsored various sport events held by the local community.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is cognisant of the necessity of establishing a sound risk management and internal control systems in order to support the Group's objectives and to safeguard the shareholders' investments and the Group's assets.

The Board is pleased to present the Statement on Risk Management and Internal Control ("**Statement**") pursuant to Rule 15.26(b) of the Listing Requirements. This Statement has been prepared in accordance with the *Statement on Risk Management and Internal Control ("RMIC"): Guidelines for Directors of Listed Issuers ("Guidelines").*

It is essential to note that the systems of internal control and risk management are designed to manage, supervise and control risks appropriately within a reasonable and practicable level, rather than to eliminate the risk of failure to achieve business objectives. Hence, these systems can only provide reasonable and not absolute assurance against material misstatement of management and financial information, or against financial losses and fraud or breaches of laws and regulations.

The effectiveness of risk management and internal control systems may vary over time due to the ever-changing circumstances and conditions of the Company and the Group. Nevertheless, the Board acknowledges the need for the systems of risk management and internal control to be continuously improved in line with the evolving business development.

OBJECTIVE

The objective of establishing a sound risk management framework and an adequate and effective system of internal control is to safeguard shareholders' investment and the Group's assets, pursuant to the Malaysian Code on Corporate Governance which has come into force in April 2017.

- Outline the Group's risk context which comprise Group's philosophies, strategies and policies and operating system to better manage the business risks faced in today's adversity;
- Provide a guide to Head of Department as to how to govern the action of their operating personnel in relation to risk; and
- Provide assurance to the Board that a sound risk internal control is in place.

RMIC is a structured and disciplined approach alight strategies, processes, people, technology and knowledge with the purpose of evaluating and managing the risk the Group faces as it creates value.

An integrated, future focused and process orientated across functional, divisional and cultural barrier helps the Group manage all key business risk and opportunities with the intent of maximizing shareholders value for the Group as a whole.

DEFINITION OF RISK

Risk may be viewed as the threat of some event, action or loss of opportunity that, if it occurs or become a reality, will adversely either or value to shareholders, ability to achieve the objectives and implement business strategies, manner in conducting the business operation and Group's reputation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

CRITICAL SUCCESS FACTOR FOR RISK MANAGEMENT

The successful management of risk within the Group depends upon limitation as below:

- Risk management being part and parcel of strategy, project and operational planning and activities throughout the Group;
- Risk management is openly accepted and supported by the Group's leadership as providing sound business value; and
- Risk management is to be incorporated into the daily activity and being view as helpful in achieving the Group vision and strategic goal.

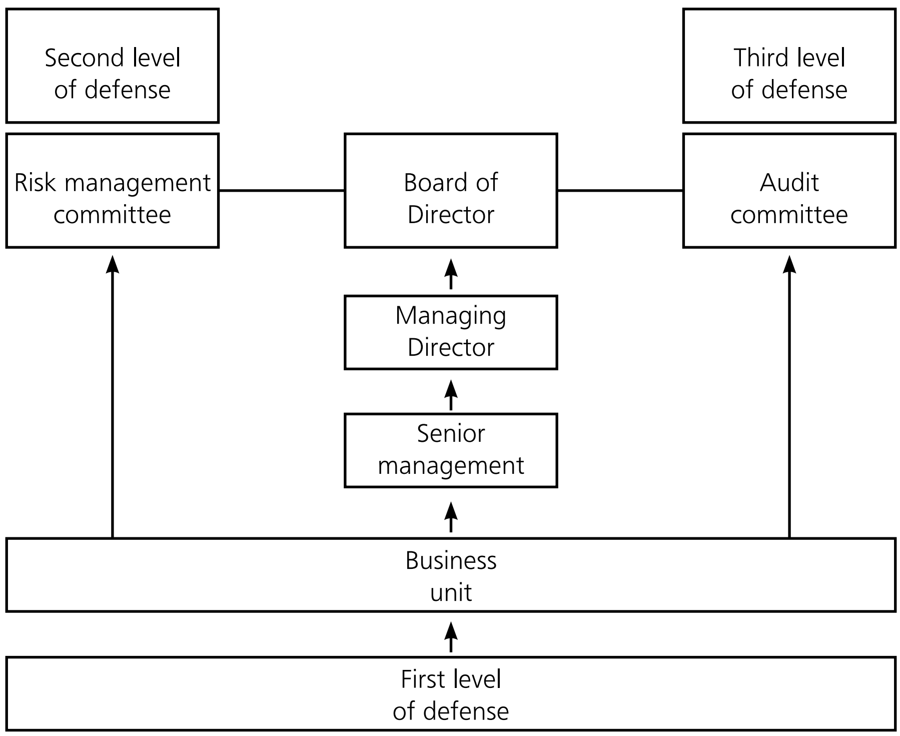
RISK STRUCTURE

Risk management cannot function in isolated silos. An appropriate framework has to be established within the Company to provide the control environment for risk management activities. This framework or structure embedded within the fabric of the Group. Key elements in the risk management structure included the following:

Risk management organisation structure:

- Roles, responsibilities and accountabilities of individual and terms especially the risk manager;
- Use of common terminology, this was communicated to the Executive Director, Managing Director, Head of Departments, Executives and some support staff during the workshop and awareness session; and
- Reporting structure and the frequency of the reporting process will allow red flags or high risk areas to be immediately channeled to the appropriate level for action.

Risk Organisation Structure



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

RISK MANAGEMENT

From the date of last AGM, the Group via its Risk Management Committee ("**RMC**") conducted 1 meeting to review the key risks faced by the Group. This is to ensure the risk management framework and internal control mechanism that have been put in place remain relevant and capable to reduce the risks to acceptable level.

The RMC will conduct half-yearly review and assessment on the key risks faced by the Group in its ordinary course of business to ensure that all the principal risks are maintained at acceptable level. Material findings, if any, together with additional control measures to be put in place shall be reported to the Board for deliberation.

During the financial year under review, as an initiative to enhance awareness on corporate governance, training had been conducted for the Board and the management personnel as recommended by the RMC. In addition, key risk and action are discussed at Board meetings. The Board will ensure that Management implement all action plans within the agreed timeline. The management shall conduct a half-yearly review to ensure that all key risks are maintain at acceptable level, and material finding (if any) shall be submitted to the Board for deliberation.

The Audit Committee will assist in overseeing the internal control aspects of the Group.

INTERNAL CONTROL

Maintaining a robust control structure and environment for the proper conduct of the Group's business operations and towards achieving a sound system of internal control has always been the Board's commitment. The key elements of the Group's system of internal control include:

- A well-defined organisational structure with well-defined scopes of responsibility, clear lines of accountability and appropriate levels of delegated authority. There is a process of hierarchical reporting which provides for a documented and auditable trail of accountability. Delegation of authorities including authorisation limits are clearly defined to ensure accountability and responsibility;

- The Group's Management carry out the monitoring and reviewing of the financial results for all businesses within the Group, including reporting thereon, of performance against the operating plans. The Management then formulate action plans to address any areas of concern;

- Regular Board and Management meetings are held where information is provided to the Board and Management covering financial performances and operations;

- The Board ensure that all recurrent related party transactions are dealt in accordance with the Listing Requirements. These recurrent related party transactions are subject to review by the Audit Committee and the Board at their respective meetings;

- A fully independent Audit Committee consisting exclusively of Independent Non-Executive Directors that monitor and review internal control issues identified by the internal auditors, the external auditors and the Management, and evaluate the adequacy and effectiveness of the risk management and internal control systems; and

- Quarterly meetings for the Audit Committee and Board are held to discuss on quarterly financial reports and issues that warrant the Audit Committee's and the Board's attention.

The Board acknowledges and recognises the importance of the internal audit function in assisting the Board in reviewing the effectiveness of the risk management and internal control system within the Group in safeguarding the shareholders' investments and the Group's assets.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL CONTROL (cont'd)

An independent professional internal audit firm has been engaged by the Group as the Internal Auditors to provide much of the assurance it requires regarding the effectiveness and the adequacy and integrity of the Group's internal control system. To ensure independence, the Internal Auditors report directly to the Audit Committee.

During the financial year under review, the internal audit of the Group was carried out on a risk-based auditing approach in accordance with the 1 year audit plan and scope of works approved by the Audit Committee. The internal audit provides an assessment of the adequacy, efficiency and effectiveness of the Group's internal control system. Recommendations for improvement are presented to the Audit Committee at its quarterly meetings, where necessary.

The internal audit reports are also circulated to the Management for implementation of the recommended improvement action plans. Follow-up reviews are conducted by the Internal Auditors to ascertain whether the recommendations are implemented within the stipulated time frame.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control. As set out in their terms of engagement, the procedures were performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3 issued by Malaysian Institute of Accountants. Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is it factually inaccurate.

ASSURANCE FROM MANAGEMENT

The Management is accountable to the Board for implementing and monitoring the systems of risk management and internal control and for providing assurance to the Audit Committee and the Board that it has done so. The Board has received assurance from the Managing Director and Chief Financial Officer that the Group's risk management and internal control system are operating adequately and effectively in all material aspects, based on the risk management and internal control system adopted by the Group.

CONCLUSION

The Board has considered the adequacy and effectiveness of the Group's system of risk management and internal control for the year under review, and up to the date of this Statement. The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year ended 31 March 2020. The Board and the Management continuously take measures to enhance the control environment and monitor the risk management and internal control framework in meeting the Group's business objectives. This statement was made in accordance with a Board of Directors' resolution dated 25 August 2020.

The Term of Reference is available for reference on the Company's corporate website at www.henghuat.com.my.

AUDIT COMMITTEE REPORT

Composition of Audit Committee

The Audit Committee members are nominated and appointed by the Board and consist of three (3) members as of the date of this report:

• Cheah Swi Chun	Chairman/ Independent Non-Executive Director
• Dr. Lo Liang Kheng	Member/ Independent Non-Executive Director
• Ho Whye Chong	Member/ Independent Non-Executive Director

Objectives

The Audit Committee ("**Committee**") is established to assist the Board in ensuring timely and accurate financial reporting, proper implementation of risk management policies and internal control, and regulatory compliance.

Authority

(a) The Committee is authorised by the Board to carry out the duties mentioned below and the Board and Management shall give all assistance that is necessary to enable the Committee to discharge its duties.

(b) The Committee shall, whenever necessary and reasonable for the performance of its duties and in accordance with a procedure to be determined by the Board and at the Company's cost:

- have explicit authority to investigate any matter within its terms of reference;
- have the resources which are required to perform its duties;
- have, at the expense of the Company, full/unrestricted access to all information and documents/ resources pertaining to the Company which are required to perform its duties;
- have direct communication channels with the external Auditors, person(s) carrying out the internal audit function or activity (if any) and senior management of the Company;
- be able to obtain external and independent professional or other advice, and to invite outsiders with relevant experience to attend meetings, if necessary; and
- be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary

(c) Procedure of the Committee

The Committee may regulate its own procedure, in particular:

- the calling of meetings;
- the notice to be given of such meetings;
- the voting and proceedings of such meetings;
- the keeping of minutes; and
- the custody, production and inspection of such minutes.

AUDIT COMMITTEE REPORT (CONT'D)

Attendance at Meetings

During the financial year under review, 6 meetings were held and the details of attendance of each member are as follows:

Members	**Attendance ofMeetings**
Cheah Swi Chun	5/6
Dr. Lo Liang Kheng	6/6
Dato' Juzilman Bin Basir (Resigned on 1.11.2019)	4/4(i)
Ng Chin Nam (Appointed on 14.11.2019 and ceased on 17.02.2020)	1/1(ii)

Notes
(i) Four meetings were held prior to his resignation; and
(ii) One meeting were held subsequent to his appointment and ceased from board.

Summary of Activities of the Committee

In discharging its function, the Audit Committee had carried out the following activities during the financial year ended 31 March 2020:

- Financial Reporting

  (a) Reviewed the unaudited quarterly financial reports prior to recommending them to the Board for approval of announcement to Bursa Malaysia Securities Berhad ("Bursa Securities") and Securities Commission ("SC");

  (b) Reviewed the annual audited financial statements of the Company and of the Group for the financial year ended 31 December 2018 prior to recommending it to the Board for approval of announcement to Bursa Securities and SC;

  (c) Reviewed the Audit Committee Report, Statement of Corporate Governance and Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2018 ("Annual Report 2018") to ensure the contents therein are accurate and in compliance with the Ace Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad;

  (d) Reviewed the list of related party transaction undertaken by the Group during the financial year and confirmed that the transaction was undertaken at arm's length basis and that the terms are not more favourable than those generally available to the public, and that adequate and accurate disclosure was made in compliance with the AMLR; and

  (e) Reviewed the Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction ("**RRPT Circular**") to Shareholders dated 22 April 2019 before recommending them to the Board for consideration and approval.

- External Auditors

  (a) Reviewed and assessed the suitability and independence of the external auditors. To this end, the Audit Committee had obtained confirmation from the External Auditors on their independence and were not aware of any potential conflict of interest situation;

AUDIT COMMITTEE REPORT (CONT'D)

Summary of Activities of the Committee

In discharging its function, the Audit Committee had carried out the following activities during the financial year ended 31 March 2020: (cont'd)

- External Auditors (cont'd)

  (b) Reviewed the performance appraisal of the External Auditors and recommended the Board for their re-appointment for financial year ended 2020;

  (c) Reviewed and discussed the audit findings in relation to the audited financial statements for the financial year ended 31 December 2018 as well as few internal control areas that required improvement as recommended by the External Auditors. To this end, the Audit Committee had reviewed the findings highlighted, deliberated on the Management’s responses thereto and evaluated the recommended improvement action plans to ensure the areas of concern are adequately mitigated;

  (d) Reviewed the scope of work and audit plan tabled by the External Auditors in relation to the statutory audit for the financial year ended 31 March 2020. The Committee had obtained updates from the External Auditors on the new accounting standards, auditing standards and other changes relating to the legal and regulatory requirements that came into effect during the financial year ended 31 March 2020; and

  (e) Held private session (without the presence of the Executive Directors and Management) with the External Auditors twice during the financial year under review.

- Internal Auditors

  (a) Reviewed the internal audit plans and scope of works submitted by the Internal Auditors engaged by the Group;

  (b) Reviewed the internal audit reports submitted by the Internal Auditors, and discussed the findings and recommendations with the Management; and

  (c) Reviewed the performance appraisal of the Internal Auditors and recommended the Board for their re-appointment.

The Audit Committee confirmed that it has been allowed unrestricted communication with both the External and Internal Auditors during the financial year under review, and participations of the Executive Directors and Management in the Committee’s meetings were strictly upon invitation.

Subsequent to the financial year end, the Audit Committee had reviewed the following prior to recommending to the Board for approval:

- The audited financial statements of the Company and the Group for the financial period ended 31 March 2020;

- The Audit Committee Report, Corporate Governance Overview Statement, Corporate Governance Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial period ended 31 March 2020;

- The RRPT Circular dated 28 August 2020; and

- The performance appraisal of the External Auditors for their re-appointment for the financial year ending 31 March 2021.

AUDIT COMMITTEE REPORT (CONT'D)

Internal Audit Function

The Group has outsourced its internal audit function to an external professional internal audit firm, Total Advisors Sdn Bhd ("Internal Auditors").

The Internal Auditors report directly to the Audit Committee. The primary role of the internal audit function is to review the effectiveness of the Group's systems on internal control and this is performed with impartiality, proficiency and due professional care. The internal audit function adopts a risk-based auditing approach by focusing on reviewing identified high risk areas for compliance with control policies and procedures, identifying business risk which have not been appropriately addressed and evaluating the adequacy and effectiveness of controls.

The internal audit function assists the Audit Committee in discharging its duties and responsibilities with respect to the adequacy and effectiveness of the Group's internal control system. In order to maintain the integrity of the internal audit function, the Internal Auditors report directly to the Audit Committee.

During the financial year under review, the Internal Auditors have conducted a review:

(a) Report dated April 2019

The areas/departments reviewed include:

i) Purchasing;
ii) Warehouse;
iii) Sales; and
iv) Common Functions.

The findings and recommendations were tabbed to the Audit Committee for deliberations. The Internal Auditors have highlighted certain areas for improvement on the covered areas/departments. All the recommendations have been implemented during the financial year under review, as assessed by the Internal Auditors during their follow-up review in April 2019.

(b) Report dated October 2019

The area/departments reviewed include:

i) Production planning process;
ii) Job sheet authorisation and distribution; and
iii) Finished goods transfer.

The findings and recommendations were tabbed to the Audit Committee for deliberations. The Internal Auditors have highlighted certain areas for improvement on the covered areas/departments. All the recommendations have been implemented during the financial year under review, as assessed by the Internal Auditors during their follow-up review in November 2019.

The total internal audit fees payable for the abovementioned reviews carried out during the financial year under review amounted to RM40,000.

ADDITIONAL COMPLIANCE INFORMATION

AUDIT AND NON-AUDIT FEES

	Financial Year Ended 31 March 2020	
	Group	**Company**
	RM	**RM**
Audit fees paid and payable to the external auditors	117,500	21,200
Non-Audit fees paid and payable to the external auditors and affiliated firm of the external auditors for review engagement and corporate tax compliance services rendered	88,200	8,600
	205,700	29,800

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interests of the Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

CONTRACT RELATING TO LOAN BY THE COMPANY

There was no contract relating to loan entered into by the Company and its subsidiaries involving the interest of the Directors and major shareholders of the Company.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPTs")

Details on the RRPTs entered into by the Group during the financial year under review are disclosed under Note 25 to the Financial Statements on pages 114 to 115 of this Annual Report. The Company is also seeking shareholders' approval for the proposed renewal of shareholders' mandate for RRPTs in the forthcoming AGM. The details of the RRPTs to be entered into by the Group with the related party are included in the Circular to Shareholders.

FINANCIAL STATEMENTS

DIRECTORS' REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period ended **31 March 2020**.

CHANGE OF FINANCIAL YEAR END

The Company changed its financial year end from 31 December to 31 March.

PRINCIPAL ACTIVITIES

The principal activity of the Company in the course of the financial period remains unchanged and consist of investment holding. The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial period.

RESULTS

	GROUP RM	COMPANY RM
Loss after taxation for the financial period	(42,904,128)	(12,617,959)
Attributable to:		
Owners of the Company	(42,875,748)	(12,617,959)
Non-controlling interests	(28,380)	-
	(42,904,128)	(12,617,959)

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial period ended **31 March 2020** have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

DIVIDEND

No dividend has been declared or paid by the Company since the end of previous financial year.

The directors do not recommend any dividend payment for the financial period.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period.

DIRECTORS' REPORT (CONT'D)

SHARE CAPITAL AND DEBENTURE

On 31 January 2020, the Company completed its share consolidation exercise involving consolidation of every 10 existing ordinary shares into 1 consolidated share. Arising from this, the Company's ordinary shares of 339,570,045 have been consolidated into 33,957,001 ordinary shares pursuant to the share consolidation exercise.

Other than the foregoing, the Company did not issue any shares or debenture.

DIRECTORS

The directors in office during the financial period and during the period from the end of financial period to the date of this report are as follows:

Directors of the Company:

Dato' H'ng Choon Seng
Kee Swee Lai
Dr. Lo Liang Kheng
Cheah Swi Chun
Ho Whye Chong (appointed on 23.7.20)
Dato' Juzilman Bin Basir (resigned on 1.11.19)
Lim Ghim Chai (resigned on 5.2.20)
Datin Khor Mooi Kim (resigned on 5.2.20)
Khor Teik Boon (Alternate Director to Dato' H'ng Choon Seng) (resigned on 21.11.19)
Teh Chai Luang (Alternate Director to Kee Swee Lai) (resigned on 21.11.19)
Ooi Chieng Sim (appointed on 1.11.19, resigned on 10.2.20)
Ng Chin Nam (appointed on 14.11.19, ceased on 17.2.20)
Dato' Teoh Hai Hin (appointed on 7.2.20, resigned on 19.2.20)

Directors of the Subsidiaries:

Pursuant to Section 253 of the Companies Act 2016, the list of directors of the subsidiaries (excluding directors who are also directors of the Company) in office during the financial period and during the period from the end of the financial period to the date of the Report are as follows:

Ruhani Binti Ismail
Datin Khor Mooi Kim
Khor Teik Boon
Teh Chai Luang

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial period in shares of the Company and its related corporations during the financial period are as follows:

	Number of ordinary shares				
	Balance as at 1.1.19	Bought	Sold	Share consolidation	Balance as at 31.3.20
The Company					
Direct Interest:					
Dato' H'ng Choon Seng	113,881,877	-	(113,881,877)	-	-
Kee Swee Lai	62,624,804	-	(62,624,804)	-	-
Deemed Interest:					
Dato' H'ng Choon Seng#	6,464,500	6,768,750*	-	(11,909,943)	1,323,307

Deemed interested by virtue of his shareholding in Heng Huat Manufacturer Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and shares held by his daughter and spouse.

* Addition upon resignation of Datin Khor Mooi Kin as Director of the Company pursuant to Section 219 of Companies Act 2016.

Other than as disclosed above, none of the other directors in office at the end of the financial period had any interest in the ordinary shares in the Company and its related corporations during the financial period.

DIRECTORS' REMUNERATION AND BENEFITS

During the financial period, the fees and other benefits received and receivable by the directors of the Company are as follows:-

	COMPANY RM	SUBSIDIARIES RM	GROUP RM
Salaries, allowance and bonus	**311,388**	**2,108,400**	**2,419,788**
Fees	**216,306**	**192,000**	**408,306**
EPF	**37,941**	**250,608**	**288,549**
SOCSO and EIS	**2,757**	**8,957**	**11,714**
Benefits-in-kind	**37,275**	**63,000**	**100,275**
	605,667	**2,622,965**	**3,228,632**

DIRECTORS' REPORT (CONT'D)

DIRECTORS' REMUNERATION AND BENEFITS (CONT'D)

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown above) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, other than those related party transactions disclosed in the notes to the financial statements.

During and at the end of the financial period, no arrangements subsisted to which the Company is a party, with the objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

No indemnity has been given to or insurance effected for any of the directors, officers or auditors of the Company during the financial period.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts, and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, or

(iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial period which secures the liabilities of any other person, and

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial period.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due,

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Details of the significant events during the reporting period are disclosed in Note 29 to the financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are disclosed in Note 30 to the financial statements.

AUDITORS

The total amount of fees paid to or receivable by the auditors, **Grant Thornton**, as remuneration for their services as auditors of the Group and of the Company for the financial period ended 31 March 2020 is disclosed in Note 20 to the financial statements.

The auditors, **Grant Thornton**, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....	....
Dato' H'ng Choon Seng	**Kee Swee Lai**

Penang,

Date: 25 August 2020

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 58 to 130 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 March 2020** and of their financial performance and cash flows for the financial period then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....	....
Dato' H'ng Choon Seng	**Kee Swee Lai**

Date: 25 August 2020

STATUTORY DECLARATION

I, **Dato' H'ng Choon Seng**, the director primarily responsible for the financial management of **Heng Huat Resources Group Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 58 to 130 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Penang, this **25th**)
day of **August 2020**.)

....
Dato' H'ng Choon Seng

Before me,

....
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HENG HUAT RESOURCES GROUP BERHAD
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Heng Huat Resources Group Berhad**, which comprise the statements of financial position as at **31 March 2020** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and notes to the financial statements, including the accounting policies, as set out on pages 58 to 130.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 March 2020** and of their financial performance and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants *("By-Laws")* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Emphasis of Matter

Material Uncertainty Related to Going Concern

We draw attention to Note 2.2 and Note 30 to the financial statements, which indicate that the Group has a net loss of RM42,904,128 for the financial period ended 31 March 2020 and the current liabilities exceeded its current assets by RM7,869,008. These events or conditions, along with other matters as set forth in Notes 29(c) and 30 to the financial statements, indicate existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The financial statements of the Group and of the Company have been prepared on a going concern basis, the validity of which is dependent on successful recovery from the COVID-19 pandemic and successful implementation of the management's plans for future actions in responding to the conditions above as disclosed in Note 2.2 and Note 30 to the financial statements.

Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HENG HUAT RESOURCES GROUP BERHAD
(Incorporated in Malaysia) (CONT'D)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern Section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for expected credit losses of trade receivables *(Notes 8 to the financial statements)* The Group has significant exposure to credit risk arising from its trade receivables as at 31 March 2020. Assessing expected credit losses of trade receivables requires management's judgement and uses of estimates in determining the probability of default occurring by considering the ageing of receivable, historical loss experience and forward-looking information.	Our audit procedures in relation to management's impairment assessment included: - Obtaining an understanding of: (i) the Group's control over the trade receivables' collection process; (ii) how the Group identifies and assess the impairment of trade receivables; and (iii) how the Group makes the accounting estimates for impairment. - Evaluating the application of group policy for calculating the expected credit loss. - Considering the ageing of the trade receivables. - Evaluating techniques and methodology in the expected credit loss approach against the requirements of MFRS 9. - Assessing the estimated future cash flows by examining the historical repayment records, historical loss rate of receivables, information regarding the current creditworthiness and any significant changes in credit quality of the debtors, evidence of subsequent settlements and other relevant information. - Comparing the assumptions used to estimate the provision for impairment with the available industry data. - Assessing the operating effectiveness of control policies over ongoing internal credit quality assessments.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HENG HUAT RESOURCES GROUP BERHAD
(Incorporated in Malaysia) (CONT'D)

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
Investment in subsidiaries *(Note 7 to the Financial Statements)*	
The Company holds approximately RM19.73 million in investment in subsidiaries, which comprise approximately 44% of the total assets of the Company. Judgement is required by the directors in assessing the impairment and the recoverability of the investment in subsidiaries. This is based on the value in use, using cash flow projections, covering a five-year period for each cash generating unit. The assumptions with the most significant judgement on the cash flow projections are growth rates and discount rate.	Our audit procedures included the following: • Testing the design and implementation of the key controls around the impairment review process. • Challenge management's key assumptions used in the cash flow projections which included impairment model for investment in subsidiaries with reference to historical performance. • Performing substantive procedures and challenging the key assumptions such as forecasted future cash flows, future growth rates and the discount rate applied. • Comparing the projected cash flows against historical performance to test the reasonableness of the projections.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

Directors' Responsibilities for the Financial Statements (cont'd)

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HENG HUAT RESOURCES GROUP BERHAD
(Incorporated in Malaysia) (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The financial statements for the preceding year ended 31 December 2018 were audited by another firm of auditors whose report dated 12 April 2019, expressed an unqualified opinion on those financial statements.

Grant Thornton
No. AF: 0042
Chartered Accountants

Terence Lau Han Wen
No. 03298/04/2021 J
Chartered Accountant

Penang

Date: 25 August 2020

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2020

		GROUP		COMPANY	
		31.3.20	31.12.18	31.3.20	31.12.18
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	**56,214,044**	92,863,776	**377,899**	485,072
Right-of-use assets	5	**857,990**	-	**-**	-
Intangible assets	6	**178,075**	3,059,972	**-**	-
Investment in subsidiaries	7	**-**	-	**19,730,001**	31,230,097
Other receivables	8	**-**	-	**23,113,353**	16,254,705
		57,250,109	95,923,748	**43,221,253**	47,969,874
Current assets					
Inventories	9	**6,553,531**	13,127,342	**-**	-
Trade and other receivables	8	**23,040,337**	32,640,359	**1,443,563**	3,329,247
Current tax assets		**782,362**	494,768	**35,252**	53,301
Cash and bank balances	10	**7,938,499**	10,180,163	**34,433**	2,567,859
		38,314,729	56,442,632	**1,513,248**	5,950,407
Non-current assets held for sale	11	**22,000,000**	-	**-**	-
		60,314,729	56,442,632	**1,513,248**	5,950,407
TOTAL ASSETS		**117,564,838**	152,366,380	**44,734,501**	53,920,281
EQUITY AND LIABILITIES					
Share capital	12	**40,537,659**	40,537,659	**40,537,659**	40,537,659
Other reserves	13	**(5,185,000)**	(5,185,000)	**-**	-
Retained profits/(Accumulated losses)	14	**718,445**	43,594,193	**(4,907,064)**	7,710,895
		36,071,104	78,946,852	**35,630,595**	48,248,554
Non-controlling interests		**204,965**	264,619	**-**	-
Total equity		**36,276,069**	79,211,471	**35,630,595**	48,248,554
Non-current liabilities					
Lease liabilities	5	**183,592**	-	**-**	-
Borrowings	15	**12,274,639**	17,743,848	**24,196**	40,302
Deferred tax liabilities	16	**646,801**	1,113,900	**21,800**	25,100
		13,105,032	18,857,748	**45,996**	65,402
Current liabilities					
Trade and other payables	17	**36,758,989**	25,246,568	**9,044,946**	5,517,591
Derivative financial liabilities	18	**7,736**	25,388	**-**	-
Lease liabilities	5	**705,168**	-	**-**	-
Borrowings	15	**30,711,844**	28,999,596	**12,964**	88,734
Current tax liabilities		**-**	25,609	**-**	-
		68,183,737	54,297,161	**9,057,910**	5,606,325
Total liabilities		**81,288,769**	73,154,909	**9,103,906**	5,671,727
TOTAL EQUITY AND LIABILITIES		**117,564,838**	152,366,380	**44,734,501**	53,920,281

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIFTEEN MONTHS PERIOD ENDED 31 MARCH 2020

		GROUP		COMPANY	
			(Restated)		
		1.1.19 to 31.3.20 (15 months)	1.1.18 to 31.12.18 (12 months)	**1.1.19 to 31.3.20 (15 months)**	1.1.18 to 31.12.18 (12 months)
	Note	**RM**	RM	**RM**	RM
Revenue	**19**	**102,110,848**	114,721,504	**-**	10,900,000
Cost of sales		**(100,292,231)**	(95,402,361)	**-**	-
Gross profit		**1,818,617**	19,319,143	**-**	10,900,000
Other income		**1,147,577**	1,498,840	**1,731,645**	926,493
Administrative expenses		**(38,205,441)**	(15,104,741)	**(13,864,359)**	(1,760,421)
Selling and distribution expenses		**(4,228,151)**	(6,210,296)	**-**	-
Operating (loss)/profit		**(39,467,398)**	(497,054)	**(12,132,714)**	10,066,072
Finance costs		**(3,844,763)**	(3,379,544)	**(488,331)**	(587,131)
(Loss)/Profit before tax	**20**	**(43,312,161)**	(3,876,598)	**(12,621,045)**	9,478,941
Taxation	**21**	**408,033**	400,470	**3,086**	(72,040)
Total comprehensive (loss)/ income for the the financial year		**(42,904,128)**	(3,476,128)	**(12,617,959)**	9,406,901
(Loss)/Profit attributables to:					
Owners of the Company		**(42,875,748)**	(3,501,308)	**(12,617,959)**	9,406,901
Non-controlling interests		**(28,380)**	25,180	**-**	-
		(42,904,128)	(3,476,128)	**(12,617,959)**	9,406,901
Total comprehensive (loss)/ income attriburable to:					
Owners of the Company		**(42,875,748)**	(3,501,308)	**(12,617,959)**	9,406,901
Non-controlling interests		**(28,380)**	25,180	**-**	-
		(42,904,128)	(3,476,128)	**(12,617,959)**	9,406,901
Basic loss per share (sen) attributable to owners of the Company (sen)					
- Basic/Diluted	**22**	**(126.26)**	(11.30)		

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIFTEEN MONTHS PERIOD ENDED 31 MARCH 2020

		Attributable to Owners of the Company					
			Non-distributable				
	Note	Share capital RM	Reorganisation Debit Reserve RM	Retained Profits RM	Total RM	Non-Controlling Interests RM	Total Equity RM
31.3.20							
Balance at 1.1.19		**40,537,659**	**(5,185,000)**	**43,594,193**	**78,946,852**	**264,619**	**79,211,471**
Acquisition of a subsidiary	**7**	**-**	**-**	**-**	**-**	**(31,274)**	**(31,274)**
Total comprehensive loss for the financial period		**-**	**-**	**(42,875,748)**	**(42,875,748)**	**(28,380)**	**(42,904,128)**
Balance at 31.3.20		**40,537,659**	**(5,185,000)**	**718,445**	**36,071,104**	**204,965**	**36,276,069**
31.12.18							
Balance at 1.1.18		36,324,129	(5,185,000)	47,095,501	78,234,630	479,439	78,714,069
Total comprehensive (loss)/income for the financial year		-	-	(3,501,308)	(3,501,308)	25,180	(3,476,128)
Transactions with owners of the Company:							
Dividend paid to non-controlling interest		-	-	-	-	(240,000)	(240,000)
Issuance of ordinary shares	**12**	4,290,930	-	-	4,290,930	-	4,290,930
Share issue expenses	**12**	(77,400)	-	-	(77,400)	-	(77,400)
Total transaction with owners		4,213,530	-	-	4,213,530	(240,000)	3,973,530
Balance at 31.12.18		40,537,659	(5,185,000)	43,594,193	78,946,852	264,619	79,211,471

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FIFTEEN MONTHS PERIOD ENDED 31 MARCH 2020

	NOTE	Share Capital RM	(Accumulated losses)/ Retained Profits RM	Total Equity RM
31.3.20				
Balance at 1.1.19		**40,537,659**	**7,710,895**	**48,248,554**
Total comprehensive loss for the financial period		**-**	**(12,617,959)**	**(12,617,959)**
Balance at 31.3.20		**40,537,659**	**(4,907,064)**	**35,630,595**
31.12.18				
Balance at 1.1.18		36,324,129	(1,696,006)	34,628,123
Total comprehensive income for the financial year		-	9,406,901	9,406,901
Transactions with owners of the Company				
Issuance of ordinary shares	**12**	4,290,930	-	4,290,930
Share issue expenses	**12**	(77,400)	-	(77,400)
Total transactions with owners		4,213,530	-	4,213,530
Balance at 31.12.18		40,537,659	7,710,895	48,248,554

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FIFTEEN MONTHS PERIOD ENDED 31 MARCH 2020

	GROUP		COMPANY	
	1.1.19 to 31.3.20 (15 months) RM	1.1.18 to 31.12.18 (12 months) RM	**1.1.19 to 31.3.20 (15 months) RM**	1.1.18 to 31.12.18 (12 months) RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before tax	**(43,312,161)**	(3,876,598)	**(12,621,045)**	9,478,941
Adjustments for:				
Allowance for expected credit loss				
- current year	**11,882,452**	754,205	**-**	-
- reversal	**(153,890)**	(79,669)	**-**	-
Amortisation of intangible assets				
- development costs	**1,241,211**	1,197,088	**-**	-
- trademarks	**14,435**	268	**-**	-
Bad debts written off	**2,300**	24,218	**9,646**	-
Depreciation of property, plant and machinery	**11,670,169**	10,121,759	**106,045**	135,810
Depreciation of right-of-use assets	**879,633**	-	**-**	-
Depreciation of lease liabilities	**102,437**	-	**-**	-
Fair value on adjustment on derivative of financial instruments	**(17,652)**	156,436	**-**	-
(Gain)/Loss on disposal of property, plant and equipment	**(131,498)**	(137,227)	**(60,872)**	3,631
Impaiment loss on investment in subsidiaries	**-**	-	**(11,499,999)**	-
Impairment loss on property, plant and equipment	**9,169,493**	-	**-**	-
Impairment loss on non-current assets held for sale	**1,001,457**	-	**-**	-
Impairment loss on goodwill	**1,211,251**	-	**-**	-
Intangible assets written off				
- development costs	**1,774,657**	-	**-**	-
- goodwill	**39,594**	-	**-**	-
Inventories written down	**1,300,011**	-	**-**	-
Investment in subsidiaries written off	**-**	-	**97**	-
Interest expense	**3,844,763**	3,379,544	**488,331**	587,131
Interest income	**(47,105)**	(73,946)	**(1,666,975)**	(926,493)
Loss on disposal of a subsidiary	**-**	2,865,017	**-**	-
Property, plant and equipment written off	**10,911**	192,396	**-**	-
Unrealised (gain)/loss on foreign exchange	**(490,196)**	177,244	**-**	-
Operating (loss)/profit before working capital changes	**(7,728)**	14,700,735	**(25,244,772)**	9,279,020
Decrease/(Increase) in inventories	**5,273,800**	(359,256)	**-**	-
Increase in receivables	**(1,173,906)**	(1,158,329)	**(4,982,610)**	(9,191,369)
Increase/(Decrease) in payables	**7,796,538**	(714,841)	**3,527,355**	(1,818,387)
Cash generated from/(used in) operations	**11,888,704**	12,468,309	**(26,700,027)**	(1,730,736)
Income tax paid	**(882,232)**	(825,845)	**(63,779)**	(94,908)
Income tax refunded	**509,963**	28,850	**81,614**	-
Net cash from/(used in) operating activities carried forward	**11,516,435**	11,671,314	**(26,682,192)**	(1,825,644)

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FIFTEEN MONTHS PERIOD ENDED 31 MARCH 2020 (CONT'D)

	GROUP		COMPANY	
	1.1.19 to 31.3.20 (15 months) RM	1.1.18 to 31.12.18 (12 months) RM	**1.1.19 to 31.3.20 (15 months) RM**	1.1.18 to 31.12.18 (12 months) RM
Net cash from/(used in) operating activities carried forward	**11,516,435**	11,671,314	**(26,682,192)**	(1,825,644)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	**47,105**	73,946	**1,666,975**	926,493
Changes in fixed deposits pledged with licensed banks	**(287,008)**	660,276	**-**	-
Net cash outflow on acquistion of a subsidiary	**(136,022)**	-	**-**	-
Purchase of intangibles assets	**(188,000)**	-	**-**	-
Proceeds from disposal of a subsidiary	**-**	3,018,348	**-**	-
* Purchase of property, plant and equipment	**(7,119,093)**	(2,010,212)	**-**	(60,510)
Proceeds from disposal of property, plant and equipment	**2,146,204**	1,103,632	**62,000**	2,200
Net cash (used in)/from investing activities	**(5,536,814)**	2,845,990	**1,728,975**	868,183
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of ordinary shares	**-**	4,290,930	**-**	4,290,930
Dividend paid to non-controlling interests	**-**	(240,000)	**-**	-
Drawdown of term loans	**6,000,000**	1,049,430	**-**	-
Repayment of bankers' acceptance	**(7,982,147)**	(4,531,853)	**-**	-
Interest paid	**(3,844,763)**	(3,379,544)	**(488,331)**	(587,131)
Repayment of lease liabilities	**(951,300)**	-	**-**	-
Repayment of finance lease liabilities	**(3,966,195)**	(4,439,602)	**(91,876)**	(137,496)
Repayment of term loans	**(5,945,213)**	(3,391,410)	**-**	-
Share issue expenses paid	**-**	(77,400)	**-**	(77,400)
Net cash (used in)/generated from financing activities	**(16,689,618)**	(10,719,449)	**(580,207)**	3,488,903
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(10,709,997)**	3,797,855	**(25,533,424)**	2,531,442
Effects of foreign exchange rate changes	**44,731**	(41,679)	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING	**(1,057,575)**	(4,813,751)	**2,567,859**	36,417
CASH AND CASH EQUIVALENTS AT END	**(11,722,841)**	(1,057,575)	**(22,965,565)**	2,567,859
Represented by:				
Cash and bank balances	**5,909,011**	8,437,683	**34,433**	2,567,859
Bank overdrafts	**(17,631,852)**	(9,495,258)	**-**	-
	(11,722,841)	(1,057,575)	**34,433**	2,567,859
* **Purchased of property, plant and equipment**				
Total acquisition costs	**7,119,093**	4,378,410	**-**	60,510
Acquired under finance lease	**-**	(2,368,198)	**-**	-
Total cash acquisition	**7,119,093**	2,010,212	**-**	60,510

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020

1. CORPORATE INFORMATION

General

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 39 Salween Road, 10050 Penang.

The Company changed its financial year end from 31 December to 31 March.

The principal place of business of the Company is located at Lot 2945 (Plot A2), Jalan Sungai Baong, Kawasan Perindustrian Perabut, Mukim 5, Sungai Baong, 14200 Sungai Bakap, Seberang Perai Selatan, Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 August 2020.

Principal Activities

The principal activity of the Company in the course of the financial period remains unchanged and consist of investment holding. The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

2.2 Basis of Measurement

The Group has a net loss of RM42,904,128 for the financial period ended 31 March 2020 and the current liabilities exceeded its current assets by RM7,869,008.

The conditions or events, along with other matters as disclosed in Notes 29(c) and 30 indicate existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Nevertheless, the financial statements of the Group and the Company have been prepared on a going concern basis, as the Board of Directors is confident on the successful recovery of the COVID-19 pandemic in conjunction with implementation of the management's plans for future actions as indicated in Note 30.

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of accounting policies under Note 3.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

2. BASIS OF PREPARATION (cont'd)

2.2 Basis of Measurement (cont'd)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Group's and the Company's functional currency.

2.4 Adoption of Amendments/Improvements to MFRS

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial years except for the adoption of the following standards that are mandatory for the current financial period:

Effective for annual periods beginning on or after 1 January 2019
MFRS 16 Leases
Amendments to MFRS 9 Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interest in Associates and Joint Ventures
IC Interpretations 23 Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015-2017 Cycle

2. BASIS OF PREPARATION (cont'd)

2.4 Adoption of Amendments/Improvements to MFRS (cont'd)

Initial application for the above standards did not have any material impacts to the financial statements of the Group and of the Company upon adoption except for:

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Company is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the Group is not required to reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4, and the cumulative effect of initially applying this standard is adjusted to the opening balance of the retained profits without the need to restate the comparative information.

The effect of adopting MFRS 16 on 1 January 2019 resulted in the increase of the Group's assets and liabilities as at that date as follows:

Statements of Financial Position

	RM
ASSETS	
Non-current assets	
Right-of-use assets	1,737,623
LIABILITIES	
Non-current liabilities	
Lease liabilities	767,040
Current liabilities	
Lease liabilities	970,583
	1,737,623

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

2. BASIS OF PREPARATION (cont'd)

2.4 Adoption of Amendments/Improvements to MFRS (cont'd)

MFRS 16 Leases (cont'd)

Upon adoption of MFRS 16, the Group applied a single recognition and measurement approach for all leases where leases will be recognised as right-of-use asset and corresponding lease liability except for short-term leases and leases of low-value assets where the lease rental payments are recognised as an expense.

- *Leases previously classified as finance leases*

  Leases which were previously classified as finance leases under MFRS 117 continue to be treated as such without any changes upon adoption of MFRS 16 on 1 January 2019.

- *Leases previously accounted for as operating leases*

  The Group recognised right-of-use asset and lease liability for the lease previously classified as operating lease, except for short-term leases and leases of low-value assets. The right-of-use asset were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. The right-of-use asset was recognised based on the amount equal to the lease liability, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liability was recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

2.5 Standards Issued But Not Yet Effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Effective for annual periods beginning on or after 1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3 Business Combinations: Definition of a Business
Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform

Effective for annual periods beginning on or after 1 June 2020
Amendments to MFRS 16 Leases: Covid-19 - Related Rent Concessions

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

2. BASIS OF PREPARATION (cont'd)

2.5 Standards Issued But Not Yet Effective (cont'd)

Effective for annual periods beginning on or after 1 January 2021
MFRS 17 Insurance Contracts

Effective for annual 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: 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

Effective for annual periods beginning on or after 1 January 2023
Amendments to MFRS 101 Presentation of Financial Statement: Classification of Liabilities as Current or Non-current

Effective date yet to be confirmed
Amendments 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 existing *MFRS 4* and *Amendments to MFRS 4* will be withdrawn upon the adoption of the new *MFRS 17* which will take effect on or after 1 January 2021.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group and of the Company in future periods.

2.6 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.6.1 Judgements made in applying accounting policies

There are no significant areas of critical judgement in applying accounting policies that would have a significant effect on the amount recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

2. BASIS OF PREPARATION (cont'd)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(i) Useful lives of depreciable assets

Plant and machinery are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the plant and machinery to be within 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant and machinery. Therefore, future depreciation charges could be revised.

(ii) Impairment of property, plant and equipment and intangible assets

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying amount of the property, plant and equipment and intangible assets do not exceed their recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from the cash generating units to which the assets belongs. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate, product life cycle and discount rate.

The provision for impairment loss on property, plant and equipment and intangible assets is disclosed in Notes 4 and 6 to the financial statements.

(iii) Inventories

The management reviews for slow-moving and obsolete inventories. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

The inventories written-down to their net realisable value are disclosed in Note 9 to the financial statements.

(iv) Provision for expected credit loss ("ECL") of receivables

The Group uses a provision matrix to calculate ECL for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The provision for expected credit loss is disclosed in Note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

3.1 Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in a subsidiary is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

Upon disposal of an investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

(ii) Business combination

Business combinations are accounted for using the acquisition method from the acquisition date which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of Consolidation (cont'd)

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against the Group's reserve.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements.

3.2 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Property, plant and equipment are depreciated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Leasehold land	Amortised over lease period of 36 - 81 years
Factory buildings	2%
Renovation	10%
Office equipment, furniture and fittings	10% - 40%
Electrical installation	10%
Machinery and equipment	10%
Motor vehicles	10% - 20%

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Property, Plant and Equipment (cont'd)

Freehold land is not depreciated as it has an infinite life.

Depreciation on capital expenditure in progress commences when the construction of the assets are completed and ready for their intended use.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Fully depreciated items of property, plant and equipment are retained in the accounts until the items are no longer in use.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceed and its carrying amount is recognised in profit or loss.

3.3 Leases

Accounting policies applied from 1 January 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.3.1 Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.3.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment as detailed in Note 3.6 to the financial statements.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Leases (cont'd)

3.3.1.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3.3.1.3 Short term leases and leases of low-value assets

The Group applies the short term lease recognition exemption to its short term leases of hostel, premises, motor vehicle and machinery (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Accounting policies applied until 31 December 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement.

Group as a lessee

Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership, which include hire purchase arrangement, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Leases (cont'd)

3.3.1.3 Short term leases and leases of low-value assets (cont'd)

Group as a lessee (cont'd)

Finance lease (cont'd)

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

Operating lease

Leases where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

3.3.2 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.4 Goodwill Arising on Consolidation

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Goodwill Arising on Consolidation (cont'd)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3.5 Intangible Assets

Research and development

Research expenditure on internal projects is recognised as an expense when it is incurred.

Expenditure incurred on projects to develop new products is capitalised as development costs and deferred only when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are recognised in profit or loss as incurred.

Capitalised development costs comprise direct attributable costs incurred for development. Capitalised development costs, considered to have finite useful lives, are stated at cost less accumulated amortisation and any accumulated impairment losses. Development costs are amortised using the straight-line basis over a period of five (5) years.

The amortisation period and method are reviewed at the end of each reporting period to ensure that the expected useful lives of the assets are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of intangible assets.

Trademarks

Acquired trademarks have finite useful lives and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of ten (10) years.

3.6 Impairment of Non-Financial Assets

The Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired. For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss except for assets that were previously revalued where the revaluation surplus was taken to other comprehensive income. In this case the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation surplus.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Impairment of Non-Financial Assets (cont'd)

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.7 Financial Instruments

3.7.1 Initial recognition

Financial assets and financial liabilities are recognised when the Group or the Company become a party to the contractual provisions of the instrument.

3.7.2 Classification and subsequent measurement of financial assets

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

(i) amortised cost ("AC")
(ii) fair value through profit or loss ("FVTPL")
(iii) fair value through other comprehensive income ("FVOCI")

However, in the periods presented the Group and the Company do not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of receivables which is presented within other expenses.

(i) Financial assets at amortised cost ("AC")

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial Instruments (cont'd)

3.7.2 Classification and measurement of financial assets (cont'd)

(ii) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

3.7.3 Classification and subsequent measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3.7.4 Derivative financial instruments

The Group enters into derivative financial instruments such as foreign currency forward contracts to manage its exposure to foreign currency risks.

Derivatives are initially recognised at fair value at the date the derivative contract is entered and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group has not designated any derivatives as hedging instruments.

3.7.5 Impairment of financial assets

MFRS's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss ("ECL") model'. Instruments within the scope of the new requirements include loans, trade and other receivables and other debt-type financial assets measured at amortised cost and financial assets at FVOCI.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial Instruments (cont'd)

3.7.5 Impairment of financial assets (cont'd)

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1'); and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month ECL' are recognised for the first category while 'lifetime ECL' are recognised for the second category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime ECL. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors such as external indicators surrounding the economic environment in which the debtor is operating.

For other receivables, the Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

3.7.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial Instruments (cont'd)

3.7.7 Derecognition (cont'd)

A financial asset or part of it is derecognised, when and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.7.8 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Fair value arising from the issuance of financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out formula. The cost of raw materials, packing materials and spare parts comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition.

The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and attributable production overheads based on normal operating capacity of the production facilities.

Net realisable value represents estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

3.9 Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continued use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.9 Non-current Assets Held for Sale (cont'd)

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRS. Then, on initial classification as held for sale, non-current assets are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

3.10 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

3.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

3.12 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3.13 Revenue Recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangement because it typically controls the goods or services before transferring them to the customer.

Revenue from sale of goods

Revenue from sales of biomass materials, mattresses and related products are recognised net of discount and sales and services tax at the point in time when control of the goods has been transferred to customer, generally upon delivery of the goods to location specified by customer and acceptance of the goods by the customer.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Revenue Recognition (cont'd)

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Contract balances

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

3.14 Employee Benefits

Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial period in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred.

3.15 Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Income Tax (cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.16 Goods and Services Tax ("GST") and Sales and Service Tax ("SST")

GST is a consumption tax based on the value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6% in Malaysia. Input tax that a company pays on business purchases is offset against output tax.

Revenue, expenses and assets are recognised net of GST except:

- where the GST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with GST inclusive.

The net GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

The Finance Ministry of Malaysia has zero rated the GST effective from 1 June 2018. The government has replaced the GST with SST which came into effect on 1 September 2018.

The SST has two elements: a service tax that is charged and levied on taxable services provided by any taxable person in Malaysia in the course and furtherance of business, and a single stage sales tax levied on imported and locally manufactured goods, either at the time of importation or at the time the goods are sold or otherwise disposed of by the manufacturer.

The rate for sales tax is fixed at 5% or 10%, while the rate for service tax is fixed at 6%.

3.17 Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.17 Foreign Currency Transactions (cont'd)

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income.

3.18 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Directors, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.19 Share Capital, Share Issuance Costs and Dividends

Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Share issuance costs

Incremental external costs directly attributable to the issuance of new shares are deducted against equity.

Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained profits and recognised as a liability in the period in which they are declared and approved.

3.20 Related Parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:

   (i) Has control or joint control over the Group.
   (ii) Has significant influence over the Group.
   (iii) Is a member of the key management personnel of the Group or of the ultimate holding company of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.20 Related Parties (cont'd)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group.
(ii) One entity is an associate or joint venture of the other entity.
(iii) Both the Group and the Company entity are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
(vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
(vii) A person identified in (a) (i) above has significant influence over the Group or is a member of the key management personnel of the ultimate holding company or the Group.
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Short term leasehold land	Long term leasehold land	Factory building	Renovation	Office equipment, furniture and fittings	Electrical installation	Machinery and equipment	Motor vehicles	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group											
31.3.20											
At cost											
Balance at beginning	9,030,682	3,814,611	1,067,927	26,768,464	1,800,816	1,801,704	2,601,123	68,341,224	14,182,290	4,105,222	133,514,063
Acquisition of a subsidiary	-	-	-	434,992	-	17,870	93,396	1,482,486	69,167	-	2,097,911
Additions	3,808,995	-	-	-	6,800	26,401	-	1,366,952	541,538	1,368,407	7,119,093
Disposals	-	-	-	-	-	-	-	(2,093,186)	(1,498,709)	(127)	(3,592,022)
Written off	-	-	-	-	-	-	-	-	(252,495)	-	(252,495)
Reclassified to non-current assets held for sale	(12,266,475)	-	-	(12,619,132)	-	-	-	-	-	-	(24,885,607)
Reclassifications	-	-	-	1,498,381	-	217,142	-	3,709,978	22,000	(5,447,501)	-
Balance at end	573,202	3,814,611	1,067,927	16,082,705	1,807,616	2,063,117	2,694,519	72,807,454	13,063,791	26,001	114,000,943
Accumulated depreciation											
Balance at beginning	-	367,577	48,895	2,373,432	1,185,115	887,765	1,600,865	26,981,622	7,205,016	-	40,650,287
Current charge	-	132,452	12,223	679,448	221,519	252,631	309,215	8,475,396	1,587,285	-	11,670,169
Disposals	-	-	-	-	-	-	-	(801,535)	(775,781)	-	(1,577,316)
Written off	-	-	-	-	-	-	-	-	(241,584)	-	(241,584)
Reclassified to non-current assets held for sale	-	-	-	(1,884,150)	-	-	-	-	-	-	(1,884,150)
Balance at end	-	500,029	61,118	1,168,730	1,406,634	1,140,396	1,910,080	34,655,483	7,774,936	-	48,617,406
Accumulated impairment											
Additions/Balance at end	-	-	-	320,134	8,957	-	40,565	8,799,837	-	-	9,169,493
Carrying amount	573,202	3,314,582	1,006,809	14,593,841	392,025	922,721	743,874	29,352,134	5,288,855	26,001	56,214,044

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land RM	Short term leasehold land RM	Long term leasehold land RM	Factory building RM	Renovation RM	Office equipment, furniture and fittings RM	Electrical installation RM	Machinery and equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
31.12.18											
At cost											
Balance at beginning	7,474,061	3,814,611	1,067,927	29,845,647	1,732,961	1,474,158	3,938,939	77,381,799	14,559,845	3,455,113	144,745,061
Additions	1,457,969	-	-	162,914	60,291	423,459	41,888	421,529	775,580	1,034,780	4,378,410
Disposals of a subsidiary	-	-	-	(3,252,097)	-	(77,472)	(1,379,704)	(7,799,924)	(822,300)	-	(13,331,497)
Disposals	-	-	-	-	-	(6,304)	-	(1,757,843)	(255,550)	-	(2,019,697)
Written off	-	-	-	-	(4,120)	(12,137)	-	(65,672)	(176,285)	-	(258,214)
Reclassifications	98,652	-	-	12,000	11,684	-	-	161,335	101,000	(384,671)	-
Balance at end	9,030,682	3,814,611	1,067,927	26,768,464	1,800,816	1,801,704	2,601,123	68,341,224	14,182,290	4,105,222	133,514,063
Accumulated depreciation											
Balance at beginning	-	261,616	39,116	2,977,390	1,014,382	682,831	2,146,244	25,529,131	6,800,810	-	39,451,520
Current charge	-	105,961	9,779	647,975	171,798	281,806	335,266	7,276,396	1,292,778	-	10,121,759
Disposals of a subsidiary	-	-	-	(1,251,933)	-	(67,844)	(880,645)	(4,896,536)	(706,924)	-	(7,803,882)
Disposals	-	-	-	-	-	(2,291)	-	(902,443)	(148,558)	-	(1,053,292)
Written off	-	-	-	-	(1,065)	(6,737)	-	(24,926)	(33,090)	-	(65,818)
Balance at end	-	367,577	48,895	2,373,432	1,185,115	887,765	1,600,865	26,981,622	7,205,016	-	40,650,287
Accumulated impairment											
Balance at beginning	-	-	-	-	-	-	-	34,068	-	-	34,068
Disposal of a subsidiary	-	-	-	-	-	-	-	(34,068)	-	-	(34,068)
Balance at end	-	-	-	-	-	-	-	-	-	-	-
Carrying amount	9,030,682	3,447,034	1,019,032	24,395,032	615,701	913,939	1,000,258	41,359,602	6,977,274	4,105,222	92,863,776

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

COMPANY

	Motor vehicles RM	Office equipment, furniture and fittings RM	Total RM
31.3.20			
At cost			
Balance at beginning	**810,108**	**10,279**	**820,387**
Disposals	**(158,112)**	**-**	**(158,112)**
Balance at end	**651,996**	**10,279**	**662,275**
Accumulated depreciation			
Balance at beginning	**332,412**	**2,903**	**335,315**
Current charge	**102,415**	**3,630**	**106,045**
Disposals	**(156,984)**	**-**	**(156,984)**
Balance at end	**277,843**	**6,533**	**284,376**
Carrying amount	**374,153**	**3,746**	**377,899**
31.12.18			
At cost			
Balance at beginning	758,960	7,519	766,479
Additions	57,750	2,760	60,510
Disposal	(6,602)	-	(6,602)
Balance at end	810,108	10,279	820,387
Accumulated depreciation			
Balance at beginning	199,540	736	200,276
Current charge	133,643	2,167	135,810
Disposal	(771)	-	(771)
Balance at end	332,412	2,903	335,315
Carrying amount	477,696	7,376	485,072

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(i) The carrying amount of property, plant and equipment which are pledged to licensed banks as securities for banking facilities granted to certain subsidiaries are as follows:

	GROUP	
	31.3.20	31.12.18
	RM	RM
Freehold land	**573,202**	9,030,682
Short term leasehold land	**3,314,582**	3,447,034
Long term leasehold land	**1,006,809**	1,019,032
Factory building	**14,593,841**	24,395,032
Machinery and equipment	**12,191,631**	14,125,807
	31,680,065	52,017,587

(ii) The carrying amount of right-of-use assets are as follows:

	GROUP		COMPANY	
	31.3.20	31.12.18	**31.3.20**	31.12.18
	RM	RM	**RM**	RM
Leasehold land	**4,321,391**	4,466,066	**-**	-
Motor vehicle	**1,375,655**	4,282,272	**303,428**	364,114
Machinery and equipment	**4,704,493**	12,055,538	**-**	-
	10,401,539	20,803,876	**303,428**	364,114

The right-of-use assets are included in the same items as where the corresponding underlying assets would be presented as if they were owned.

The leased assets are pledged as securities for the finance lease liabilities as disclosed in Note 15 to the financial statements.

(iii) An impairment loss of RM9,169,493 has been recognised in profit or loss to reduce the carrying amount of the property, plant and equipment as these assets were left idle and not in use following the decision of a subsidiary to cease its oil palm fibre production due to anticipated reduction in demand for the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

5. RIGHT OF USE ASSETS AND LEASE LIABILITIES

GROUP

The Group has lease contracts for the rental of factory buildings used in its operations. Leases of factory buildings have lease terms of between 1 to 6 years. The lease contracts restrict the Group from assigning and subleasing the leased assets.

In the previous financial year, payment on operating lease are charged to profit or loss as lease rentals as a straight-line basis over the lease term.

The Group also has certain leases of premises, hostel, machinery and motor vehicle with lease terms of 12 months or less and leases of office equipment with low value. Such lease payments are charged to profit or loss as lease rentals on the straight-line basis over the lease term.

Set out below are the carrying amount of right-of-use assets and lease liabilities and their movements during the financial period:

	Factory buildings RM
Right-of-use assets	
Balance at 1.1.19, upon adoption of MFRS 16	**1,737,623**
Depreciation	**(879,633)**
Balance at 31.3.20	**857,990**

Lease liabilities

	RM
Balance at 1.1.19, upon adoption of MFRS 16	**1,737,623**
Accretion of interest	**102,437**
Payments	**(951,300)**
Balance at end	**888,760**
Represented by:	
Non-current liabilities	**183,592**
Current liabilities	**705,168**

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

5. RIGHT OF USE ASSETS AND LEASE LIABILITIES (cont'd)

The following are the amounts recognised in profit or loss:

	RM
Depreciation expense of right-of-use assets	**879,633**
Interest expense on lease liabilities	**102,437**
Expenses relating to short term leases	**190,950**
Total amount recognised in profit or loss	**1,173,020**

6. INTANGIBLE ASSETS

	GROUP	
	31.3.20	31.12.18
	RM	RM
Goodwill on consolidation (Note 6.1)	**2,844**	42,438
Development costs (Note 6.2)	**-**	3,015,868
Trademarks (Note 6.3)	**175,231**	1,666
	178,075	3,059,972

6.1 Goodwill on Consolidation

	GROUP	
	31.3.20	31.12.18
	RM	RM
Balance at beginning	**42,438**	42,981
Acquisition of a subsidiary (Note 7)	**1,211,251**	-
Disposal of a subsidiary (Note 7)	**-**	(543)
Written off	**(39,594)**	-
Impairment loss	**(1,211,251)**	-
	2,844	42,438

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

6. INTANGIBLE ASSETS (cont'd)

6.2 Development costs

	GROUP	
	31.3.20	31.12.18
	RM	RM
At cost		
Balance at beginning	**6,260,912**	6,260,912
Written off	**(6,260,912)**	-
Balance at end	**-**	6,260,912
Accumulated amortisation		
Balance at beginning	**3,245,044**	2,047,956
Current charge	**1,241,211**	1,197,088
Written off	**(4,486,255)**	-
Balance at end	**-**	3,245,044
Carrying amount	**-**	3,015,868

6.3 Trademarks

	GROUP	
	31.3.20	31.12.18
	RM	RM
At cost		
Balance at beginning	**3,858**	3,858
Addition	**188,000**	-
Balance at end	**191,858**	3,858
Accumulated amortisation		
Balance at beginning	**2,192**	1,924
Current charge	**14,435**	268
Balance at end	**16,627**	2,192
Carrying amount	**175,231**	1,666

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	31.3.20	31.12.18
	RM	RM
Unquoted shares, at cost		
Balance at beginning	**31,730,097**	31,730,097
Written off	**(500,097)**	-
	31,230,000	31,730,097
Less: Accumulated impairment losses		
Balance at beginning	**(500,000)**	(500,000)
Addition	**(11,499,999)**	-
Written off	**500,000**	-
	(11,499,999)	(500,000)
	19,730,001	31,230,097

(i) The details of the subsidiaries, all of which were incorporated in Malaysia are as follows:

Name of Company	Effective Equity Interest		Principal Activities
	31.3.20	31.12.18	
	%	%	
Direct			
Heng Huat Industries Holdings Sdn. Bhd.	**100**	100	Investment holdings.
Fibre Star Marketing Sdn. Bhd.	**-**	100	In the process of striking off.
Fibre Star (M) Sdn. Bhd.	**100**	100	Manufacturing and marketing of mattress and related products.
HK Gua Musang Sdn. Bhd.	**100**	100	Manufacturing and trading of oil palm biomass materials and value-added products.
HK Power Sdn. Bhd.	**100**	100	Operator of power plant and boiler turbine system for electricity generation and steam production.
Sabut Kelapa Saujana Setiu Terengganu Sdn. Bhd.	**-**	97	In the process of striking off.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

7. INVESTMENT IN SUBSIDIARIES (cont'd)

(i) The details of the subsidiaries, all of which were incorporated in Malaysia are as follows (cont'd):

Indirect – held through Heng Huat Industries Holdings Sdn. Bhd.

Name of Company	Effective Equity Interest		Principal Activities
	31.3.20	31.12.18	
	%	%	
HK Fibre Sdn. Bhd.	**97**	97	Manufacturing and trading of coconut biomass materials and value-added products.
HK Mega Industries Sdn. Bhd.	**-**	100	In the process of striking off.
HK Kitaran Sdn. Bhd.	**100**	100	Manufacturing and trading of oil palm biomass materials and value-added products.
Sabut Kelapa Terengganu Sdn. Bhd.	**97**	-	Manufacturing and trading of coconut biomass materials and value-added products.

Impairment loss on investment in subsidiaries was provided due to significant losses incurred by the subsidiary and the net assets of the subsidiary is lower than cost of investment.

The investment in subsidiaries written off during the financial period arose from the application to strike off their names from the Register of Companies Commission of Malaysia pursuant to Section 550 of the Companies Act, 2016. The subsidiaries involved are Fibre Star Marketing Sdn. Bhd., Sabut Kelapa Saujana Setiu Terengganu Sdn. Bhd. and HK Mega Industries Sdn. Bhd.

(ii) Acquisition of Sabut Kelapa Terengganu Sdn. Bhd. ("SKT")

On 5 September 2019, an indirect wholly-owned subsidiary of the Company, Heng Huat Industries Holdings Sdn. Bhd. ("HHIH") acquired 97 ordinary shares of SKT, representing 97% of the issued and paid-up share capital of SKT, for a total cash consideration of RM200,000.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

7. INVESTMENT IN SUBSIDIARIES (cont'd)

(ii) Acquisition of Sabut Kelapa Terengganu Sdn. Bhd. ("SKT") (cont'd)

The following are the carrying amount of the assets and liabilities which is also the fair value on acquisition date:

	RM
Property, plant and equipment (Note 4)	2,097,911
Trade and other receivables	511,469
Cash and bank balances	63,978
Trade and other payables	(3,715,883)
	(1,042,525)
NCI share of liabilities acquired (3%)	31,274
Net identifiable liabilities	(1,011,251)

Goodwill arising from acquisition:

	RM
Total fair value of consideration transferred	200,000
Fair value of net identifiable liabilities acquired	1,011,251
Goodwill (Note 6)	1,211,251

Net cash outflow on acquisition of a subsidiary:

	RM
Consideration paid in cash	(200,000)
Cash and bank balances acquired	63,978
	(136,022)

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

7. INVESTMENT IN SUBSIDIARIES (cont'd)

(iii) Disposal of a subsidiary – HK Palm Fibre Manufactures Sdn. Bhd. ("HK Palm")

On 11 December 2018, HHIH disposed of its entire interest in HK Palm for cash consideration of RM3,018,348. Accordingly, HK Palm ceased to be a subsidiary of the Group.

The details of the disposal of HK Palm is as follows:

	As at date of disposal RM
Property, plant and equipment (Note 4)	5,493,547
Inventories	795,593
Trade and other receivables	881,464
Current tax assets	16,127
Trade and other payables	(1,064,808)
Deferred tax liabilities (Note 16)	(239,101)
Total identified net assets disposed	5,882,822
Net proceeds from disposal	(3,018,348)
Goodwill on disposal (Note 6)	543
Loss on disposal	2,865,017

Net cash inflow on disposal of a subsidiary:

	RM
Proceeds from disposal	3,018,348
Cash and cash equivalents of a subsidiary disposed off	-
	3,018,348

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

8. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	31.3.20	31.12.18	**31.3.20**	31.12.18
	RM	RM	**RM**	RM
Trade receivables				
Third parties	**32,737,184**	22,148,165	**-**	-
Less: Allowance for expected credit loss	**(12,860,189)**	(1,287,112)	**-**	-
	19,876,995	20,861,053	**-**	-
Other receivables				
Third parties	**327,564**	3,721,293	**48**	35,695
Less: Allowance for expected credit loss	**-**	(4,419)	**-**	-
	327,564	3,716,874	**48**	35,695
GST claimables	**17,744**	2,226,202	**-**	-
Amount owing by subsidiary	**-**	-	**24,543,543**	19,521,823
Refundable deposits	**389,162**	1,514,610	**1,000**	1,000
Non-refundable deposits	**1,205,000**	1,480,000	**-**	-
Prepayments	**1,223,872**	2,841,620	**12,325**	25,434
	23,040,337	32,640,359	**24,556,916**	19,583,952
Represented by:				
Non-current	**-**	-	**23,113,353**	16,254,705
Current	**23,040,337**	32,640,359	**1,443,563**	3,329,247
	23,040,337	32,640,359	**24,556,916**	19,583,952

(i) The normal credit terms granted to trade receivables range from **30 to 120 days** (31.12.18: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(ii) Amounts owing by subsidiaries are non-trade related, unsecured, bears interest at **5.85% to 6.17%** (31.12.18: 5.90%) and classified based on the expected timing of realisation.

(iii) The Group's non-refundable deposits represent down payment paid to vendors for purchase of leasehold land.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

8. TRADE AND OTHER RECEIVABLES (cont'd)

(iv) The currency profile of trade and other receivables are as follows:

	GROUP		COMPANY	
	31.3.20	31.12.18	**31.3.20**	31.12.18
	RM	RM	**RM**	RM
Ringgit Malaysia	**12,042,382**	19,951,338	**24,556,916**	19,583,952
US Dollar	**2,100,656**	2,966,197	**-**	-
Chinese Renminbi	**8,897,299**	9,722,824	**-**	-
	23,040,337	32,640,359	**24,556,961**	19,583,952

(v) The movements of allowance for expected credit loss are as follows:

	GROUP	
	31.3.20	31.12.18
	RM	RM
Trade receivables		
Balance as at beginning	**1,287,112**	1,048,185
Current period/year	**11,882,452**	740,443
Written off	**(155,485)**	(7,689)
Disposal of a subsidiary	**-**	(420,472)
Reversal	**(153,890)**	(73,355)
Balance at end	**12,860,189**	1,287,112
Other receivables		
Balance at beginning	**4,419**	14,125
Current period/year	**-**	13,762
Written off	**(4,419)**	(16,529)
Disposal of a subsidiary	**-**	(625)
Reversal	**-**	(6,314)
Balance at end	**-**	4,419

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

9. INVENTORIES

	GROUP	
	31.3.20	31.12.18
	RM	RM
Raw materials	**1,475,366**	2,414,261
Work-in-progress	**20,238**	40,855
Finished goods	**4,534,583**	9,776,497
Packing material	**262,570**	371,816
Spare parts	**260,774**	523,913
At carrying amount	**6,553,531**	13,127,342
Recognised in profit or loss:		
Inventories recognised as cost of sales	**30,613,355**	32,283,436
Inventories written down	**1,300,011**	-

10. CASH AND BANK BALANCES

	GROUP		COMPANY	
	31.3.20	31.12.18	**31.3.20**	31.12.18
	RM	RM	**RM**	RM
Cash and bank balances	**5,909,011**	8,437,683	**34,433**	2,567,859
Fixed deposits with licensed banks	**2,029,488**	1,742,480	**-**	-
	7,938,499	10,180,163	**34,433**	2,567,859

The currency profile of cash and bank balances is as follows:

	GROUP		COMPANY	
	31.3.20	31.12.18	**31.3.20**	31.12.18
	RM	RM	**RM**	RM
Ringgit Malaysia	**7,786,345**	8,608,398	**33,411**	2,567,859
US Dollar	**131,444**	303,129	**-**	-
Chinese Renminbi	**19,961**	1,256,646	**1,022**	-
Others	**749**	11,990	**-**	-
	7,938,499	10,180,163	**34,433**	2,567,859

The fixed deposits are pledged to licensed banks as security for banking facilities granted to the Group.

The effective interest rates of fixed deposits at the end of the reporting period is **2.45% to 3.70%** (31.12.18: 3.20% to 3.42%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

11. NON-CURRENT ASSETS HELD FOR SALE

	GROUP	
	31.3.20	31.12.18
	RM	RM
Reclassified from properties, plant and equipment	**23,001,457**	-
Less: Impairment loss	**(1,001,457)**	-
	22,000,000	-

Non-current assets held for sale comprise freehold land and factory building. On 14 May 2020, an indirect wholly-owned subsidiary of the Company, HK Kitaran Sdn. Bhd., entered into a Sale and Purchase Agreement with a third party for the sale of the freehold land and factory building for a total cash consideration of RM22,000,000. The disposal is expected to be completed in the second half of 2020.

The non-current assets held for sale with carrying amount of **RM22,000,000** (31.12.18: RM Nil) are pledged to a licensed bank as security for banking facilities granted to the Group.

12. SHARE CAPITAL

	Number of ordinary shares		Amount	
	31.3.20	31.12.18	**31.3.20**	31.12.18
	RM	RM	**RM**	RM
Issued and fully paid				
Balance at beginning	**339,570,045**	308,700,045	**40,537,659**	36,324,129
Share consolidation	**(305,613,044)**	-	**-**	-
Issuance pursuant to private placement	**-**	30,870,000	**-**	4,290,930
Share issue expenses	**-**	-	**-**	(77,400)
Balance at end	**33,957,001**	339,570,045	**40,537,659**	40,537,659

On 31 January 2020, the Company completed its share consolidation exercise involving consolidation of every 10 existing ordinary shares into 1 consolidated share. Arising from this, the Company's ordinary shares of 339,570,045 have been consolidated into 33,957,001 ordinary shares pursuant to the share consolidation exercise.

13. OTHER RESERVES

	GROUP	
	31.3.20	31.12.18
	RM	RM
Non-distributable:		
Reorganisation debit reserve	**(5,185,000)**	(5,185,000)

The reorganisation debit reserve represents the difference between the consideration paid over share capital and capital reserves of HHIH and its subsidiaries pursuant to a business combination under common control.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

14. RETAINED PROFITS

COMPANY

The franking of dividends of the Company is under the single tier system and therefore there is no restriction on the Company to distribute dividends subject to the availability of retained profits.

15. BORROWINGS

	GROUP		COMPANY	
	31.3.20	31.12.18	**31.3.20**	31.12.18
Non-current liabilities				
Finance lease liabilities	**2,008,799**	4,726,026	**24,196**	40,302
Term loans	**10,265,840**	13,017,822	**-**	-
	12,274,639	17,743,848	**24,196**	40,302
Current liabilities				
Bank overdrafts	**17,631,852**	9,495,258	**-**	-
Bankers' acceptance	**4,096,000**	12,078,147	**-**	-
Finance lease liabilities	**2,288,086**	3,537,054	**12,964**	88,734
Term loan	**6,695,906**	3,889,137	**-**	-
	30,711,844	28,999,596	**12,964**	88,734
Total borrowings	**42,986,483**	46,743,444	**37,160**	129,036

The borrowings (except for finance lease liabilities) are secured by way of:

(i) Legal charges over the freehold land, factory building and non-current assets held for sales of the Group;
(ii) First party specific debenture by way of fixed charge to be created over the Group's plant and machinery;
(iii) Pledge of fixed deposits of the Group;
(iv) Jointly and severally guarantee by the directors of the Group; and
(v) Corporate guarantee by the ultimate holding of the Group Company.

The finance lease liabilities are secured over the leased assets (Note 4).

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

15. BORROWINGS (cont'd)

Breach of loan covenant

A subsidiary has secured term loans amounting to RM4,536,106 as at 31 March 2020. According to the terms of the agreement, these loans are repayable over the next 3 years. However, the loans contain a debt covenant stating that, the subsidiary shall not without prior consent of the licensed bank, permit Tangible Net Worth ("TNW') of the Group to fall, at any time, below RM60 million.

At 31 March 2020, the TNW of the Group was RM35,893,029. Consequently, these loans have been classified as current liabilities and the management is currently negotiating with the bank to waive the covenant.

A summary of the average effective interest rates and the maturities of the borrowings are as follows:

	Average effective interest rate per annum	Total	Within 1 year	More than 1 year and less than 2 years	More than 2 years and less than 5 years	More than 5 years
	(%)	RM	RM	RM	RM	RM
GROUP						
31.3.20						
Bank overdrafts	**6.20 to 9.75**	**17,631,852**	**17,631,852**	**-**	**-**	**-**
Bankers' acceptance	**3.18 to 6.01**	**4,096,000**	**4,096,000**	**-**	**-**	**-**
Finance lease liabilities	**2.53 to 4.05**	**4,296,885**	**2,288,086**	**1,171,549**	**837,250**	**-**
Term loans	**3.60 to 7.00**	**16,961,746**	**6,695,906**	**2,017,920**	**3,358,479**	**4,889,441**
31.12.18						
Bank overdrafts	7.10 to 8.24	9,495,258	9,495,258	-	-	-
Bankers' acceptance	4.71 to 6.27	12,078,147	12,078,147	-	-	-
Finance lease liabilities	2.82 to 6.72	8,263,080	3,537,054	2,404,742	2,163,825	157,459
Term loans	3.42 to 7.20	16,906,959	3,889,137	3,915,669	7,388,821	1,713,332
COMPANY						
31.3.20						
Finance lease liabilities	**2.53**	**37,160**	**12,964**	**13,601**	**10,595**	**-**
31.12.18						
Finance lease liabilities	2.70	129,036	88,734	40,302	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

16. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	31.3.20	31.12.18	**31.3.20**	31.12.18
	RM	RM	**RM**	RM
Balance at beginning	**1,113,900**	1,944,801	**25,100**	11,100
Transfer to profit or loss	**(338,199)**	(332,300)	**(12,600)**	(3,800)
Disposal of a subsidiary	**-**	(239,101)	**-**	-
	775,701	1,373,400	**12,500**	7,300
(Over)/Under provision in prior year	**(128,900)**	(259,500)	**9,300**	17,800
Balance at end	**646,801**	1,113,900	**21,800**	25,100

Deferred tax assets and liabilities are attributable to the followings:

	GROUP		COMPANY	
	31.3.20	31.12.18	**31.3.20**	31.12.18
	RM	RM	**RM**	RM
Property, plant and equipment	**905,501**	1,113,900	**21,800**	25,100
Others	**(258,700)**	-	**-**	-
Balance at end	**646,801**	1,113,900	**21,800**	25,100

17. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	31.3.20	31.12.18	**31.3.20**	31.12.18
	RM	RM	**RM**	RM
Trade payables				
Third parties	**6,017,255**	4,640,918	**-**	-
Other payables				
Amount due to subsidiaries	**-**	-	**8,873,750**	5,276,688
Amount due to directors	**10,240,000**	-	**-**	-
Other payables	**13,312,930**	14,892,107	**57,037**	55,330
Advance received	**3,822,609**	720,760	**-**	-
SST payables	**485,990**	312,640	**-**	-
Accruals	**2,880,205**	4,680,143	**114,159**	185,573
	30,741,734	20,605,650	**9,044,946**	5,517,591
	36,758,989	25,246,568	**9,044,946**	5,517,591

(i) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from **30 to 120 days** (31.12.18: 30 to 90 days) from the date of invoice.

(ii) The amount due to directors is unsecured, non-interest bearing and repayable within 12 months from the date of advances.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

17. TRADE AND OTHER PAYABLES (cont'd)

(iii) The amount due to subsidiaries is non-trade related, unsecured, bears interest ranging from **4.64% to 7.01%** (31.12.18: 5.14% to 6.89%) and classified based on the expected timing of realisation.

(iv) Included in advance received is an amount of **RM3,000,000** (31.12.18: RM Nil) representing deposit received from the purchaser of the assets classified as non-current assets held for sale.

18. DERIVATIVE FINANCIAL LIABILITIES

The Group enters into foreign currency forward contracts to manage its exposure to sales transactions that are denominated in foreign currencies. Foreign currency forward contracts are recognised as derivatives, categorised as fair value through profit or loss and are measured at their fair values with gains or losses recognised in the profit or loss. The foreign currency forward contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure. Such derivatives do not qualify for hedge accounting.

	GROUP	
	31.3.20	31.12.18
	RM	RM
Derivatives at fair value through profit or loss		
- Foreign currency forward contracts		
Notional value of contracts	**323,550**	3,593,930
Liabilities	**7,736**	25,388

19. REVENUE

Disaggregated revenue information

	GROUP		COMPANY	
	1.1.19 to 31.3.20 (15 months)	1.1.18 to 31.12.18 (12 months)	**1.1.19 to 31.3.20 (15 months)**	1.1.18 to 31.12.18 (12 months)
	RM	RM	**RM**	RM
Sale of goods	**102,110,848**	114,721,504	**-**	-
Dividend income	**-**	-	**-**	10,900,000
Total revenue from contracts with customers	**102,110,848**	114,721,504	**-**	10,900,000

Revenue information based on geographical location of customers are disclosed in Note 24 to the financial statements.

Timing of revenue recognition

At a point in time, representing total revenue from contracts with customers	**102,110,848**	114,721,504	**-**	10,900,000

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

19. REVENUE (cont'd)

Performance obligations

Performance obligations of the Group and of the Company for each type of goods/services have been disclosed in Note 3.13 to the financial statements.

20. (LOSS)/PROFIT BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	1.1.19 to 31.3.20 (15 months) RM	1.1.18 to 31.12.18 (12 months) RM	**1.1.19 to 31.3.20 (15 months) RM**	1.1.18 to 31.12.18 (12 months) RM
After charging:				
Amortisation of intangible assets	**1,255,646**	1,197,356	**-**	-
Audit fee				
- current year	**117,500**	101,300	**21,200**	21,200
- under provision in prior year	**1,080**	-	**1,000**	-
- other services	**22,000**	-	**5,000**	-
Bad debt written off	**2,300**	24,218	**9,646**	-
Deposit forfeited	**130,735**	-	**-**	-
Depreciation of property, plant and equipment	**11,670,169**	10,121,759	**106,045**	135,810
Depreciation of right-of-use assets	**879,633**	-	**-**	-
Expected credit losses				
- current year	**11,882,452**	754,205	**-**	-
- reversal	**(153,890)**	(79,669)	**-**	-
Fair value loss on derivative financial instruments	**-**	156,436	**-**	-
Impairment loss on investments in subsidiaries	**-**	-	**11,499,999**	-
Impairment loss on goodwill	**1,211,251**	-	**-**	-
Impairment loss on property, plant and equipment	**9,169,493**	-	**-**	-
Impairment loss on non-current assets held for sales	**1,001,457**	-	**-**	-
Intangible assets written off:				
- development costs	**1,774,657**			
- goodwill	**39,594**	-	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

20. (LOSS)/PROFIT BEFORE TAX (cont'd)

This is arrived at (cont'd):

	GROUP		COMPANY	
	1.1.19 to 31.3.20 (15 months) RM	1.1.18 to 31.12.18 (12 months) RM	**1.1.19 to 31.3.20 (15 months) RM**	1.1.18 to 31.12.18 (12 months) RM
After charging (cont'd):				
Interest expense:				
- bank overdraft	**1,305,389**	1,038,904	**-**	-
- bankers' acceptance	**627,188**	588,597	**-**	-
- finance lease liabilities	**519,649**	651,177	**(1,633)**	10,183
- lease liabilities	**102,437**	-	**-**	-
- term loan interest	**1,290,100**	1,100,706	**-**	-
- inter-company loan interest	**-**	-	**489,964**	576,948
Inventories written down	**1,300,011**	-	**-**	-
Investment in subsidiaries written off	**-**	-	**97**	-
Loss on disposal of a subsidiary	**-**	2,865,017	**-**	-
Loss on disposal of property, plant and equipment	**-**	-	**-**	3,631
Property, plant and equipment written off	**10,911**	192,396	**-**	-
Realised loss on foreign exchange	**102,041**	585,341	**-**	-
Rental of land	**-**	120,000	**-**	-
Rental of hostel	**7,250**	29,850	**-**	-
Rental of factory and premises	**42,230**	36,600	**-**	-
Rental of warehouse	**44,000**	8,400	**-**	-
Rental of machinery	**31,670**	837,691	**-**	-
Rental of motor vehicle	**65,800**	-	**-**	-
* Staff cost	**27,096,255**	27,098,321	**1,378,795**	1,176,722
Unrealised loss on foreign exchange	**-**	177,244	**-**	-
And crediting:				
Fair value gain on derivative financial instruments	**17,652**	-	**-**	-
Gain on disposal of property, plant and equipment	**131,498**	137,227	**60,872**	-
Interest income	**47,105**	73,946	**1,666,975**	926,493
Rental income	**482,168**	139,568	**-**	-
Unrealised gain on foreign exchange	**490,196**	-	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

20. (LOSS)/PROFIT BEFORE TAX (cont'd)

This is arrived at (cont'd):

	GROUP		COMPANY	
	1.1.19 to 31.3.20 (15 months) RM	1.1.18 to 31.12.18 (12 months) RM	**1.1.19 to 31.3.20 (15 months) RM**	1.1.18 to 31.12.18 (12 months) RM
*** Staff costs**				
- Salaries, wages, allowance and bonus	**25,011,250**	25,127,800	**1,249,505**	1,059,889
- EPF	**1,689,775**	1,599,121	**119,789**	108,409
- SOCSO and EIS	**285,920**	186,071	**9,501**	8,424
- Other employee benefits	**109,310**	185,329	**-**	-
	27,096,255	27,098,321	**1,378,795**	1,176,722

Included in the Group's staff costs is directors' remuneration as shown below:

	GROUP		COMPANY	
	1.1.19 to 31.3.20 (15 months) RM	1.1.18 to 31.12.18 (12 months) RM	**1.1.19 to 31.3.20 (15 months) RM**	1.1.18 to 31.12.18 (12 months) RM
Directors of the Company:				
Executive:				
- Salaries, allowances and bonus	**2,416,938**	2,649,000	**308,538**	361,000
- Fee	**272,000**	-	**80,000**	-
- EPF	**288,549**	320,440	**37,941**	44,610
- SOCSO and EIS	**11,714**	13,228	**2,757**	3,188
	2,989,201	2,982,668	**429,236**	408,798
- Benefits-in-kind	**100,275**	100,325	**37,275**	24,000
	3,089,476	3,082,993	**466,511**	432,798

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

20. (LOSS)/PROFIT BEFORE TAX (cont'd)

Included in the Group's staff costs is directors' remuneration as shown below (cont'd):

	GROUP		COMPANY	
	1.1.19 to 31.3.20 (15 months) RM	1.1.18 to 31.12.18 (12 months) RM	**1.1.19 to 31.3.20 (15 months) RM**	1.1.18 to 31.12.18 (12 months) RM
Non-executive:				
- Allowance	**2,850**	1,800	**2,850**	1,800
- Fee	**136,306**	132,000	**136,306**	132,000
	139,156	133,800	**139,156**	133,800
Executive Director of subsidiaries:				
- Salaries and bonus	**203,100**	72,000	**-**	-
- EPF	**25,242**	9,360	**-**	-
- SOCSO and EIS	**1,816**	923	**-**	-
	230,158	82,283	**-**	-
Analysed by:				
Present directors	**2,289,605**	3,299,076	**154,851**	566,598
Former directors	**1,169,185**	-	**450,816**	-
Total directors' remuneration	**3,458,790**	3,299,076	**605,667**	566,598

21. TAXATION

	GROUP		COMPANY	
	1.1.19 to 31.3.20 (15 months) RM	1.1.18 to 31.12.18 (12 months) RM	**1.1.19 to 31.3.20 (15 months) RM**	1.1.18 to 31.12.18 (12 months) RM
Malaysia income tax				
Based on results for the financial period				
- Current tax	**(135,830)**	(515,610)	**-**	(58,040)
- Deferred tax relating to the origination and reversal of temporary difference	**338,199**	332,300	**12,600**	3,800
	202,369	(183,310)	**12,600**	(54,240)
Over/(Under) provision in prior year				
- Current tax	**76,764**	324,280	**(214)**	-
- Deferred tax	**128,900**	259,500	**(9,300)**	(17,800)
	205,664	583,780	**(9,514)**	(17,800)
	408,033	400,470	**3,086**	(72,040)

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

21. TAXATION (cont'd)

The reconciliation of tax expense of the Group and of the Company is as follows:

	GROUP		COMPANY	
	1.1.19 to 31.3.20 (15 months) RM	1.1.18 to 31.12.18 (12 months) RM	**1.1.19 to 31.3.20 (15 months) RM**	1.1.18 to 31.12.18 (12 months) RM
(Loss)/Profit before tax	**(43,312,161)**	(3,876,598)	**(12,621,045)**	9,478,941
Income tax at Malaysian statutory tax rate of 24%	**10,394,918**	930,384	**3,029,051**	(2,274,946)
Income not subject to tax	**44,660**	575,151	**-**	2,230,200
Expenses not deductible for tax purpose	**(2,131,204)**	(1,688,795)	**(3,016,451)**	(9,494)
Movement of deferred tax assets not recognised	**(8,106,005)**	(50)	**-**	-
	202,369	(183,310)	**12,600**	(54,240)
Over/(Under) provision in prior year	**205,664**	583,780	**(9,514)**	(17,800)
	408,033	400,470	**3,086**	(72,040)

Two of the subsidiaries have been granted pioneer status by the Ministry of International Trade and Industry ("MITI"):

(a) On 8 September 2011, HK Fibre Sdn. Bhd. has been granted 70% deduction on normal corporate income tax for a period of 10 years.
(b) On 17 May 2010, HK Kitaran Sdn. Bhd. has been granted full tax exemption from corporate income tax on the net profit from the promoted business for a period of 10 years.

The deferred tax assets which have not been recognised are represented by net temporary differences arising from:

	GROUP	
	31.3.20 RM	31.12.18 RM
Property, plant and equipment	**2,540,322**	1,063,052
Unused tax losses	**(1,454,499)**	-
Unabsorbed capital allowances	**(5,197,897)**	-
Others	**(2,991,130)**	(60,251)
	(7,103,204)	1,002,801

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

21. TAXATION (cont'd)

Deferred tax assets have not been recognised on the above temporary differences as it is not probable that taxable profit will be available in the foreseeable future to the extent that the above deductible temporary differences can be utilised.

The amount and future availability of unused tax losses and unabsorbed capital allowances for which the related tax effects have not been accounted for at the end of the reporting period is as follows:

	GROUP	
	31.3.20	31.12.18
	RM	RM
Unused tax losses	**6,060,460**	-
Unabsorbed capital allowances	**21,657,900**	-

The unused tax losses can be carried forward for seven consecutive years of assessment immediately following that pear of assessment (unused tax losses accumulated up to year of assessment 2018 can be carried forward until year of assessment 2025) and the unabsorbed capital allowances can be carried forward indefinitely pursuant to the gazetted Finance Act 2018.

The expiry of the unused tax losses is as follows:

	GROUP	
	31.3.20	31.12.18
	RM	RM
Year of assessment 2026	**6,060,460**	-

22. LOSS PER SHARE

GROUP

(a) Basic loss per share

The basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period as follows:

	GROUP	
	1.1.19 to 31.3.20 (15 months)	1.1.18 to 31.12.18 (12 months)
Loss attributable to owners of the Company (RM)	**(42,875,748)**	(3,501,308)
Weighted average number of ordinary shares in issue	**33,957,001**	30,971,495*
Basic loss per share (sen)	**(126.26)**	(11.30)*

* Comparative number was restated to take into consideration the effect of share consolidation.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

22. LOSS PER SHARE (cont'd)

(b) Diluted loss per share

There are no diluted loss per share as the Company does not have any dilutive potential ordinary shares at the end of the reporting period.

23. CAPITAL COMMITMENTS

	GROUP	
	31.3.20	31.12.18
	RM	RM
Contracted but not provided for:		
- Property, plant and equipment	**595,000**	4,120,000

24. SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business and geographical segments. The primary format and business segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business Segments

The Group and its subsidiaries, are principally engaged in manufacturing and trading of biomass materials, manufacturing and trading of mattresses and related products and investment holding.

The Group has arrived at three (3) reportable segments that are organised and managed separately according to the nature of products, specific expertise and technologies requirements, which requires different business and marketing strategies. The reportable segments are summarised as follows:

(i) Biomass materials and related products

Manufacturing and trading of coconut fibre and related products, and oil palm EFB (empty fruit bunches) fibre and related products.

(ii) Mattresses and related products

Manufacturing and trading of mattresses and related products.

(iii) Investment holdings and others

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax.

Inter-segment transactions have been accounted for on a basis that is consistent with the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

24. SEGMENTAL INFORMATION (cont'd)

By business segments

	Biomass materials and value-added ptoducts RM	Mattresses and related products RM	Investment holdings and others RM	Adjustment RM	Note	Total RM
1.1.19 to 31.3.20						
Revenue						
External customers	77,228,640	24,882,208	-	-		102,110,848
Inter-segment revenue	9,120,235	-	-	(9,120,235)	A	-
Total revenue	86,348,875	24,882,208	-			102,110,848
Results						
Segment results	(36,131,259)	(1,007,961)	(1,209,356)	(1,165,927)		(39,514,503)
Interest income	198,340	26,545	1,975,783	(2,153,563)		47,105
Interest expense	(4,751,430)	(774,048)	(488,331)	2,169,046		(3,844,763)
(Loss)/Profit before taxation	(40,684,349)	(1,755,464)	278,096			(43,312,161)
Taxation	312,065	167,563	(71,595)			408,033
(Loss)/Profit for the financial period	(40,372,284)	(1,587,901)	206,501			(42,904,128)
Assets						
Segment assets	102,354,745	16,361,030	65,275,966	(75,147,764)		108,843,977
Tax recoverable	659,205	67,799	55,358			782,362
Cash and bank balances	6,346,768	1,533,471	58,260			7,938,499
Total assets	109,360,718	17,962,300	65,389,584			117,564,838
Liabilities						
Segment liabilities	57,796,128	9,093,116	9,159,074	(38,392,833)		37,655,485
Borrowings	34,578,864	8,370,459	37,160	-		42,986,483
Deferred tax liabilities	586,701	38,300	21,800	-		646,801
Total liabilities	92,961,693	17,501,875	9,218,034			81,288,769
Other information						
Addition to non-current assets	9,210,204	194,800	-	-	B	9,405,004
Depreciation and amortisation	12,378,673	1,569,103	116,470	(156,361)		13,907,885
Non-cash items other than depreciation and amortisation	23,316,730	1,092,187	1,189,973	-	C	25,598,890

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2020 (CONT'D)

24. SEGMENTAL INFORMATION (cont'd)

By business segments (cont'd)

	Biomass materials and value-added ptoducts	Mattresses and related products	Investment holdings and others	Adjustment	Note	Total
	RM	RM	RM	RM		RM
1.1.18 to 31.12.18						
Revenue						
External customers	91,662,937	23,058,567	-	-		114,721,504
Inter-segment revenue	9,077,150	-	18,660,000	(27,737,150)	A	-
Total revenue	100,740,087	23,058,567	18,660,000			114,721,504
Results						
Segment results	3,732,106	362,877	17,615,382	(22,281,365)		(571,000)
Interest income	479,963	36,699	1,219,266	(1,661,982)		73,946
Interest expense	(3,837,772)	(616,549)	(587,205)	1,661,982		(3,379,544)
Profit/(Loss) before taxation	374,297	(216,973)	18,247,443			(3,876,598)
Taxation	594,875	(52,394)	(142,011)			400,470
Profit/(Loss) for the financial year	969,172	(269,367)	18,105,432			(3,476,128)
Assets						
Segment assets	133,148,450	14,094,601	60,503,833	(66,055,435)		141,691,449
Tax recoverable	378,604	62,761	53,403			494,768
Cash and bank balances	6,006,686	1,535,508	2,637,969			10,180,163
Total assets	139,533,740	15,692,870	63,195,205			152,366,380
Liabilities						
Segment liabilities	41,892,303	7,265,375	5,527,016	(29,412,738)		25,271,956
Borrowings	40,408,035	6,206,373	129,036	-		46,743,444
Deferred tax liabilities	846,300	242,500	25,100	-		1,113,900
Tax payable	-	-	25,609	-		25,609
Total liabilities	83,146,638	13,714,248	5,706,761			73,154,909
Other information						
Addition to non-current assets	3,943,431	374,469	60,510		B	4,378,410
Depreciation and amortisation	10,612,283	562,406	144,426			11,319,115
Non-cash items other than depreciation and amortisation	1,132,219	(48,288)	2,868,689		C	3,952,620

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

24. SEGMENTAL INFORMATION (cont'd)

Notes to segment information:

A Inter-segment revenue are eliminated on consolidation.

B Addition to non-current assets consist of property, plant and equipment and intangible assets.

C Other non-cash expenses/(income) consist of the following:

		GROUP	
		1.1.19 to 31.3.20 (15 months) RM	1.1.18 to 31.12.18 (12 months) RM
Expected credit losses	- current period/year	**11,882,452**	754,205
	- reversal	**(153,890)**	(79,669)
Bad debts written off		**2,300**	24,218
Fair value (gain)/loss on derivative financial instruments		**(17,652)**	156,436
Gain on disposal of property, plant and equipment		**(131,498)**	(137,227)
Impairment loss on goodwill		**1,211,251**	-
Impairment loss on property, plant and equipment		**9,169,493**	-
Impairment loss on non-current assets held for sales		**1,001,457**	-
Intangible assets written off	- development cost	**1,774,657**	-
	- goodwill	**39,594**	
Inventories written down		**1,300,011**	-
Loss on disposal of subsidiaries		**-**	2,865,017
Property, plant and equipment written off		**10,911**	192,396
Unrealised (gain)/loss on foreign exchange		**(490,196)**	177,244
		25,598,890	3,952,620

Geographical information

The manufacturing facilities and sales office of the Group are primarily based in Malaysia.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of the customers from which the sales transactions originated.

All the assets and liabilities of the Group are derived from Malaysia. Hence, no additional disclosure is made on the geographical breakdown of the segment assets of the Group.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

24. SEGMENTAL INFORMATION (cont'd)

Geographical information (cont'd)

	Revenue	
	1.1.19 to 31.3.20 (15 months) RM	1.1.18 to 31.12.18 (12 months) RM
Malaysia	**58,532,441**	56,690,327
China	**42,522,059**	57,607,527
Others	**1,056,348**	423,650
	102,110,848	114,721,504

Major customers

Total revenue from **1** (31.12.18: Nil) major customer which individually contributed to 10% or more of Group revenue amounted to **RM17,024,881** (31.12.18: RM Nil), arising from sales by the biomass material and related products segment.

25. RELATED PARTY DISCLOSURES

(i) Identity of related parties

The Group has related party relationship with its subsidiaries, related parties, key management personnel and the following party:

Related party		**Relationship**
Heng Huat Furniture Sdn. Bhd. ("HHFSB")	:	A company in which a directors of the Group, Dato' H'ng Choon Seng has substantial financial interests.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

25. RELATED PARTY DISCLOSURES (cont'd)

(ii) Related party transactions

	GROUP		COMPANY	
	1.1.19 to 31.3.20 (15 months) RM	1.1.18 to 31.12.18 (12 months) RM	**1.1.19 to 31.3.20 (15 months) RM**	1.1.18 to 31.12.18 (12 months) RM
Rental expenses paid to HHFSB	**759,000**	628,000	**-**	-
Transaction with subsidiaries:				
- Interest income	**-**	-	**1,662,233**	920,307
- Dividend income	**-**	-	**-**	10,900,000
- Interest expenses	**-**	-	**489,964**	576,948
- Other income	**-**	-	**3,798**	1,702
Loan from directors:				
- Dato' H'ng Choon Seng	**7,000,000**	-	**-**	-
- Kee Swee Lai	**3,000,000**	-	**-**	-
- Ruhani Binti Ismail	**240,000**	-	**-**	-

(iii) Compensation of key management personnel

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly. The remuneration of key management personnel during the financial period is as follows:

	GROUP		COMPANY	
	1.1.19 to 31.3.20 (15 months) RM	1.1.18 to 31.12.18 (12 months) RM	**1.1.19 to 31.3.20 (15 months) RM**	1.1.18 to 31.12.18 (12 months) RM
Short term employee benefits	**6,387,115**	5,938,776	**1,123,091**	1,017,197
Contribution to defined contribution plan	**707,534**	690,717	**108,525**	106,596
	7,094,649	6,629,493	**1,231,616**	1,123,793
Analysed as:				
- Directors	**3,358,515**	3,198,751	**568,392**	542,598
- Other key management personnel	**3,736,134**	3,430,742	**663,224**	581,195
	7,094,649	6,629,493	**1,231,616**	1,123,793

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

26. FINANCIAL INSTRUMENTS

26.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC") and fair value through profit or loss ("FVTPL").

	Carrying amount RM	AC RM	FVTPL RM
31.3.20			
GROUP			
Financial assets			
Trade receivables	**19,876,995**	**19,876,995**	**-**
Other receivables and refundable deposits	**716,726**	**716,726**	**-**
Cash and bank balances	**7,938,499**	**7,938,499**	**-**
	28,532,220	**28,532,220**	**-**
Financial liabilities			
Trade payables	**6,017,255**	**6,017,255**	**-**
Other payables and accruals	**17,015,744**	**17,015,744**	**-**
Amount due to directors	**10,240,000**	**10,240,000**	**-**
Derivative financial liabilities	**7,736**	**-**	**7,736**
Borrowings	**42,986,483**	**42,986,483**	**-**
	76,267,218	**76,259,482**	**7,736**
COMPANY			
Financial assets			
Other receivables and refundable deposits	**1,048**	**1,048**	**-**
Inter-company balances	**24,543,543**	**24,543,543**	**-**
Cash and bank balances	**34,433**	**34,433**	**-**
	24,579,024	**24,579,024**	**-**
Financial liabilities			
Other payables and accruals	**171,196**	**171,196**	**-**
Inter-company balances	**8,873,750**	**8,873,750**	**-**
Borrowings	**37,160**	**37,160**	**-**
	9,082,106	**9,082,106**	**-**

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

26. FINANCIAL INSTRUMENTS (cont'd)

26.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as amortised cost ("AC") and fair value through profit or loss ("FVTPL"). (cont'd)

	Carrying amount RM	AC RM	FVTPL RM
31.12.18			
GROUP			
Trade receivables	20,861,053	20,861,053	-
Other receivables and refundable deposits	5,231,484	5,231,484	-
Cash and bank balances	10,180,163	10,180,163	-
	36,272,700	36,272,700	-
Financial liabilities			
Trade payables	4,640,918	4,640,918	-
Other payables and accruals	20,293,010	20,293,010	-
Derivative financial liabilities	25,388	-	25,388
Borrowings	46,743,444	46,743,444	-
	71,702,760	71,677,372	25,388
COMPANY			
Financial assets			
Other receivables and refundable deposits	36,695	36,695	-
Inter-company balances	19,521,823	19,521,823	-
Cash and bank balances	2,567,859	2,567,859	-
	22,126,377	22,126,377	-
Financial liabilities			
Other payables and accruals	240,903	240,903	-
Inter-company balances	5,276,688	5,276,688	-
Borrowings	129,036	129,036	-
	5,646,627	5,646,627	-

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

26. FINANCIAL INSTRUMENTS (cont'd)

26.2 Financial Risk Management

The Group and the Company are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency exchange risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative activities.

26.3 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and to the Company. The Group's exposure to credit risk arises principally from its trade and other receivables. The Company's exposure to credit risk arises principally from advances to its subsidiaries.

Trade receivables

The Group extends credit terms to customers that range between 30 to 120 days. Credit period extended to its customers is based on careful evaluation of the customers' financial condition and credit history. Receivables are monitored on an ongoing basis via Group's management reporting procedures and action will be taken for long outstanding debts.

The Group assesses ECL on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

The ageing of trade receivables of the Group is as follows:

	Expected loss rate %	Gross RM	Expected credit losses RM	Net RM
31.3.20				
Not past due	**8.75**	**8,204,477**	**(719,445)**	**7,485,032**
More than 30 days past due	**8.44**	**2,707,817**	**(228,560)**	**2,479,257**
More than 60 days past due	**26.86**	**1,796,038**	**(482,359)**	**1,313,679**
More than 90 days	**38.08**	**13,886,263**	**(5,287,236)**	**8,599,027**
		18,390,118	**(5,998,155)**	**12,391,963**
Individually impaired	**100**	**6,142,589**	**(6,142,589)**	**-**
		32,737,184	**(12,860,189)**	**19,876,995**

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

26. FINANCIAL INSTRUMENTS (cont'd)

26.3 Credit Risk (cont'd)

Trade receivables (cont'd)

	Expected loss rate %	Gross RM	Expected credit losses RM	Net RM
31.12.18				
Not past due	1.40	14,904,722	(209,411)	14,695,311
More than 30 days past due	3.69	2,047,532	(75,618)	1,971,914
More than 60 days past due	5.34	1,238,772	(66,163)	1,172,609
More than 90 days	23.65	3,957,139	(935,920)	3,021,219
		7,243,443	(1,077,701)	6,165,742
		22,148,165	(1,287,112)	20,861,053

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that are neither past due nor impaired have been recognised during the financial period.

The Group has trade receivables amounting to **RM12,391,963** (31.12.18: RM6,165,742) that are past due at the end of the reporting period but management is of the view that these past due amounts will be collected in due course and no impairment is necessary.

As at the end of the reporting period, the Group has significant concentration of credit risk in the form of outstanding balance due from **1** (31.12.18: Nil) customer representing **51%** (31.12.18: Nil) of the total trade receivables.

Intercompany balances

The Company provides advances to its subsidiaries. The Company monitors the results of the subsidiaries regularly.

The maximum exposure to credit risk is represented by their carrying amount of the advances in the statement of financial position.

As at the end of the reporting period, there was no indication that the advances to its subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to its subsidiaries.

26. FINANCIAL INSTRUMENTS (cont'd)

26.3 Credit Risk (cont'd)

Financial guarantees

The Company provides unsecured financial guarantees to financial institutions in respect of banking facilities granted to certain subsidiaries up to a limit of **RM70,016,000** (31.12.18: RM65,716,000) and the maximum exposure to credit risk is **RM34,331,223** (31.12.18: RM35,009,363) representing the outstanding facilities utilised by the said subsidiaries as at the end of the reporting period.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

Financial guarantee have not been recognised as the fair value on initial recognition was not material since no consideration was paid.

26.4 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company actively manage its debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period and are based on undiscounted contractual payments:

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
31.3.2020						
GROUP						
Non-derivative financial liabilities						
Borrowings	**42,986,483**	**46,997,078**	**31,577,971**	**3,798,776**	**5,242,296**	**6,378,035**
Trade payables	**6,017,255**	**6,017,255**	**6,017,255**	**-**	**-**	**-**
Other payables and accruals	**17,015,744**	**17,015,744**	**17,015,744**	**-**	**-**	**-**
Amount due to directors	**10,240,000**	**10,240,000**	**10,240,000**	**-**	**-**	**-**
Lease liabilities	**888,760**	**939,550**	**739,550**	**90,440**	**109,560**	**-**
Balance carried forward	**77,148,242**	**81,209,627**	**65,590,520**	**3,889,216**	**5,351,856**	**6,378,035**

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

26. FINANCIAL INSTRUMENTS (cont'd)

26.4 Liquidity risk (cont'd)

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
Balance brought forward	**77,148,242**	**81,209,627**	**65,590,520**	**3,889,216**	**5,351,856**	**6,378,035**
Derivative financial liabilities						
Foreign currency forward contracts:						
Outflow-Net	**7,736**	**7,736**	**7,736**	**-**	**-**	**-**
	77,155,978	**81,217,363**	**65,598,256**	**3,889,216**	**5,351,856**	**6,378,035**
COMPANY						
Non-derivative financial liabilities						
Borrowings	**37,160**	**39,642**	**14,424**	**14,424**	**10,794**	**-**
Other payables and accruals	**171,196**	**171,196**	**171,196**	**-**	**-**	**-**
Intercompany balance	**8,873,750**	**8,873,750**	**8,873,750**	**-**	**-**	**-**
* Financial guarantee	**-**	**34,331,223**	**34,331,223**	**-**	**-**	**-**
	9,082,106	**43,415,811**	**43,390,593**	**14,424**	**10,794**	**-**

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

26. FINANCIAL INSTRUMENTS (cont'd)

26.4 Liquidity risk (cont'd)

	Carrying amount	Contractual cash flows	Within one year	More than one year and less than two years	More than two years and less than five years	More than five years
	RM	RM	RM	RM	RM	RM
31.12.18						
GROUP						
Non-derivative financial liabilities						
Borrowings	46,743,444	50,695,526	30,486,229	7,348,359	11,381,905	1,479,033
Trade payables	4,460,918	4,460,918	4,460,918	-	-	-
Trade and other payables	20,293,010	20,293,010	20,293,010	-	-	-
	71,497,372	75,449,454	55,240,157	7,348,359	11,381,905	1,479,033
Derivative financial liabilities						
Foreign currency forward contracts:						
Outflow-Net	25,388	25,388	25,388	-	-	-
	71,522,760	75,474,842	55,265,545	7,348,359	11,381,905	1,479,033
COMPANY						
Non-derivative financial liabilities						
Borrowings	129,036	135,522	92,250	14,424	14,424	14,424
Other payables and accruals	240,903	240,903	240,903	-	-	-
Intercompany balance	5,276,688	5,276,688	5,276,688	-	-	-
* Financial guarantee	-	35,009,363	35,009,363	-	-	-
	5,646,627	40,662,476	40,619,204	14,424	14,424	14,424

* This has been included for illustration purpose only as the related financial guarantees have not crystallised as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

26. FINANCIAL INSTRUMENTS (cont'd)

26.5 Interest Rate Risk

The Group's and the Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on their carrying amount as at the end of the reporting period are as follows:

	GROUP		COMPANY	
	31.3.20	31.12.18	**31.3.20**	31.12.18
	RM	RM	**RM**	RM
Fixed rate instruments				
Financial assets	**2,029,388**	1,742,480	**-**	-
Financial liabilities	**4,296,885**	8,263,080	37,160	129,036
Floating rate instruments				
Financial assets	**-**	-	**24,543,543**	19,521,823
Financial liabilities	**38,689,598**	38,480,364	**8,873,750**	5,276,688

Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Sensitivity analysis for variable rate instruments

An increase of 25 basis point at the end of the reporting period would have increased loss before tax of the Group and the Company by **RM135,898** (31.12.18: RM112,488) and **RM42,943** (31.12.18: RM12,597) respectively, and a decrease would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

26.6 Foreign Currency Risk

The Group is exposed to foreign currency risk mainly as a result of its normal trading whereby sales that are principally transacted in US Dollar ("USD") and Chinese Renminbi ("RMB").

The Group mitigates the exposure to this risk by maintaining USD and RMB denominated bank accounts and entering into foreign currency forward contracts.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

26. FINANCIAL INSTRUMENTS (cont'd)

26.6 Foreign Currency Risk

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currencies exchange rates against Ringgit Malaysia, with all other variables held constant, of the Group's profit before tax. A 5% strengthening of the RM against the following currencies at the end of the reporting period would have increased or decreased loss before tax by the amount shown below and a corresponding weakening would have an equal but opposite effect.

	1.1.19 to 31.3.20 (15 months) RM	1.1.18 to 31.12.18 (12 months) RM
USD	**111,605**	163,466
RMB	**445,863**	548,974
Decrease in loss before tax	**557,468**	712,440

26.7 Fair value information

The carrying amounts of financial assets and financial liabilities (other than those disclosed below) of the Group and of the Company as at the end of the reporting period approximate their fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the non-current portion of finance lease liabilities are reasonable approximation of fair values due to their insignificant impact of discounting.

Fair value hierarchy

The table below analyses financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable (refer to Note 2.2 to the financial statements for definition of Level 1 to 3 fair value hierarchy).

GROUP

	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total RM**
31.3.20				
Forward contract *(liabilities)*	**-**	**7,736**	**-**	**7,736**
31.12.18				
Forward contract *(liabilities)*	-	25,388	-	25,388

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

26. FINANCIAL INSTRUMENTS (cont'd)

26.7 Fair value information

There were no transfers between Level 1 and Level 2 during the financial period ended 31 March 2020 and financial year ended 31 December 2018.

The derivative financial assets/liabilities arising from the fair value changes on the foreign currency forward contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the current contract using a risk-free interest rate.

26.8 Reconciliation of liabilities arising from financing activities

	1.1.19	**Cash flows**	**Others**	**31.3.20**
	RM	**RM**	**RM**	**RM**
GROUP				
Bankers' acceptance	**12,078,147**	**(7,982,147)**	**-**	**4,096,000**
Finance lease liabilities	**8,263,080**	**(3,966,195)**	**-**	**4,296,885**
Term loans	**16,906,959**	**54,787**	**-**	**16,961,746**
	37,248,186	**(11,893,555)**	**-**	**25,354,631**

	1.1.18	Cash flows	Others	31.12.18
	RM	RM	RM	RM
Bankers' acceptance	16,610,000	(4,531,853)	-	12,078,147
Finance lease liabilities	10,334,484	(4,439,602)	2,368,198#	8,263,080
Term loans	19,248,939	(2,341,980)	-	16,906,959
	46,193,423	(11,313,435)	2,368,198	37,248,186

	1.1.19	**Cash flows**	**Others**	**31.3.20**
	RM	**RM**	**RM**	**RM**
COMPANY				
Finance lease liabilities	**129,036**	**(91,876)**	**-**	**37,160**

	1.1.18	Cash flows	Others	31.12.18
	RM	RM	RM	RM
Finance lease liabilities	266,532	(137,496)	-	129,036

Included herein are additions of property, plant and equipment purchased under finance lease arrangements.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

27. CAPITAL MANAGEMENT

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objective, policies or process during the financial period/years ended 31 March 2020 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt dividend by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital represents equity attributable to the owners of the parent.

Debt-to-Equity ratio

	GROUP	
	31.3.20	31.12.18
	RM	RM
Borrowings	**42,986,483**	46,743,444
Trade and other payables	**36,758,989**	25,246,568
	79,745,472	71,990,012
Less: Cash and bank balances	**(7,938,499)**	(10,180,163)
Net debts	**71,806,973**	61,809,849
Total capital	**36,071,104**	78,946,852
Net debts	**71,806,973**	61,809,849
Equity	**107,878,077**	140,756,701
Gearing ratio	**66%**	44%

28. COMPARATIVE INFORMATION

In the prior financial year, transportation charges were classified under "Selling and Distribution" expenses. To conform with current year's presentation, the transportation charges were reclassified to "Cost of Sales".

The effects of the above reclassification to the financial statements of the Group are as follows:

	As previously stated	Reclassification	Restated
	RM	RM	RM
Consolidation statements of comprehensive income			
Cost of sales	(81,111,240)	(14,291,121)	(95,402,361)
Selling and distributions	(20,501,417)	14,291,121	(6,210,296)

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

29. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

(a) Proposed Share Consolidation and Proposed Rights Issue

On 18 November 2019, the Company had announced to undertake the following:

(i) proposed consolidation of every 10 existing ordinary shares in the Company into 1 consolidated share ("Consolidated Share") ("Proposed Share Consolidation"); and

(ii) proposed renounceable rights issue up to 237,699,028 ordinary shares ("Rights Shares") on the basis of 7 Rights Shares for every 1 Consolidated Shares held on an entitlement date to be determined later, together with up to 135,828,016 free detachable warrants ("Warrants") on the basis of 4 Warrants for every 7 Rights Shares subscribed for ("Proposed Rights Issue").

The Proposed Share Consolidation had been completed on 31 January 2020. Arising from this, the Company's ordinary shares of 339,570,045 have been consolidated into 33,957,001 ordinary shares.

On 14 May 2020, the Company announced that it has decided not to proceed with the Proposed Rights Issue.

(b) Suspension of Trading

On 16 January 2020, the shares of the Company was suspended in accordance to Paragraph 16.02(1)(e) of the ACE Market Listing Requirements pursuant to directive from the Securities Commission Malaysia issued under Section 26(1)(c)(ii) of the Capital Markets and Services Act, 2007 ("CMSA") to effect the suspension as provided under Section 28(1)(a) of CMSA.

The suspension was related to an investigation carried out on a former director of the Company, Mr. Ooi Chieng Sim by the Polis Diraja Malaysia under the Dangerous Drugs Act 1952. However on 2 March 2020, the Securities Commission Malaysia has reinstated the listing status of the Company and the shares of the Company was requoted on the ACE Market of Bursa Malaysian Securities Berhad on even date.

(c) COVID-19 Pandemic Impact

The World Health Organisation declared the 2019 Novel Coronavirus outbreak ("COVID-19") a pandemic on 11 March 2020. This was followed by the Federal Government issuing a Gazetted Order known as the Movement Control Order ("MCO") which was effective for the period from 18 March 2020 to 3 May 2020 and Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020. Subsequently, Recovery Movement Control Order ("RMCO") was gazetted which is effective for the period from 10 June 2020 to 31 August 2020.

The COVID-19 has impacted the business operations of the Group in particular the Group's revenue, due to weak local and global demand across the world caused by the COVID-19 outbreak. Lockdown measures undertaken by various countries have resulted in major disruption in business activities, in particular the lockdown by China in January 2020 has adversely affected the Group export sales to its major customers in China. Besides, the MCO imposed since 18 March 2020 to contain COVID-19 outbreak has restricted the plantation workforce, which in turn affected the palm oil estate and its related industries operations. Moving forward, the Group expects the order for oil palm Empty Fruit Bunch ("EFB") fibre from China, being its primary market, to experience a greater degree of volatility as a gradual slowdown in economic growth is expected to continue in view of the COVID-19.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

29. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (cont'd)

(c) COVID-19 Pandemic Impact (cont'd)

As a consequence of COVID-19, the management have assessed impairment on the Group's non-current tangible and intangible assets, expected credit loss ("ECL") position of its trade receivables as at 31 March 2020. The result of the assessment has led to impairment of non-performing tangible and intangible non-current assets and higher ECL rates incorporated in the current financial period as well as specific impairment on balances due from certain customers based in China. The effects of the impairment have been disclosed in the respective notes to the financial statements.

The Group and the Company have also subsequent to the reporting period implemented or in the process of implementing certain measures to address the effects of COVID-19 as well as to address their cash flows requirements for the foreseeable future as disclosed in Note 30 to the financial statements.

30. EVENTS AFTER THE REPORTING PERIOD

The Group reported a net loss of RM42,904,128 for the financial period ended 31 March 2020 and the current liabilities exceeded its current assets by RM7,869,008 as at 31 March 2020. The spread of the COVID-19 pandemic has significantly affected the Group's operation as disclosed in Note 29(c) to the financial statements.

In view of current economic sentiments, the Group has been facing challenges in the existing business of manufacturing and trading of biomass materials and value-added products. Taking cognisance of these challenges, the Group plans to improve its financial performance and strengthen its cash flow position by taking the following steps:

(a) Disposal of fixed assets

The Group had via one of its wholly-owned subsidiary, entered into a sales and disposal agreement on 14 May 2020 to dispose of 5 parcels of adjoining lots of land measuring a total of approximately 53,354 square metres together with factory-cum-office buildings and other ancillary structures erected on 2 lots of land (Lot Nos. 2940 and 2945) with a total gross floor area measuring approximately 264,344 square feet in Mukim 4, District of Seberang Perai Selatan, Penang for a cash consideration of RM22,000,000.

The disposal will enable the Group to use the proceeds to mainly repay its bank borrowings and enhance its working capital to facilitate its operating activities. The reduction of its bank borrowings will enable the Group to reduce its gearing, improve it future borrowing ability and improve its cash flow position.

The disposal was approved by the shareholders of the Company on 30 July 2020 via an Extraordinary General Meeting held and the disposal is expected to be completed in the second half of 2020.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

30. EVENTS AFTER THE REPORTING PERIOD (cont'd)

(b) Private placement

On 15 June 2020, the Company announced to undertake the following:

(i) Private placement of up to 3,395,700 new shares of the Company, representing approximately 10% of the existing number of issued and paid up shares of the Company ("Proposed 10% Placement"); and

(ii) Private placement of up 10,187,100 new shares of the Company, representing approximately 30% of the existing number of issued and paid up shares of the Company ("Proposed 30% Placement").

The Proposed 10% Placement had been completed on 20 July 2020 following the listing of and quotation of the 3,395,700 placement shares at RM0.33 per placement share on the ACE Market of Bursa Malaysia Securities Berhad.

The Proposed 30% Placement is subject to and conditional upon the approvals from:

(i) Bursa Malaysia Securities Berhad for the listing of and quotation for placement shares on the ACE Market of Bursa Securities; and

(ii) Shareholders of the Company at an extraordinary general meeting to be convened.

(c) Creditors and Directors settlement scheme

On 13 August 2020, the Company announced to undertake the following:

(i) Proposed settlement of debt owing to selected creditors of the Group in aggregate sum of RM7,750,272 to be fully satisfied through the issuance of 24,219,600 new ordinary shares of the Company at an issue price of RM0.32; and

(ii) Proposed settlement of debt owing to directors of the Company in the aggregate sum of RM7,000,000 to be fully satisfied through the issuance of 21,875,000 new ordinary shares of the Company at an issue price of RM0.32 each.

The Creditors and Directors settlement scheme is subject to approvals from:

(i) Bursa Malaysia Securities Berhad for the listing of and quotation for placement shares on the ACE Market of Bursa Securities; and

(ii) Shareholders of the Company at an extraordinary general meeting to be convened.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2020 (CONT'D)

30. EVENTS AFTER THE REPORTING PERIOD (cont'd)

(d) Restructuring of repayment commitments of certain banking facilities

The management is in the process of negotiating with certain financial institutions to revise the repayment plan of its term loan facilities to enable a reduced monthly repayment commitment for the next 24 months.

(e) Others

In addition to the creditors and directors settlement scheme, the Company had on 13 August 2020 announce to undertake the following:-

(i) Proposed issuance of 9,024,300 new ordinary shares at an issue price of RM0.41 each, to satisfy the total purchase consideration of RM3,699,963 for two separate acquisition of land by HH Land and Development Sdn. Bhd. ("HH Land"), a wholly-owned subsidiary of the Company ("Proposed Issuance of Consideration Shares"). HH Land was incorporated on 20 July 2020.

(ii) Proposed share issuance scheme of up to 30% of the total number of issued ordinary shares of the Company (excluding any treasury shares) at any one time during the duration of the share issuance scheme ("Proposed SIS"). The Proposed SIS will involve the granting of SIS options ("SIS Options") to the eligible directors and employees of the Company and its subsidiaries (excluding subsidiaries which are dormant), who meet the criteria of eligibility for participation in the Proposed SIS, to subscribe for new ordinary shares of the Company in accordance with the by-laws of the Proposed SIS.

Both the proposals above require approval from Bursa Malaysia Securities Berhad and shareholders of the Company.

Based on the following measures taken or in the process of undertaking, the Directors of the Company are of the opinion that the going concern basis used in the preparation of the financial statements is appropriate and no adjustments was necessary to be made to the financial statements relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities.

ANALYSIS OF SHAREHOLDINGS
AS AT 11 AUGUST 2020

Total number of issued shares	: 37,352,701
Class of Shares	: Ordinary shares
Voting rights	: One vote per ordinary share

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF ISSUED SHARES	%
1 - 99	202	10.10	4,408	0.01
100 - 1,000	670	33.50	428,765	1.15
1,001 - 10,000	846	42.30	3,212,495	8.60
10,001 - 100,000	243	12.15	7,563,360	20.25
100,001 - 1,867,634*	37	1.85	16,683,173	44.66
1,867,635 - AND ABOVE**	2	0.10	9,460,500	25.33
TOTAL	**2,000**	**100.00**	**37,352,701**	**100.00**

REMARK:
*** - LESS THAN 5% OF ISSUED SHARES**
**** - 5% AND ABOVE OF ISSUED SHARES**

LIST OF LARGEST SHAREHOLDERS AS AT 11 AUGUST 2020

NO	NAME	NO. OF ISSUED SHARE	%
1	SKYLITECH RESOURCES SDN. BHD.	5,903,000	15.80
2	GOH BOON LEONG	3,557,500	9.52
3	SUNLEAP MARKETING SDN. BHD.	1,616,800	4.33
4	HONG SENG HOUSING SDN. BHD.	1,543,500	4.13
5	MUAR BAN LEE GROUP BERHAD	1,089,400	2.92
6	PROGEREX SDN BHD	1,020,000	2.73
7	OOI CHIENG SIM	1,000,000	2.68
8	JASA DUNIA SDN. BHD.	926,100	2.48
9	TEH CHAI LUANG	743,478	1.99
10	KHOR MOOI KIM	676,857	1.81
11	HENG HUAT MANUFACTURER SDN BHD	618,750	1.66

ANALYSIS OF SHAREHOLDINGS
AS AT 11 AUGUST 2020 (CONT'D)

LIST OF LARGEST SHAREHOLDERS AS AT 11 AUGUST 2020 (cont'd)

NO	NAME	NO. OF ISSUED SHARE	%
12	LIM POH FONG	608,700	1.63
13	LOH SAI ENG	585,140	1.57
14	LIM KEAN WAH	560,378	1.50
15	CHAN CHUAN PIN	500,000	1.34
16	CHEONG YEN YOON	500,000	1.34
17	GOH VINCENT	431,900	1.16
18	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM LEE HUANG (E-BMM)	395,700	1.06
19	SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FRANCIS HO IK SING (SMT)	339,340	0.91
20	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU ENG GUANG	330,000	0.88
21	OLYMPIC CAPITAL SDN BHD	308,700	0.83
22	CHEAH AH HOCK	250,500	0.67
23	KELVIN TAN CHUN KHAI	224,600	0.60
24	LEE KOK HOONG	214,500	0.57
25	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO MAN KA (STA 8)	203,850	0.55
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU ENG GUANG	201,550	0.54
27	KHOR TEIK BOON	171,900	0.46
28	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU ENG GUANG	171,300	0.46
29	OO KWANG TUNG	164,120	0.44
30	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM JIT SOON (E-KLC)	153,000	0.41
	TOTAL	**25,010,563**	**66.97**

ANALYSIS OF SHAREHOLDINGS
AS AT 11 AUGUST 2020 (CONT'D)

DIRECTORS' SHAREHOLDINGS
AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 11 AUGUST 2020

	Direct Interest		Indirect Interest	
Name	**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**
Dato' H'ng Choon Seng	-	-	1,323,307*	3.54
Kee Swee Lai	-	-	-	-

SUBSTANTIAL SHAREHOLDERS
AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 11 AUGUST 2020

	Direct Interest		Indirect Interest	
Name	**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**
Skylitech Resources Sdn Bhd^	5,903,000	15.80	-	-
Ooi Chieng Sim^	1,000,000	2.68	5,903,000	15.80
Tang Ah Mooi^	-	-	5,903,000	15.80
Goh Boon Leong	3,557,500	9.52	-	-

Remark
* *Deemed interested by virtue of the interest of his spouse Datin Khor Mooi Kim and his daughter H'ng Jia Qi in Heng Huat, as well as his shareholdings in Heng Huat Manufacturer Sdn Bhd (a company not within Heng Huat Group) pursuant to Section 8 of CA 2016.*

^ *Deemed interested by virtue of their interests in Skylitech Resources Sdn Bhd pursuant to Section 8 of CA 2016*

LIST OF PROPERTIES

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure/ Approximate age of Building (Year)	Land Area/ Built–up Area (sq ft)	Audited NBV as at 31 March 2020 RM'000	Date of Acquisition
HK Kitaran	Title: No. H.S.(D) 6714 Lot 2940, Mukim 4, Daerah Seberang Perai Selatan, Pulau Pinang Address: No 1353, Sungai Baong Taman Industri Perabot Sungai Baong, 14200 Sungai Jawi Pualu Penang	Double storey office building annexed with a single storey detached factory building/ Used for oil palm EFB fibre manufacturing	Freehold/ 10 years	239,580/ 78,000	8,968	09.05.2012
HK Kitaran	Title: No. H.S.(D) 6719 Lot 2945, Mukim 4 Daerah Seberang Perai Selatan, Pulau Pinang Address: Lot 2945 (Plot A2) Jalan Sungai Baong Kawasan Perindustrian Perabut Sungai Baong, Mukim 5, 14200 Seberang Perai Selatan Penang	Double storey office building annexed with a single storey detached factory/Used for oil palm EFB fibre manufacturing	Freehold/ 8 years	178,160/ 80,000	7,828	23.06.2010
HK Kitaran	Title: No. H.S.(D) 6717 Lot 2943, Mukim 4 Daerah Seberang Perai Selatan, Pulau Pinang No. H.S.(D) 6749 Lot 2975, Mukim 4 Daerah Seberang Perai Selatan Pulau Pinang	Land/ Manufacturing	Freehold/ Less than 2 year	6,548/ N/A	1,565	28.01.2018
HK Kitaran	Title: GM956 Lot 2151, Mukim 4, Daerah Seberang Perai Selatan, Pulau Pinang	Vacant land for placement of portable cabins used for staff accommodation	Freehold/ 1 year	98,457/ N/A	3,800	31.12.2018

LIST OF PROPERTIES (CONT'D)

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure/ Approximate age of Building (Year)	Land Area/ Built–up Area (sq ft)	Audited NBV as at 31 March 2020 RM'000	Date of Acquisition
Fibre Star	Title: No. H.S.(D) 8763 Lot No. 2489, Mukim 5 Daerah Seberang Perai Selatan Pulau Pinang Address: Lot 2489, Lorong Bakau Kawasan Perindustrian Perabut Sungai Baong, Mukim 5, 14200 Sungai Bakap Seberang Perai Selatan Penang	Single storey factory building/ Temporarily used as warehouse	Freehold/ 7 years	69,696/ 30,000	2,697	11.05.2012
HK Fibre	Title: HSM 2/97A, PT 345 Kg Kemayang, Mukim Senak Jajahan Bachok Kelantan Darul Naim Address: Lot 345, Kg. Kemayang Tawang 16020 Bachok Kelantan Darul Naim	Double storey office cum staff accommodation and a single storey detached factory/Used for coconut fibre, coconut peat and coconut fibre sheets manufacturing	99 years, Expiring on 18.08.2096/ 13 years	89,690/ 40,483	964	24.04.2012
HK Gua Musang	Title: PN 1828, Lot 551 Bandar Gua Musang Jajahan Gua Musang Negeri Kelantan Address: Lot 551, Kawasan Perindustrian Gua Musang Bandar Gua Musang, Jajahan Gua Musang, 18300 Gua Musang Kelantan Darul Naim	Double storey office annexed with a single storey detached factory/Used for oil palm EFB fibre manufacturing	66 years, Expiring on 24.07.2051/ 4 year	478,574/ 152,460	15,614	19.08.2015

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of Heng Huat Resources Group Berhad ("Heng Huat" or the "Company") will be held at No. 1353, Jalan Sungai Baong, Taman Industri Perabot, Sungai Baong, 14200 Sungai Jawi, Pulau Pinang on Wednesday, 30 September 2020 at 8.00 a.m for the transaction of the following business:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial period from 1 January 2019 to 31 March 2020 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors' fees of RM410,000-00 for the financial period from 1 January 2019 to 31 March 2020 [FYE 31.12.2018 : RM133,800-00]. **Ordinary Resolution 1**

3. To approve the payment of Directors' remuneration (excluding Directors' fees) of not exceeding RM10,000-00 from 1 October 2020 until the next Annual General Meeting of the Company. **Ordinary Resolution 2**

4. To re-elect Mr. Cheah Swi Chun who retires pursuant to Article 18.3 of the Company's Constitution and who, being eligible, offer himself for re-election. **Ordinary Resolution 3**

5. To re-elect Mr. Ho Whye Chong who retires pursuant to Article 18.10 of the Company's Constitution and who, being eligible, offer himself for re-election. **Ordinary Resolution 4**

6. To re-appoint Messrs. Grant Thornton as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, with or without modification, as Ordinary Resolutions :

7. AUTHORITY UNDER SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 FOR THE DIRECTORS TO ISSUE SHARES

"THAT, subject always to the Companies Act 2016 ("Act"), the Constitution of the Company, the ACE Market Listing Requirement ("Main Market") of Bursa Malaysia Securities Berhad ("Bursa Securities") and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorized and empowered pursuant to Sections 75(1) and 76(1) of the Act to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed twenty per centum (20%) of the total number of issued shares of the Company for the time being ("20% General Mandate"); **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued pursuant to the 20% General Mandate on Bursa Securities;

AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until 31 December 2021, as empowered by Bursa Securities pursuant to their letter dated 16 April 2020 to grant additional temporary relief measures to listed corporations, notwithstanding Section 76(3) of the Act, duly varied and adopted by the Directors of the Company pursuant to Section 76(4) of the Act." **Ordinary Resolution 6**

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

8. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE")

"THAT subject to the provisions of the Company's Constitution and the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related party as set out in Section 2.3 of the Circular to Shareholders dated 28 August 2020, provided that such transactions are necessary for the day-to-day operations; and undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company.

THAT such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the AGM, the authority is renewed;

(b) the expiration of the period within which the next AGM of the Company after that date is required by law to be held pursuant to Section 340(2) of the Companies Act, 2016 ("Act") (but shall not extend to such extension as may be allowed by law pursuant to Section 340(4) of the Act); or

(c) revoked or varied by a resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Board be and is hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate." **Ordinary Resolution 7**

9. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

BY ORDER OF THE BOARD

OOI YOONG YOONG (SSM PC NO. 202008002042/MAICSA 7020753)
Secretary

Penang
28 August 2020

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:-

Appointment of Proxy

1. A member entitled to attend and vote at the meeting may appoint not more than two (2) proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy save that the proxy must be of full age.

2. When a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her holdings to be represented by each proxy, failing which the appointment shall be invalid.

3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, such member may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing. If the appointor is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

6. To be valid, the instrument appointing a proxy which is duly completed must be deposited at the registered office of the Company at 39 Salween Road, 10050 Georgetown, Penang, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

General Meeting Record of Depositors

7. Only a depositor whose name appears on the Record of Depositors of the Company as at 23 September 2020 shall be entitled to attend this Annual General Meeting or appoint proxies to attend, speak and/or vote on his/her behalf.

Ordinary Business

8. **Ordinary Resolution 2 – Proposed payment of Directors' remuneration (excluding Directors' fees) of not exceeding RM10,000-00 from 1 October 2020 until the next AGM of the Company.**

   The proposed Directors' benefits payable comprises allowances and other benefits.

   The total estimated amount of Directors' benefits payable is calculated based on the number of scheduled Board's and Board Committees' meetings from 1 October 2020 until the next Annual General Meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Ordinary Business (cont'd)

9. **Ordinary Resolutions 3 and 4 – Re-election of Directors**

   Article 18.3 of the Company's Constitution states that one-third (1/3) of the Directors shall retire from office and shall be eligible for re-election at each Annual General Meeting. Each Director shall retire from office at least once in every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

   Article 18.10 of the Company's Constitution states that the Board shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, but the total number of Directors shall not at any time exceed the number fixed in accordance with the Constitution. Any Director so appointed shall hold office only until the next annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

   In determining the eligibility of the Directors to stand for re-election at the forthcoming Annual General Meeting, the Nominating Committee has assessed the Directors and satisfied with the assessment.

   The Board approved the Nomination Committee's recommendation for the re-election of the retiring Directors pursuant to Article 18.3 and 18.10 of the Company's Constitution at the forthcoming Annual General Meeting of the Company. During a Board Meeting, all the retiring Directors have consented to their re-election, and abstained from deliberation as well as decision on their own eligibility to stand for re-election at the forthcoming Annual General Meeting.

10. **Ordinary Resolution 5 – Re-appointment of Auditors**

    The Audit Committee has assessed the suitability and independence of the external auditors and recommended the re-appointment of Messrs Grant Thornton as external auditors of the Company. The Board has in turn at its meeting held on 25 August 2020, reviewed the recommendation of the Audit Committee and recommended the same to be tabled to the shareholders for approval at the forthcoming Annual General Meeting of the Company. The Board and the Audit Committee collectively agreed that Messrs. Grant Thornton have met the relevant criteria prescribed by Rule 15.21 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

Special Business

11. **Ordinary Resolution 6 – Authority under Sections 75 and 76 of the Companies Act, 2016 for the Directors to issue shares**

    The Company wishes to renew the mandate on the authority to allot and issue shares pursuant to Sections 75(1) and 76(1) of the Act at the Ninth AGM of the Company **("General Mandate").**

    Bursa Securities has via their letter dated 16 April 2020 granted several additional temporary relief measures to listed corporations, amongst others, an increase in general mandate limit for new issues of securities to not more than 20% of the total number of issued shares of the Company for the time being **("20% General Mandate").** Pursuant to the 20% General Mandate, Bursa Securities has also mandated that the 20% General Mandate may be utilised by a listed corporation to issue new securities until 31 December 2021 **("Extended Utilisation Period").**

    The Board would like to procure approval for the 20% General Mandate, inclusive of the Extended Utilisation Period, pursuant to Section 76(4) of the Act, from its shareholders at the Ninth AGM of the Company.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Special Business (cont'd)

11. **Ordinary Resolution 6 – Authority under Sections 75 and 76 of the Companies Act, 2016 for the Directors to issue shares (cont'd)**

The purpose to seek the 20% General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting merely for such purpose. The 20% General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

The 20% General Mandate, unless revoked or varied by the Company in general meeting, will expire at the end of the Extended Utilisation Period, i.e. by 31 December 2021.

After having considered all aspects of the 20% General Mandate, the Board is of the opinion that the adoption of the 20% General Mandate would be in the best interest of the Company and its shareholders, on the following basis:-

- The interest of the Company as well as its long term shareholders should be in congruence on the issue of long term sustainability of the Company as only a business operation with healthy and sufficient working capital could generate positive returns to the Company and its shareholders.

- Given the outbreak of the Coronavirus Disease (Covid-19) pandemic and the subsequent imposition of the Movement Control Order by the Malaysian Government to contain the Covid-19, the economy of the Country have been severely affected. The additional fund raising flexibility through the 20% General Mandate will enable the Company, should it required to do so, to meets its funding requirements for working capital and operational expenditure, expeditiously and efficiently, without burdening the shareholders with a separate general meeting during this challenging period.

- The Extended Utilisation Period accorded by Bursa Securities has ease the cash flow planning of the Company should the Company requires additional bridge funding for the execution of its business plan or the business contingency plans to mitigate against the financial impact of Covid-19, without burdening the shareholders with another round of fund raising exercise.

As at the date of this notice and pursuant to the general mandate granted to the Directors at the Eighth Annual General Meeting held on 21 May 2019, the Company had on 16 July 2020 issued and allotted 3,395,700 ordinary shares for cash. The proceeds totalling RM1,120,581-00 arising from the issuance of the said new ordinary shares have been utilised for repayment of bank borrowing and working capital purposes as well as to defray expenses relating to the placement of shares.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Special Business (cont'd)

12. **Ordinary Resolution 7 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")**

    The proposed resolution, if passed, will allow the Group to enter into recurrent related party transactions of a revenue or trading nature pursuant to the provisions of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

    This authority shall continue in force until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting is required by law to be held (but will not extend to such extension as may be allowed by law) or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

    Please refer to the Circular to Shareholders dated 28 August 2020 for further information.

13. **Voting at Ninth AGM**

    Pursuant to Rule 8.31A of Bursa Malaysia Securities Berhad ACE Market Listing Requirements, all resolutions set out in the Notice of Ninth AGM will be put to vote on a poll.

General Meeting Arrangements

Due to the constant evolving Coronavirus Disease (COVID-19) situation in Malaysia, we may be required to change the arrangements of our Ninth AGM at short notice. Kindly visit Bursa Malaysia Securities Berhad's website or the Company's website at https://www.henghuat.com.my/ for the latest updates on the status of the said meeting.

COVID-19 Outbreak Measure Notes

The health and safety of our members and staff who will attend the AGM are the top priority of the Company. Hence, the following precautionary measures will be taken for the conduct of the AGM:

a. All attendees must sanitise their hands and will be required to wear face masks, undergo temperature check, provide contact details and make health declaration prior to entering the meeting venue.
b. All attendees are required to practise social distancing of 1 meter throughout the AGM and only allowed to sit at the place arranged by the Company.
c. Shareholders/proxies who are feeling unwell or have been placed on quarantine orders or stay-at-home notices, are advised to refrain from attending the AGM in person.
d. Any attendee with body temperature at 37.5°C and above or exhibits flu-like symptoms will not be allowed to enter the meeting hall.
e. Shareholders are encouraged to appoint the Chairman of the Meeting to act as proxy to attend and vote at the AGM on their behalf by submitting the proxy form with predetermined voting instruction.
f. There will be no refreshment and no door-gift provided to the attendees.
g. Shareholders/proxies are advised to arrive early at the AGM venue given that the above-mentioned precautionary measures may cause delay in the registration process.
h. Shareholders are required to register ahead of the AGM to allow the Company to make the necessary arrangements in relation to the meeting i.e. infrastructure, logistics and meeting venue(s) to accommodate the meeting participants. Thus, kindly RSVP your intention to attend the AGM by email to ir@henghuat.com.my

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
(PURSUANT TO RULE 8.29(2) OF THE LISTING REQUIREMENTS OF BURSA SECURITIES)

1. **Details of individuals who are standing for election as Directors (excluding Directors standing for re-election)**

   No individual is seeking for election as Director at the forthcoming 9th Annual General Meeting ("AGM") of the Company.

2. **Renewal of general mandate for issue of securities in accordance with Paragraph 6.04(3) of Listing Requirements**

   The Company is seeking for shareholders' approval on the general mandate for issue of securities. The details of the proposed authority for Directors to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note on Special Business (Ordinary Resolution 8) of the Notice of AGM.

HENG HUAT RESOURCES GROUP BERHAD
Registration No. 201101041555 (969678-D) (Incorporated in Malaysia)

PROXY FORM

Number of shares held	CDS Account Number

I/We, ... (NRIC/Company No.) ....
(Full Name in Block Letters)

of ....
(Full Address)

Tel No. .... being a member of **Heng Huat Resources Group Berhad** Registration No.

201101041555 (969678-D), hereby appoint ....

.... (NRIC No.) ....
(Full Name in Block Letters)

of ....
(Full Address)

or failing him/her.. (NRIC No.) ....
(Full Name in Block Letters)

of ....
(Full Address)

or failing *him/her, the Chairman of the meeting, as * my/our proxy to attend and vote for * me/us on *my/our behalf at the Ninth Annual General Meeting of the Company to be held at **NO. 1353, JALAN SUNGAI BAONG, TAMAN INDUSTRI PERABOT, SUNGAI BAONG, 14200 SUNGAI JAWI, PULAU PINANG** on Wednesday, 30 September 2020 at 8.00 a.m. or any adjournment thereof.

My/our proxy/proxies shall vote as follows:

	Ordinary Resolutions		**For**	**Against**
1.	To approve the payment of Directors' fees for the financial period from 1 January 2019 to 31 March 2020.	Ordinary Resolution 1		
2.	To approve the payment of Directors' remuneration (excluding Directors' fees) of not exceeding RM10,000-00 from 1 October 2020 until the next AGM of the Company.	Ordinary Resolution 2		
3.	To re-elect Mr. Cheah Swi Chun as Director of the Company.	Ordinary Resolution 3		
4.	To re-elect Mr. Ho Whye Chong as Director of the Company.	Ordinary Resolution 4		
5.	To re-appoint Messrs. Grant Thornton as Auditors of the Company and to authorize the Directors to fix their remuneration.	Ordinary Resolution 5		
6.	Authority under Sections 75 and 76 of the Companies Act, 2016 for the Directors to issue shares.	Ordinary Resolution 6		
7.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	Ordinary Resolution 7		

(Please indicate with an "X" in the appropriate space provided above on how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy may vote or abstain from voting as he thinks fit.)

For appointment of two proxies, the proportions of shareholdings to be represented by my/our proxies is as follows:

	No. of shares	Percentage
Proxy 1		%
Proxy 2		%
		100%

* Delete if not applicable.

Signed on this _________ day of _________ 2020.

____
Signature of Member(s) / Common Seal of shareholder

Notes:-

1. A member entitled to attend and vote at the meeting may appoint not more than two (2) proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy save that the proxy must be of full age.
2. When a member appoints more than one (1) proxy, he/her shall specify the proportion of his/her holdings to be represented by each proxy, failing which the appointment shall be invalid.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, such member may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing. If the appointor is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
6. To be valid, the instrument appointing a proxy which is duly completed must be deposited at the registered office of the Company at 39 Salween Road, 10050 Penang, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.
7. Only a depositor whose name appears on the Record of Depositors of the Company as at 23 September 2020 shall be entitled to attend this Annual General Meeting or appoint proxies to attend, speak and/or vote on his/her behalf.
8. By submitting the duly executed instrument appointing a proxy, the member and his/her proxy(ies) consent to the Company and/or its agents/service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the Annual General Meeting of the Company and any adjournment thereof.

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stamp
here

To:

The Company Secretary
HENG HUAT RESOURCES GROUP BERHAD
201101041555 (969678-D)
39 Salween Road
10050 Georgetown Penang

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2010 2011 2013 2015 2015 2015

Established Since 1986

HENG HUAT RESOURCES GROUP BERHAD
201101041555 (969678-D)

Lot 2945 (Plot A2), Jalan Sungai Baong,
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