



HENG HUAT RESOURCES GROUP BERHAD

Registration No. 201101041555 (969678-D)
(Incorporated in Malaysia under the Companies Act 2016)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 JUNE 2022

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
(UNAUDITED)**

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30.06.2022 ⁽¹⁾ RM'000	Preceding Year Corresponding Quarter 30.06.2021 RM'000	Current Year Period 30.06.2022 ⁽¹⁾ RM'000	Preceding Year Corresponding Period 30.06.2021 RM'000
Revenue	47,493	20,576	47,493	20,576
Cost of sales	(37,268)	(15,687)	(37,268)	(15,687)
Gross profit	10,225	4,889	10,225	4,889
Other income	872	347	872	347
Administrative expenses	(4,139)	(2,136)	(4,139)	(2,136)
Selling and distribution expenses	(2,120)	(775)	(2,120)	(775)
Operating profit	4,838	2,325	4,838	2,325
Finance costs	(363)	(326)	(363)	(326)
Profit before tax	4,475	1,999	4,475	1,999
Taxation	(490)	(412)	(490)	(412)
Total comprehensive income	3,985	1,587	3,985	1,587
Total comprehensive income attributable to:				
- Owners of Heng Huat	2,309	1,585	2,309	1,585
- Non-controlling interests	1,676	2	1,676	2
	3,985	1,587	3,985	1,587
Earnings per share (sen) attributable to owners of Heng Huat:				
- Basic ⁽²⁾	0.36	0.55 [^]	0.36	0.55 [^]
- Diluted ⁽²⁾	0.29	0.38 [^]	0.29	0.38 [^]

Notes:

⁽¹⁾ The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to this interim financial report.

⁽²⁾ Kindly refer to Note B8 for further details.

[^] The earnings per share for quarter and financial period ended 30 June 2021 have been adjusted to reflect the effects of bonus issue completed on 18 April 2022. This is in accordance with the requirements of MFRS 133, where earnings per share calculations for all periods shall be adjusted retrospectively.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)**

	As at 30.06.2022 ⁽¹⁾ RM'000 (unaudited)	As at 31.03.2022 RM'000 (audited)
Non-Current Assets		
Property, plant and equipment	75,865	75,586
Investment properties	24,023	11,419
Right-of-use assets	6,165	6,657
Inventories	21,586	21,000
Intangible assets	20,192	20,521
Keyman insurance contracts	643	590
	148,474	135,773
Current Assets		
Inventories	15,477	15,237
Trade and other receivables	31,007	30,309
Current tax assets	117	-
Cash and cash equivalents	40,622	34,264
	87,223	79,810
TOTAL ASSETS	235,697	215,583
Equity		
Share capital	130,434	126,199
Other reserves	5,651	6,708
Accumulated losses	(2,408)	(4,717)
	133,677	128,190
Non-controlling interests	22,459	20,783
Total Equity	156,136	148,973
Non-Current Liabilities		
Lease liabilities	2,721	3,216
Borrowings	26,474	18,230
Deferred tax liabilities	1,831	1,831
	31,026	23,277
Current Liabilities		
Trade, other payables and provision	41,256	31,632
Contract liabilities	-	1,248
Lease liabilities	1,951	1,916
Borrowings	5,328	8,397
Current tax liabilities	-	140
	48,535	43,333
Total Liabilities	79,561	66,610
TOTAL EQUITY AND LIABILITIES	235,697	215,583
NET ASSETS PER SHARE (RM)	0.21 ⁽²⁾	0.53 ⁽³⁾

Notes:

- ⁽¹⁾ The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to this interim financial report.
- ⁽²⁾ Calculated based on the Company's existing issued share capital for the financial year ended as at 30 June 2022 of 743,774,560 ordinary shares.
- ⁽³⁾ Calculated based on the Company's existing issued share capital for the financial year ended as at 31 March 2022 of 283,128,874 ordinary shares.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)**

[----- Attributable to Owners of the Company -----]
[----- Non-distributable -----]

	Share Capital RM'000	Reorganisation Reserve RM'000	Warrants Reserve RM'000	SIS Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
At 1 April 2022	126,199	(5,185)	4,249	7,644	(4,717)	128,190	20,783	148,973
Total comprehensive profit for the financial period	-	-	-	-	2,309	2,309	1,676	3,985
Issuance of shares pursuant to:	-	-	-	-	-	-	-	-
- warrant exercised	3,434	-	(817)	-	-	2,617	-	2,617
- SIS exercised	889	-	-	(240)	-	649	-	649
Share issue expenses	(88)	-	-	-	-	(88)	-	(88)
At 30 June 2022	130,434	(5,185)	3,432	7,404	(2,408)	133,677	22,459	156,136
At 1 April 2021	60,055	(5,185)	-	-	(19,442)	35,428	236	35,664
Total comprehensive profit for the financial period	-	-	-	-	1,585	1,585	2	1,587
Right issue of shares with warrants	4,370	-	4,372	-	-	8,742	-	8,742
At 30 June 2021	64,425	(5,185)	4,372	-	(17,857)	45,755	238	45,993

Note:

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to this interim financial report.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

	Year-to-date ended	
	30.06.2022 RM'000	30.06.2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	4,475	1,999
<u>Adjustments for:</u>		
Allowance for expected credit loss		
- current year	12	47
- reversal	(34)	(159)
Amortisation of intangible assets		
- trademarks	6	6
- goodwill	323	-
Depreciation on investment properties	13	-
Depreciation of property, plant and equipment	1,230	852
Depreciation of right-of-use assets	492	544
Fair value adjustment on derivative instruments	-	-
Gain on disposal of property, plant and equipment	(178)	(51)
Gain on change in fair value of keyman insurance contracts	(52)	-
Impairment loss on goodwill	51	-
Interest expense	363	326
Interest income	(94)	(3)
Unrealised loss/(gain) on foreign exchange	296	(9)
Operating profit before working capital changes	6,903	3,552
Increase in inventories	(826)	(1,137)
Increase in trade and receivables	(1,022)	(3,966)
Increase in trade and payables	9,623	3,246
Decrease in contract liabilities	(1,248)	(155)
Cash generated from operations	13,430	1,540
Income tax paid	(747)	(356)
Net cash from operating activities	12,683	1,184
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in fixed deposits pledged with licensed banks	(2,374)	35
Interest received	94	3
Proceeds from disposal of property, plant and equipment	340	295
Purchase of property, plant and equipment	(1,671)	(76)
Purchase of investment properties	(12,618)	-
Purchase of intangibles assets	-	(1)
Net cash (used in)/from investing activities	(16,229)	256

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
(UNAUDITED)

	Year-to-date ended	
	30.06.2022 RM'000	30.06.2021 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(363)	(326)
Proceeds from issuance of shares pursuant to warrants	2,616	-
Proceeds from issuance of shares pursuant to share issuance scheme	649	-
Net proceeds from right issue of shares with warrants	-	8,742
Drawdown of term loan	7,000	-
Repayment of bankers' acceptance	(1,316)	8
Repayment of term loans	(533)	(921)
Repayment of finance lease liabilities	(37)	(494)
Repayment of lease liabilities	(459)	(492)
Share issuance expenses paid	(88)	-
Net cash from financing activities	7,469	6,517
Net increase in cash and cash equivalents	3,923	7,957
Cash and cash equivalents at beginning of the financial period	23,750	(496)
Cash and cash equivalents at end of the financial period	27,673	7,461
Cash and cash equivalents comprise the following:		
Cash and bank balances	16,734	8,031
Fixed deposits pledged to financial institutions	12,888	915
Short-term investments	11,000	-
	40,622	8,946
Less: Bank overdraft	(61)	(570)
Less: Fixed deposits pledged to financial institutions	(12,888)	(915)
	27,673	7,461

Note:

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to this interim financial report.

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EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A1. BASIS OF PREPARATION

The condensed consolidated interim financial statements as contained in this interim financial report are unaudited and have been prepared under the historical cost convention except otherwise stated.

These unaudited interim financial statements have been prepared in accordance with the requirements of MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Part K, Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements (“ACE LR”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”).

These unaudited interim financial statements should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to this interim financial report. The explanatory notes contained herein provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2022.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied in the preparation of these unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 March 2022 as disclosed below:

Adoption of Amendments to MFRSs

Effective for annual periods beginning on or after 1 June 2020

Amendments to MFRS 16 Leases: Covid-19 - Related Rent Concessions

Effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases: Interest Rate Benchmark Reform - Phase 2

Effective for annual periods beginning on or after 1 April 2021

Amendments to MFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021

Initial application for the above new standards/amendments/improvements to MFRSs did not have any material impact to the financial statements of the Group and of the Company upon adoption.

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 financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective in the respective financial period.



A2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Standards Issued But Not Yet Effective (cont'd)

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

MFRS 17 Insurance Contracts

Amendments to MFRS 4 Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9

Amendments to MFRS 17 Insurance Contracts

Amendments to MFRS 101 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current

Amendments to MFRS 101 Presentation of Financial Statements: Disclosure of Accounting Policies

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

Amendments to MFRS 112 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 initial application of the above standards is not expected to have any material impact to the financial statements of the Group and of the Company upon adoption .

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the Group's most recent annual audited financial statements for the financial year ended 31 March 2022 were not subject to any qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATION

Save for oil palm empty fruit bunch ("EFB") fibre, the Group's biomass materials and value-added products are not significantly affected by seasonal/cyclical effects. Demand for the Group's oil palm EFB fibre generally experience a decline during the Chinese New Year season mainly due to slowdown in logistics services and business activities in China during this period as businesses are closed for holidays during the festive season.

The Group typically experience higher sales of mattresses and related products prior to major festive season such as Chinese New Year and Hari Raya in tandem with the expected increase in household spending for such items during such periods.



A5. UNUSUAL ITEMS

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial period under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial year that have a material impact on the current quarter and financial period under review.

A7. DEBTS AND EQUITY SECURITIES

Proposed Multiple Proposal: Announcement dated 25 October 2021

On behalf of the Company, TA Securities Holdings Berhad had announced that the Company proposes to undertake the following Proposals.

- i. proposed acquisition by Heng Huat of 1,020,000 ordinary shares in MG Furniture Sdn Bhd, representing 51% equity interest in MG Furniture, from Ch'ng Chen Mong, Tan Poh Cheng and Ch'ng Boon Sin for a purchase consideration of RM28,000,000 to be satisfied via the issuance of 65,116,279 new ordinary shares in Heng Huat at an issue price of RM0.43 each;
- ii. proposed acquisition by Fibre Star (M) Sdn Bhd, a wholly-owned subsidiary of Heng Huat, of 2 parcels of leasehold land (Lot 1222 and Lot 1223, Mukim 11, Daerah Seberang Perai Selatan, Pulau Pinang) erected upon with a single storey detached warehouse, a double storey detached office annexed with a single storey showroom, a single storey detached office annexed with a single storey showroom and a single store detached store together with ancillary buildings from Heng Huat Furniture Sdn Bhd for a purchase consideration of RM13,000,000 to be satisfied via the issuance of 30,232,558 Consideration Shares at an issue price of RM0.43 each;
- iii. proposed acquisition by HH Land and Development Sdn Bhd, a wholly-owned subsidiary of Heng Huat, of 2 parcels of freehold land (Lot 2312 and Lot 2337, Mukim 6, Daerah Seberang Perai Selatan, Pulau Pinang) from H'ng Jia Min for a purchase consideration of RM260,000 to be satisfied via the issuance of 604,651 Consideration Shares at an issue price of RM0.43 each;
- iv. proposed acquisition by HH Properties Kulim Sdn Bhd (*formerly known as HH Ecometal Recycling Sdn Bhd*), a wholly-owned subsidiary of Heng Huat, of 133 lots of leasehold land in Kulim, Kedah from Kulim Property Sdn Bhd for a purchase consideration of RM27,000,000 to be satisfied via a combination of RM7,000,000 in cash and the issuance of 46,511,627 Consideration Shares at an issue price of RM0.43 each; and
- v. proposed diversification of the businesses of Heng Huat and its subsidiaries to include the property development business.



A7. DEBTS AND EQUITY SECURITIES (cont'd)

Proposed Bonus Issue: Announcement dated 13 January 2022

On behalf of the Board of Directors of Heng Huat, TA Securities Holdings Berhad wishes to announce that the Company proposes to undertake the Proposed Bonus Issue.

Proposed bonus issue of up to 588,189,057 new ordinary shares in Heng Huat on the basis of 3 bonus shares for every 2 existing Heng Huat shares held on an entitlement date to be determined.

Kindly refer Note B6 for status of corporate exercise update.

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.

A8. DIVIDEND PAID/ DECLARED

The Board of Directors did not recommend any payment of dividend during the current quarter and financial period under review. (For Financial Year Ended *31 March 2022: Nil*)

A9. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There were no material events subsequent to the end of current quarter and financial period under review that have not been reflected in this interim financial report or announced to the Bursa Securities.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter and financial period under review.

A11. CHANGES IN CONTINGENT LIABILITIES

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

A12. CAPITAL COMMITMENTS

The Group's capital commitments in respect of property, plant and equipment which were not provided in the financial statements as at 30 June 2022 is as follows:

	As at 30.06.2022 RM'000
Property, plant and equipment	
Approved but not contracted for	107
Contracted but not provided for	7,222
	<u>7,329</u>



A13. SEGMENT INFORMATION

The Group, through its subsidiaries, are principally engaged in manufacturing and trading of biomass materials, manufacturing and trading of mattresses and related products. There is no change to the principal activities of the Group during the current quarter and financial period under review.

The Group has arrived at 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 fibre and related products.
- (ii) Furniture, mattresses and related products
Manufacturing and trading of furniture, mattresses and related products.
- (iii) Property development and management
Real property, property development, property management, property renting and trading and investment holding.

	Current quarter ended		Year-to-date ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
<i>Segment Revenue</i>				
Biomass materials and related products	28,231	18,904	28,231	18,904
Furniture, mattresses and related products	21,963	4,682	21,963	4,682
Property development and management	16	-	16	-
	50,210	23,586	50,210	23,586
Elimination of intragroup transactions	(2,717)	(3,010)	(2,717)	(3,010)
Revenue from external customers	47,493	20,576	47,493	20,576
<i>Segment Results</i>				
Biomass materials and related products	5,628	2,524	5,628	2,524
Furniture, mattresses and related products	1,689	(235)	1,689	(235)
Property development and management	(1,146)	-	(1,146)	-
	6,171	2,289	6,171	2,289
Unallocated corporate income and expenses (net)	4,672	(290)	4,672	(290)
Elimination of intragroup transactions and profits	(6,368)	-	(6,368)	-
Profit before tax of the Group	4,475	1,999	4,475	1,999



A13. SEGMENT INFORMATION (cont'd)

	Current quarter ended		Year-to-date ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
<i>Segment Assets</i>				
Biomass materials and related products	79,966	63,088	79,966	63,088
Furniture, mattresses and related products	79,797	12,642	79,797	12,642
Property development and management	53,047	-	53,047	-
	212,810	75,730	212,810	75,730
Tax assets	117	679	117	679
Unallocated assets	8,437	14,506	8,437	14,506
Elimination of intragroup balances	14,333	(10,163)	14,333	(10,163)
Total assets of the Group	235,697	80,752	235,697	80,752
<i>Segment Liabilities</i>				
Biomass materials and related products	35,129	31,980	35,129	31,980
Furniture, mattresses and related products	40,589	10,841	40,589	10,841
Property development and management	9,921	-	9,921	-
	85,639	42,821	85,639	42,821
Tax liabilities	1,831	858	1,831	858
Unallocated liabilities	3,320	778	3,320	778
Elimination of intragroup balances	(11,229)	(9,698)	(11,229)	(9,698)
Total liabilities of the Group	79,561	34,759	79,561	34,759

A14. RELATED PARTY TRANSACTIONS

	Current quarter ended		Year-to-date ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Purchase of coconut fibre	1,689	-	1,689	-
Purchase of furniture semi part	1,366	-	1,366	-
Rental expenses paid to a company in which a director of the Group has substantial financial interest	-	134	-	134
	3,055	134	3,055	134

The above transactions are necessary for the Group's day-to-day operations and are undertaken in the ordinary course of business. The above transactions are carried out on terms not more favourable to the related parties than those generally available to the public, which are not to the detriment of the non-controlling shareholders of the Group.

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ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. ANALYSIS OF PERFORMANCE

Profit and loss	Individual Quarter		Changes		Cumulative Period		Changes	
	Current 30.06.2022	Preceding 30.06.2021			Current 30.06.2022	Preceding 30.06.2021		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	47,493	20,576	26,917	130.82	47,493	20,576	26,917	130.82
Profit before tax	4,475	1,999	2,476	123.86	4,475	1,999	2,476	123.86
Profit after tax	3,985	1,587	2,398	151.10	3,985	1,587	2,398	151.10

Revenue

For the current quarter and financial period ended 30 June 2022, the Group recorded revenue of RM47.49 million, representing increase of approximately RM26.92 million or 130.82% as compared to the revenue of RM20.58 million registered in the preceding year corresponding quarter and period.

Current Quarter and Period Under Review

The increase of sales performance was primarily attributable to the following factors:

- i. Increase in sales performance of biomass materials and related products segment during the current quarter under review improved by approximately 60.53% as compared to the preceding year corresponding quarter and period;
- ii. Increase in sales performance of furniture, mattresses and related products during the current quarter under review improved by approximately 369.09% as compared to the preceding year corresponding quarter and period.

Profit Before Tax

Our Group reported a profit before taxation of approximately RM4.48 million for the current quarter and financial period, representing an increase of approximately RM2.48 million or 123.86% as compared to the profit before tax of RM2.00 million recorded in the preceding year corresponding quarter and period. However, the improved performance was offset by additional segment from furniture which was acquired on 30 March 2022.

B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current quarter ended 30.06.2022	Preceding quarter ended 31.03.2022
	RM'000	RM'000
Profit before taxation	4,475	7,488

Our Group recorded a profit before tax of approximately RM4.48 million for the current quarter ended 30 June 2022, as compared to a profit before tax of RM7.49 million in the preceding quarter ended 31 March 2022, was primarily due to the following:



- i. Increase in administrative expenses due to one-off, non-recurring transaction from loan drawdown on property management and development segment resulting from acquisition of property during the current quarter under review.
- ii. Additional segment from furniture which was acquired on 30 March 2022.

B3. PROSPECTS

Making Trade Greener and Sustainable Into the Future

BNM reported there should be greater emphasis towards green and sustainability compliance across export industries with clear environmental, social and governance (ESG) targets and measurable outcomes moving forward. To encourage the transition to low carbon practices for SMEs, the Bank has established the Low Carbon Transition Facility (LCTF). The implementation of the Government Green Procurement policy and the provision of alternative financing such as green sukuk are also encouraging developments. Beyond this, there should be increased coordination between agencies to attract investments in low carbon industries. Measures to enhance export capacity and branding and promotion strategies for green products are also paramount. For example, palm oil products in the downstream segments that promote RSPO-certified crude palm oil could expand opportunities to tap into the global markets for sustainable products. Overall, these efforts should enhance Malaysia's trade competitiveness.

(Bank Negara Malaysia's Second Quarterly Report 12 August 2022)

The Group's biomass renewable energy division will be the key contributor for the remaining period of 2022. Increasing demand for alternate energy sources implies new market opportunities for bio renewable energy as compare to wood, charcoal, petroleum and et-cetera, and in line with government policy to reduce or lower of carbon emissions.

The Board will monitor the market development closely, and ensure that prompt actions are taken in response to the changes arising from global supply chain disruptions due to rising interest rates and material costs as well as the strengthening of US Dollar. Moreover, the Board will, from time to time, identify appropriate new business venture/ opportunity to enhance and expand the Group's revenue base and source.

Barring any unforeseen circumstances and adverse external economic factors, the Board of Directors is of the view that the Group's financial performance will remain positive.

(Source: The management of Heng Huat)

B4. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as no profit forecast or profit guarantee has been previously published or issued by the Group.

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B5. TAX EXPENSE

	Current quarter ended 30.06.2022 RM'000	Year-to-date ended 30.06.2022 RM'000
Current tax expense	(490)	(490)
Deferred tax expense	-	-
Total tax expense	<u>(490)</u>	<u>(490)</u>
Effective tax rate	<u>10.95%</u>	<u>10.95%</u>

The Group's effective tax rate for the current quarter and financial period under review stood at 10.95%. The prevailing statutory tax rate applicable to the Group is 24%.

The effective tax rate is lower than the applicable statutory tax rate of 24% as certain subsidiaries of the Group have been granted pioneer status by Malaysia Industrial Development Authority which exempts 100% of statutory income in relation to production of certain products.

B6. STATUS OF CORPORATE PROPOSALS

Proposed Multiple Proposal: Announcement dated 25 October 2021

Company are in the midst to prepare propose circular for submission to Bursa for review.

On 9 February 2021, the Company announced that the additional listing application in relation to the Proposed Acquisitions has been submitted to Bursa Securities.

On 14 February 2022, the Company announced that Bursa Securities had, vide its letter dated 14 February 2022, resolved to approve the following:

- i. listing and quotation of 65,116,279 Consideration Shares to be issued pursuant to the Proposed MG Furniture Acquisition;
- ii. listing and quotation of 30,232,558 Consideration Shares to be issued pursuant to the Proposed Lots 1222 & 1223 Acquisition;
- iii. listing and quotation of 604,651 Consideration Shares to be issued pursuant to the Proposed Lots 2312 & 2337 Acquisition; and
- iv. listing and quotation of 46,511,627 Consideration Shares to be issued pursuant to the Proposed Kulim Land Acquisition.

The approval granted by Bursa Securities for the listing and quotation of the Consideration Shares is subject to the following conditions:

- a. Heng Huat and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed MG Furniture Acquisition, Proposed Lots 1222 & 1223 Acquisition, Proposed Lots 2312 & 2337 Acquisition and Proposed Kulim Land Acquisition.



- b. Heng Huat and TA Securities to inform Bursa Securities upon the completion of the Proposed MG Furniture Acquisition, Proposed Lots 1222 & 1223 Acquisition, Proposed Lots 2312 & 2337 Acquisition and Proposed Kulim Land Acquisition, respectively.
- c. Heng Huat to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed MG Furniture Acquisition, Proposed Lots 1222 & 1223 Acquisition, Proposed Lots 2312 & 2337 Acquisition and Proposed Kulim Land Acquisition are completed.
- d. Compliance by Heng Huat with the public shareholding spread upon completion of the Proposed MG Furniture Acquisition, Proposed Lots 1222 & 1223 Acquisition, Proposed Lots 2312 & 2337 Acquisition and Proposed Kulim Land Acquisition, respectively. In this connection, TA Securities is to furnish a schedule containing the information set out in Appendix 8E, Chapter 8 of the Listing Requirements to Bursa Securities, prior to the allotment and issuance of the Consideration Shares.
- e. Heng Huat to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders in general meeting approving the Proposed MG Furniture Acquisition, Proposed Lots 1222 & 1223 Acquisition, Proposed Lots 2312 & 2337 Acquisition, Proposed Kulim Land Acquisition and Proposed Diversification.

The Proposed Multiple Proposal was subsequently approved by the shareholders of the Company in the Extraordinary General Meeting held on 15 March 2022.

The proposed issuance new ordinary shares for above acquisition has been completed on 30 March 2022, following the listing of 283,128,874 of total ordinary shares on ACE Market of Bursa Securities.

Proposed Bonus Issue: Announcement dated 13 January 2022

On 13 January 2022, the Company announced that the Company proposes to undertake the Proposed Bonus Issue.

On 14 January 2022, the Company announced that the additional listing application in relation to the Proposed Bonus Issue has been submitted to Bursa Securities.

On 14 February 2022, the Company announced that Bursa Securities had, vide its letter dated 14 February 2022, resolved to approve the following:

- i. up to 588,189,057 Bonus Shares to be issued pursuant to the Proposed Bonus Issue;
- ii. up to 101,422,671 Additional Warrants to be issued pursuant to the adjustment arising from the Proposed Bonus Issue; and
- iii. up to 101,422,671 additional new Heng Huat Shares to be issued pursuant to the exercise of the Additional Warrants.

The approval granted by Bursa Securities for the Proposed Bonus Issue is subject to the following conditions:

- a. Heng Huat and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonus Issue;
- b. Heng Huat and TA Securities to inform Bursa Securities upon the completion of the Proposed Bonus Issue;



- c. Heng Huat to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonus Issue is completed; and
- d. Heng Huat and TA Securities are required to make the relevant announcements pursuant to Rule 6.36(2)(a), Rule 6.36(2)(b) and Rule 6.36(4) of the Listing Requirements.

The Additional Warrants and Bonus Shares must be listed simultaneously.

The Proposed Bonus Issue was subsequently approved by the shareholders of the Company in the Extraordinary General Meeting held on 15 March 2022.

The proposed issuance new ordinary shares for above acquisition has been completed on 18 April 2022, following the listing of 424,693,236 Bonus Shares and 101,095,710 new Warrants arising from the adjustment to the number of outstanding Warrants pursuant to the Bonus Issue respectively on ACE Market of Bursa Securities.

Save from the above, there were no other corporate proposals announced as at date of this announcement.

B7. BORROWINGS

The Group's borrowings as at 30 June 2022 are as follows:

	Short Term (Within 12 months) RM'000	Long Term (> 12 months) RM'000	Total RM'000
<i>Secured and guaranteed</i>			
Bankers' acceptance	1,825	-	1,825
Bank overdrafts	61	-	61
Finance lease liabilities	1,010	1,041	2,051
Term loans	2,432	25,433	27,865
Total Borrowings	5,328	26,474	31,802

All the borrowings are denominated in Ringgit Malaysia (RM), and obtained from financial institutions based in Malaysia.



B8. EARNINGS PER SHARE

Basic Earnings per Share (“BEPS”)

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the current quarter and financial period under review.

	Current quarter ended		Year-to-date ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Basic earnings per share				
Profit attributable to owners of the Company (RM'000)	2,308	1,585	2,308	1,585
Weighted average number of ordinary shares in issue ('000)	646,473	288,339	646,473	288,339
BEPS (sen)	0.36	0.55	0.36	0.55

Diluted Earnings per Share (“DEPS”)

The diluted earnings per share of the Group is calculated by dividing the profit for the current quarter and financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the current quarter and financial period adjusted to assume conversion of all dilutive potential ordinary shares arising from the outstanding Warrants and SIS.

	Current quarter ended		Year-to-date ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Diluted earnings per share				
Profit attributable to owners of the Company (RM'000)	2,308	1,585	2,308	1,585
Weighted average number of ordinary shares in issue ('000)	646,473	288,339	646,473	288,339
Adjustment for dilutive effects of:				
- Warrants ('000)	102,992	126,646	102,992	126,646
- SIS ('000)	39,920	-	39,920	-
	789,385	414,984	789,385	414,984
DEPS (sen)	0.29	0.38	0.29	0.38

B9. CHANGES IN MATERIAL LITIGATION

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board of Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.



B10. DISCLOSURE ON SELECTED INCOME/EXPENSE ITEMS

Included in profit before tax comprised the following income/(expense) items:

	Current quarter ended 30.06.2022 RM'000	Year-to-date ended 30.06.2022 RM'000
Interest income	94	94
Other income including investment income	-	-
Interest expense	(363)	(363)
Depreciation expenses	(1,735)	(1,735)
Amortisation expenses	(329)	(329)
Bad debts written-off	-	-
Unrealised gain on foreign exchange	(296)	(296)
Gain on disposal of property, plant and equipment	178	178
Fair value (loss)/gain on derivative instruments	-	-
Allowance for expected credit losses:		
- Current year	(12)	(12)
- Reversal	34	34
Impairment loss on property, plant and equipment		
- Current year	-	-
- Reversal	-	-
Property, plant and equipment written off	-	-
Intangible assets written off	-	-
Provision for and write off of inventories	-	-
Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-
Equity-settled share-based payment	-	-
Exceptional items		

B11. FINANCIAL INSTRUMENTS

Derivatives

There were no outstanding derivatives financial instruments entered into by the Group as at the date of this interim financial report.