



## **HENG HUAT RESOURCES GROUP BERHAD**

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

### **INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2022**

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.2022 <sup>(1)</sup> RM'000	Preceding Year Corresponding Quarter 31.03.2021 RM'000	Current Year Period 31.03.2022 <sup>(1)</sup> RM'000	Preceding Year Corresponding Period 31.03.2021 RM'000
Revenue	30,526	20,927	103,502	73,594
Cost of sales	(19,489)	(17,217)	(65,835)	(60,899)
Gross profit	11,037	3,710	37,667	12,695
Other income	(130)	125	1,381	2,107
Marketing expenses	(1,183)	(647)	(3,356)	(2,453)
Administrative expenses	(2,054)	(3,859)	(19,940)	(28,521)
Finance costs	(182)	(369)	(905)	(2,026)
Profit/(Loss) before tax	7,488	(1,040)	14,847	(18,198)
Taxation	28	(1,101)	(340)	(1,895)
<b>Total comprehensive income/(loss)</b>	<b>7,516</b>	<b>(2,141)</b>	<b>14,507</b>	<b>(20,093)</b>
<b>Total comprehensive income/(loss) attributable to:</b>				
- Owners of Heng Huat	7,522	(2,141)	14,483	(20,160)
- Non-controlling interests	(6)	-	24	67
	<b>7,516</b>	<b>(2,141)</b>	<b>14,507</b>	<b>(20,093)</b>
<b>Basic earnings/(loss) per share (sen) attributable to owners of Heng Huat:</b>				
- Basic <sup>(2)</sup>	5.23	(2.31)	10.76	(38.00)
- Diluted <sup>(2)</sup>	4.78	(2.31)	9.77	(38.00)

Notes:

N/A Not applicable.

<sup>(1)</sup> 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 2021 and the accompanying explanatory notes attached to this interim financial report.

<sup>(2)</sup> Kindly refer to Note B8 for further details.

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

	As at 31.03.2022 <sup>(1)</sup> RM'000 (unaudited)	As at 31.03.2021 RM'000 (audited)
<b>Non-Current Assets</b>		
Property, plant and equipment	77,732	37,500
Right-of-use assets	6,657	8,641
Intangible assets	14,247	155
Investment properties	36,277	-
Long term deposits	590	-
	135,503	46,296
<b>Current Assets</b>		
Inventories	15,237	4,521
Trade and other receivables	24,438	13,255
Current tax assets	-	735
Cash and cash equivalents	34,264	9,404
	73,939	27,915
Non-current assets held for sale	-	3,400
	73,939	31,315
<b>TOTAL ASSETS</b>	<b>209,442</b>	<b>77,611</b>
<b>Equity</b>		
Share capital	126,199	60,055
Warrants reserve	4,249	-
Share issuance scheme reserve	7,644	-
Reorganisation reserve	(5,185)	(5,185)
Accumulated losses	(4,959)	(19,442)
	127,948	35,428
Non-controlling interests	14,455	236
<b>Total Equity</b>	<b>142,403</b>	<b>35,664</b>
<b>Non-Current Liabilities</b>		
Lease liabilities	3,216	5,108
Borrowings	18,230	7,573
Deferred tax liabilities	1,932	858
	23,378	13,539
<b>Current Liabilities</b>		
Trade and other payables	31,893	13,073
Contract liabilities	1,167	155
Current tax liabilities	288	-
Lease liabilities	1,916	1,827
Borrowings	8,397	13,353
	43,661	28,408
<b>Total Liabilities</b>	<b>67,039</b>	<b>41,947</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>209,442</b>	<b>77,611</b>
<b>NET ASSETS PER SHARE (RM)</b>	<b>0.50<sup>(2)</sup></b>	<b>0.39<sup>(3)</sup></b>

Notes:

- <sup>(1)</sup> 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 2021 and the accompanying explanatory notes attached to this interim financial report.
- <sup>(2)</sup> 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.
- <sup>(3)</sup> Calculated based on the Company's existing issued share capital for the financial year ended as at 31 March 2021 of 92,471,601 ordinary shares.



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

	[----- Non-distributable -----]				Distributable	Total attributable to owners of the Company	Non- controlling interests	Total equity
	Share capital	Warrants reserve	Share issuance scheme reserve	Reorganisation reserve	Accumulated losses			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2021	60,055	-	-	(5,185)	(19,442)	35,428	236	35,664
New subsidiary pre-acquisition reserve	-	-	-	-	-	-	14,207	14,207
Total comprehensive profit for the financial period	-	-	-	-	14,483	14,483	24	14,507
Right issue of shares with warrants	4,884	4,249	-	-	-	9,133	-	9,133
Issuance of new shares pursuant to multiple proposals	61,260	-	-	-	-	61,260	-	61,260
Share-based payment transactions	-	-	7,644	-	-	7,644	-	7,644
Dividend paid to non-controlling interests	-	-	-	-	-	-	(12)	(12)
At 31 March 2022	126,199	4,249	7,644	(5,185)	(4,959)	127,948	14,455	142,403
At 1 April 2020	40,538	-	-	(5,185)	718	36,071	205	36,276
Total comprehensive loss for the financial period	-	-	-	-	(20,160)	(20,160)	67	(20,093)
Issuance of new shares pursuant to private placement, net of expenses	19,517	-	-	-	-	19,517	-	19,517
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	(36)	(36)
At 31 March 2021	60,055	-	-	(5,185)	(19,442)	35,428	236	35,664

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 2021 and the accompanying explanatory notes attached to this interim financial report.



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

	Year-to-date ended	
	31.03.2022 RM'000	31.03.2021 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before tax	14,847	(18,198)
<u>Adjustments for:</u>		
Amortisation of intangible assets	25	24
Depreciation of property, plant and equipment	3,658	5,950
Depreciation of right-of-use assets	2,039	1,490
Equity settled share-based payment transactions	7,644	-
Fair value adjustment on derivative instruments	-	(8)
Loss on disposal of property, plant and equipment	196	749
Inventories written down	96	-
Property, plant and equipment written-off	-	352
Gain on modification	(135)	-
Impairment loss on property, plant and equipment		
- Current year	1,180	11,742
- Reversal	(264)	-
Allowance for expected credit loss:		
- Current year	373	14,634
- Reversal	(494)	(6,178)
Interest expense	905	2,026
Interest income	(41)	(34)
Unrealised gain on foreign exchange	(4)	(95)
	<hr/>	<hr/>
Operating profit before working capital changes	30,025	12,454
(Increase)/Decrease in inventories	(1,550)	2,032
(Increase)/Decrease in trade and other receivables	(1,815)	1,424
Increase/(Decrease) in trade and other payables	6,754	(23,532)
Decrease in contract liabilities	(13)	-
	<hr/>	<hr/>
Tax paid	33,401	(7,622)
	(3)	(1,635)
	<hr/>	<hr/>
<b>Net cash from/(used in) operating activities</b>	<b>33,398</b>	<b>(9,257)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	41	34
Proceeds from disposal of property, plant and equipment	855	22,917
Purchase of property, plant and equipment	(15,861)	(4,397)
Purchase of investment properties	(30,817)	-
Purchase of subsidiaries	(28,272)	-
Purchase of intangibles assets	(1)	-
Changes in fixed deposits pledged with licensed banks	(1,472)	335
	<hr/>	<hr/>
<b>Net cash (used in)/from investing activities</b>	<b>(75,527)</b>	<b>18,889</b>



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

	Year-to-date ended	
	31.03.2022	31.03.2021
	RM'000	RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to non-controlling interests	(12)	(36)
Interest paid	(905)	(2,026)
Net proceeds from issuance of shares	61,260	19,517
Net proceeds from right issue of shares with warrants	9,133	-
Net repayment of bankers' acceptance	(96)	(4,000)
Net repayment of term loans	(3,079)	(7,215)
Net repayment of hire purchase payables	(244)	(2,163)
Net repayment of lease liabilities	(1,730)	(3,226)
	<b>64,327</b>	<b>851</b>
Net changes in cash and cash equivalents	22,198	10,483
Cash and cash equivalents at beginning of the financial period	9,644	(10,979)
	<b>31,842</b>	<b>(496)</b>
<b>Cash and cash equivalents at end of the financial period</b>		
Cash and cash equivalents comprise the following:		
Cash and bank balances	29,842	8,454
Fixed deposits pledged to financial institutions	2,422	950
Short-term investments	2,000	-
	34,264	9,404
Less: Bank overdraft	-	(8,950)
Less: Fixed deposits pledged to financial institutions	(2,422)	(950)
	<b>31,842</b>	<b>(496)</b>
	<b>31,842</b>	<b>(496)</b>

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 2021 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 2021 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 2021.

### A2. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company have consistently applied the accounting policies set out in Note 3 to the financial statements to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted the following new standards/amendments/improvements to MFRSs that are mandatory for the current financial period:

#### 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 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures: Interest Rate Benchmark Reform*

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.

#### **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*

**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 2021 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.



**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 2021: 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 31 March 2022 is as follows:

	<b>As at 31.03.2022 RM'000</b>
<b>Property, plant and equipment</b>	
Approved but not contracted for	-
Contracted but not provided for	10,366
	<u>10,366</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 two (2) 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) Mattresses and related products

Manufacturing and trading of mattresses and related products.

	Current quarter ended		Year-to-date ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	RM'000	RM'000	RM'000	RM'000
<b><u>Segment Revenue</u></b>				
Biomass materials and related products	26,850	17,875	92,706	58,169
Mattresses and related products	6,775	6,699	22,517	24,008
	33,625	24,574	115,223	82,177
Elimination of intragroup transactions	(3,099)	(3,647)	(11,721)	(8,583)
<b>Revenue from external customers</b>	<b>30,526</b>	<b>20,927</b>	<b>103,502</b>	<b>73,594</b>
<b><u>Segment Results</u></b>				
Biomass materials and related products	9,289	81	26,244	(18,618)
Mattresses and related products	(1,606)	(137)	(3,849)	1,377
	7,683	(56)	22,395	(17,241)
Unallocated corporate income and expenses (net)	8,839	1,351	6,982	1,378
Elimination of intragroup transactions and profits	(9,034)	(2,335)	(14,530)	(2,335)
<b>Profit/(Loss) before tax of the Group</b>	<b>7,488</b>	<b>(1,040)</b>	<b>14,847</b>	<b>(18,198)</b>



	Current quarter ended		Year-to-date ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	RM'000	RM'000	RM'000	RM'000
<b><i>Segment Assets</i></b>				
Biomass materials and related products	71,958	68,968	71,958	68,968
Mattresses and related products	80,337	14,726	80,337	14,726
	152,295	83,694	152,295	83,694
Tax assets	-	735	-	735
Unallocated assets	92,769	13,739	92,769	13,739
Elimination of intragroup balances	(35,622)	(20,557)	(35,622)	(20,557)
<b>Total assets of the Group</b>	<b>209,442</b>	<b>77,611</b>	<b>209,442</b>	<b>77,611</b>
<b><i>Segment Liabilities</i></b>				
Biomass materials and related products	27,663	39,727	27,663	39,727
Mattresses and related products	56,571	12,573	56,571	12,573
	84,234	52,300	84,234	52,300
Tax liabilities	2,220	859	2,220	859
Unallocated liabilities	35,821	8,450	35,821	8,450
Elimination of intragroup balances	(55,236)	(19,662)	(55,236)	(19,662)
<b>Total liabilities of the Group</b>	<b>67,039</b>	<b>41,947</b>	<b>67,039</b>	<b>41,947</b>

#### A14. RELATED PARTY TRANSACTIONS

	Current quarter ended		Year-to-date ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	RM'000	RM'000	RM'000	RM'000
Rental expenses paid to a company in which a director of the Group has substantial financial interest	177	152	653	629

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**

	Individual Quarter		Changes	Cumulative Period				
	Current year quarter	Preceding year Corresponding Quarter		Current year period	Preceding year Corresponding Period	Changes		
	31.03.2022 RM'000	31.03.2021 RM'000		31.03.2022 RM'000	31.03.2021 RM'000	RM'000	%	
Revenue	30,526	20,927	9,599	45.87	103,502	73,594	29,908	40.64
Profit/(Loss) before tax	7,488	(1,040)	8,528	820.00	14,847	(18,198)	33,045	181.59
Profit/(Loss) after tax	7,516	(2,141)	9,657	451.05	14,507	(20,093)	34,600	172.20

**Revenue**

For the current quarter and financial year ended 31 March 2022, the Group recorded revenue of RM30.53 million and RM103.50 million during the current quarter and financial year, representing increase of approximately RM9.60 million or 45.87% and RM29.91 million or 40.64% respectively as compared to the preceding year corresponding quarter and period.

**Current Quarter and Period Under Review**

The increase of sales performance was primarily due to increase in sales volume of biomass materials and related products segment, where total quantities sold during the current quarter and financial year under review improved by approximately 56.74% and 87.64% as compared to the preceding year corresponding quarter and period;

However, the increase of sales performance was partially offset by the decrease in sales performance of mattress division during the current financial year by approximately 6.21% as compared to the preceding year corresponding period.

**Profit Before Tax**

Our Group reported a profit before taxation of approximately RM7.49 million and RM14.85 million respectively for the current quarter and financial period, representing an increase of approximately RM8.53 million or 820.00% and RM33.05 million or 181.59% respectively as compared to the preceding year corresponding quarter and period.

Improve of company performance during current quarter and financial period under review, as compared to the preceding year corresponding quarter and period, was primarily due to the following:

- i. Increase in margin of biomass products as a results of financial and operation restructuring by the management; and
- ii. Increase in quantity demanded from market.

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**B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER**

	<b>Current quarter ended 31.03.2022</b>	<b>Preceding quarter ended 31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	7,488	1,052

Our Group recorded a profit before tax of approximately RM7.49 million for the current quarter ended 31 March 2022, as compared to a profit before tax of RM1.05 million in the preceding quarter ended 31 December 2021. This is mainly due to higher of administrative and other expenses mainly due to one off non-recurring transaction incurred during preceding quarter. The non-cash losses expenses amounted RM7.64 million was recognised as equity-settled share-based payment transactions in the preceding quarter.

**B3. PROSPECTS**

The global economy is recovering, and is expected to expand by 5.6 percent in 2021 and 4.3 percent in 2022. The strength of the near term recovery is, to a large extent, attributable to a few major economies, such as the United States and China. In many other economies, the pickup is projected to be less robust than previously envisioned, partly due to the continued spread of the virus and slow vaccine distribution of COVID-19.

*(Source: Global Economic Prospects – June 2021, World Bank Group)*

Notwithstanding that, our Group remain cautiously optimistic that orders for oil palm EFB fibre from China in the mid and long term will be promising backed by the rising population in China and increasing demand for raw material alternatives that are cheaper, natural and environmentally-friendly.

The Board will monitor the market development closely, and ensure that prompt actions are taken in response to the changes. 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.

**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**

	<b>Current quarter ended 31.03.2022 RM'000</b>	<b>Year-to-date ended 31.03.2022 RM'000</b>
Current tax expense	(310)	(678)
Deferred tax income	338	338
	<hr/>	<hr/>
Total tax income/(expense)	28	(340)
	<hr/>	<hr/>
Effective tax rate	0.37%	(2.29%)

Our Group recorded total tax income of approximately RM28,000 for the current quarter ended 31 March 2022, as compared to the applicable statutory tax rate of 24%, was primarily due to over provision of deferred tax expenses in certain subsidiaries of the group.

**B6. STATUS OF CORPORATE PROPOSALS**

**Proposed Fund Raising: Announcement dated 9 February 2021**

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

On 25 February 2021, the Company announced that Bursa Securities had, vide its letter dated 25 February 2021, approved the following:

- i. listing and quotation of up to 46,235,800 Rights Shares to be issued pursuant to the Proposed Rights Issue of Shares with Warrants;
- ii. admission to the Official List and listing and quotation of up to 69,353,700 Warrants to be issued pursuant to the Proposed Rights Issue of Shares with Warrants; and
- iii. listing and quotation of up to 69,353,700 new Heng Huat Shares to be issued arising from the exercise of the Warrants.

The approval granted by Bursa Securities for the Proposed Rights Issue of Shares with Warrants is subject to the following conditions:

- i. the Company and its principal advisor must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue of Shares with Warrants;
- ii. the Company and its principal advisor to inform Bursa Securities upon the completion of the Proposed Rights Issue of Shares with Warrants;
- iii. the Company to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue of Shares with Warrants is completed; and
- iv. the Company to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable.



On 17 May 2021, the Proposed fund raising has been completed, where a total of 46,235,733 Rights Shares together with 69,353,589 Warrants were placed out. Total gross proceeds raised amounted to RM9,247,146.

As of 31 December 2021, the gross proceeds from public issue had been fully utilised in the following manner:

Purpose	Intended Timeframe for Utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation	
				RM'000	%
Repayment of bank borrowings	Within 3 months	6,899	6,899	-	-
General administrative and operating expenses	Within 6 months	2,348	2,348	-	-
<b>Total</b>		<b>9,247</b>	<b>9,247</b>	-	-

#### **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 new 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 31 March 2022 are as follows:

	Short Term (Within 12 months) RM'000	Long Term (> 12 months) RM'000	Total RM'000
<b><i>Secured and guaranteed</i></b>			
Bankers' acceptance	3,141	-	3,141
Bank overdrafts	-	-	-
Finance lease liabilities	1,059	1,029	2,088
Term loans	4,197	17,201	21,398
<b>Total Borrowings</b>	<b>8,397</b>	<b>18,230</b>	<b>26,627</b>

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")

	Current quarter ended		Year-to-date ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	RM'000	RM'000	RM'000	RM'000
<b>Basic earnings per share</b>				
Profit/(Loss) attributable to equity holders of the parent	7,522	(2,141)	14,483	(20,159)
Weighted average number of ordinary shares in issue ('000)	143,723	92,472	134,608	53,052
BEPS (sen)	5.23	(2.31)	10.76	(38.00)



	Current quarter ended		Year-to-date ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	RM'000	RM'000	RM'000	RM'000
<b>Diluted earnings per share</b>				
Profit/(Loss) attributable to equity holders of the parent	7,522	(2,141)	14,483	(20,159)
Weighted average number of ordinary shares in issue ('000)	157,296	92,472	148,181	53,052
DEPS (sen)	4.78	(2.31)	9.77	(38.00)

#### 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	Year-to-date ended
	31.03.2022	31.03.2022
	RM'000	RM'000
Interest income	29	41
Other income including investment income	-	-
Interest expense	(182)	(905)
Depreciation expenses	(1,614)	(5,697)
Amortisation expenses	(7)	(25)
Bad debts written-off	-	-
Unrealised gain on foreign exchange	-	4
Loss on disposal of property, plant and equipment	(345)	(196)
Fair value (loss)/gain on derivative instruments	-	-
Allowance for expected credit losses:		
- Current year	(169)	(373)
- Reversal	198	494
Impairment loss on property, plant and equipment		
- Current year	-	(1,180)
- Reversal	-	264
Property, plant and equipment written off	-	-
Intangible assets written off	-	-
Provision for and write off of inventories	(96)	(96)
Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-
Equity-settled share-based payment	18	(7,644)
Exceptional items		



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**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.