



# **HENG HUAT RESOURCES GROUP BERHAD**

(Company No. 969678-D)  
(Incorporated in Malaysia under the Companies Act, 2016)

## **INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2021**

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.2021 <sup>(1)</sup> RM'000	Preceding Year Corresponding Quarter 31.03.2020 RM'000	Current Year Period 31.03.2021 <sup>(1)</sup> RM'000	Preceding Year Corresponding Period 31.03.2020 RM'000
Revenue	20,927	12,958	73,594	78,439
Cost of sales	(17,384)	(15,130)	(61,066)	(80,502)
Gross profit (loss)	3,543	(2,172)	12,528	(2,063)
Other income	366	356	2,348	771
Marketing expenses	(677)	(992)	(2,483)	(3,384)
Administrative expenses	(3,503)	(17,876)	(28,165)	(35,508)
Finance costs	(382)	(758)	(2,039)	(3,022)
Loss before tax	(653)	(21,442)	(17,811)	(43,206)
Taxation	(1,101)	384	(1,895)	66
<b>Total comprehensive loss</b>	<b>(1,754)</b>	<b>(21,058)</b>	<b>(19,706)</b>	<b>(43,140)</b>
<b>Total comprehensive income (loss) attributable to:</b>				
- Owners of Heng Huat	(1,754)	(21,061)	(19,773)	(43,099)
- Non-controlling interests	-	3	67	(41)
	<b>(1,754)</b>	<b>(21,058)</b>	<b>(19,706)</b>	<b>(43,140)</b>
<b>Basic loss per share (sen) attributable to owners of Heng Huat:</b>				
- Basic <sup>(2)</sup>	(1.90)	(62.02)	(37.27)	(126.92)
- Diluted <sup>(2)</sup>	N/A	N/A	N/A	N/A

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 2020 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 31.03.2021 <sup>(1)</sup> RM'000 (unaudited)	As at 31.03.2020 RM'000 (audited)
<b>Non-Current Assets</b>		
Property, plant and equipment	37,865	56,214
Right-of-use assets	8,219	858
Intangible assets	155	178
	46,239	57,250
<b>Current Assets</b>		
Inventories	4,521	6,554
Trade and other receivables	13,335	23,040
Current tax assets	658	782
Cash and cash equivalents	9,404	7,938
Non-current assets held for sale	3,400	22,000
	31,318	60,314
<b>TOTAL ASSETS</b>	<b>77,557</b>	<b>117,564</b>
<b>Equity</b>		
Share capital	60,055	40,538
Reorganisation reserve	(5,185)	(5,185)
Accumulated losses (Retained earnings)	(19,055)	718
	35,815	36,071
Non-controlling interests	236	205
<b>Total Equity</b>	<b>36,051</b>	<b>36,276</b>
<b>Non-Current Liabilities</b>		
Lease liabilities	4,937	184
Borrowings	7,631	12,275
Deferred tax liabilities	858	647
	13,426	13,106
<b>Current Liabilities</b>		
Trade and other payables	13,215	36,757
Derivative financial liability	-	8
Lease liabilities	1,570	705
Borrowings	13,295	30,712
	28,080	68,182
<b>Total Liabilities</b>	<b>41,506</b>	<b>81,288</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>77,557</b>	<b>117,564</b>
<b>NET ASSETS PER SHARE (RM)</b>	<b>0.39<sup>(2)</sup></b>	<b>1.07<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 2020 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 2021 of 92,471,601 ordinary shares.
- <sup>(3)</sup> Calculated based on the Company's existing issued share capital for the financial year ended as at 31 March 2020 of 33,957,001 ordinary shares.



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

	[----- Non-distributable -----]	Distributable	Total attributable to owners of the Parent	Non- controlling interests	Total equity	
	Share capital	Reorganisation debit reserve	Retained Earnings (Accumulated losses)			
	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 April 2020	40,538	(5,185)	718	36,071	205	36,276
Total comprehensive (loss) profit for the financial year	-	-	(19,773)	(19,773)	67	(19,706)
Issuance of new shares ordinary shares, net of expenses	19,517	-	-	19,517	-	19,517
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	(36)	(36)
At 31 March 2021	<u>60,055</u>	<u>(5,185)</u>	<u>(19,055)</u>	<u>35,815</u>	<u>236</u>	<u>36,051</u>
At 1 April 2019	40,538	(5,185)	43,858	79,211	246	79,457
Total comprehensive loss for the financial year	-	-	(43,140)	(43,140)	(41)	(43,181)
At 31 March 2020	<u>40,538</u>	<u>(5,185)</u>	<u>718</u>	<u>36,071</u>	<u>205</u>	<u>36,276</u>

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 2020 and the accompanying explanatory notes attached to this interim financial report.



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

	Year-to-date ended	
	31.03.2021	31.03.2020
	RM'000	15 months RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(17,811)	(42,646)
<u>Adjustments for:</u>		
Amortisation of intangible assets	24	1,256
Depreciation of property, plant and equipment	5,954	11,670
Depreciation of right-of-use assets	1,654	880
Bad debts written-off	-	155
Fair value adjustment on derivative instruments	(8)	(18)
Loss(Gain) on disposal of property, plant and equipment	636	(108)
Property, plant and equipment written-off	352	220
Intangible written-off	-	3,026
Provision for impairment of property, plant and equipment	11,478	10,171
Allowance for expected credit loss:		
- Current year	14,634	14,159
- Reversal	(6,178)	(3,254)
Interest expense	2,039	3,845
Interest income	(34)	(38)
Unrealised gain on foreign exchange	(95)	(408)
Operating profit before working capital changes	12,645	(1,090)
Decrease in inventories	2,032	6,573
Decrease/(Increase) in trade and other receivables	1,344	(1,211)
Increase/(Decrease) in trade and other payables	(23,544)	7,800
	(7,523)	12,072
Tax paid	(1,559)	(372)
<b>Net cash from/(used in) operating activities</b>	<b>(9,082)</b>	<b>11,700</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	34	38
Proceeds from disposal of property, plant and equipment	23,343	456
Purchase of property, plant and equipment	(4,822)	(5,849)
Acquisition of subsidiary	-	(200)
Changes in fixed deposits pledged with licensed banks	335	457
<b>Net cash from/(used in) investing activities</b>	<b>18,890</b>	<b>(5,098)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(2,039)	(3,743)
Dividend to NCI	(36)	-
Issuance of new shares ordinary shares, net of expenses	19,517	-
Net repayment of bankers' acceptance	(4,000)	(7,982)
Net (repayment)/drawdown of term loans	(7,215)	55
Net repayment of hire purchase payables	(2,163)	(3,967)
Net repayment of lease liabilities	(3,388)	(951)
<b>Net cash from/(used in) financing activities</b>	<b>676</b>	<b>(16,588)</b>
Net changes in cash and cash equivalents	10,484	(3,798)
Effects of foreign exchange	-	(42)
Cash and cash equivalents at beginning of the financial period	(10,979)	(994)
<b>Cash and cash equivalents at end of the financial year</b>	<b>(495)</b>	<b>(10,980)</b>



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

	Year-to-date ended	
	31.03.2021	31.03.2020
	RM'000	15 months RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	8,454	6,652
Fixed deposits pledged to financial institutions	950	1,286
	<hr/>	<hr/>
	9,404	7,938
Less: Bank overdraft	(8,949)	(17,632)
Less: Fixed deposits pledged to financial institutions	(950)	(1,286)
	<hr/>	<hr/>
	<b>(495)</b>	<b>(10,980)</b>
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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 2020 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 30 March 2020 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 30 March 2020.

### A2. SIGNIFICANT ACCOUNTING POLICIES

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 year:

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*

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.



## A2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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
<b>ASSETS</b>	
<b>Non-current assets</b>	
Right-of-use assets	<u>1,737,623</u>
<b>LIABILITIES</b>	
<b>Non-current liabilities</b>	
Lease liabilities	767,040
<b>Current liabilities</b>	970,583
Lease liabilities	<u>1,737,623</u>

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.





## A2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

### 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*

#### 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.



**A2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

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 years.

**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 2020 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 year 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 year under review.

**A7. DEBTS AND EQUITY SECURITIES**

**Proposed Fund Raising: Announcement dated 18 November 2019**

On behalf of the Board of Directors of Heng Huat ("Board") Berhad ("Heng Huat"), TA Securities Holdings Berhad had announced that the Company proposes to undertake the following Proposals:

- i. Proposed consolidation of every 10 existing ordinary shares in Heng Huat ("**Heng Huat Shares**") into 1 new Heng Huat Share ("**Consolidated Share**") ("**Proposed Share Consolidation**"); and
- ii. Proposed renounceable rights issue of up to 237,699,028 new Heng Huat Shares ("**Rights Shares**") on the basis of 7 Rights Shares for every 1 Consolidated Share held on an entitlement date to be determined later ("**Entitlement Date**"), 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**").



## A7. DEBTS AND EQUITY SECURITIES (Cont'd)

### **Proposed Fund Raising: Announcement dated 15 June 2020**

On behalf of the board of directors of Heng Huat (“**Board**”), TA securities Holdings Berhad (“**TA Securities**”) had announced that the company proposes to undertake the following Proposals:

- i. Proposed private placement of up to 10% of the existing number of issued shares of Heng Huat (excluding any treasury shares) (“**Heng Huat shares**” or “**Shares**”) pursuant to sections 75 and 76 of the companies act 2016 (“**Act**”) (“**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**”).

### **Proposed Multiple Proposal: Announcement dated 13 August 2020**

On behalf of the Board of Directors of Heng Huat (“**Board**”), TA Securities Holdings Berhad (“**TA Securities**”) wishes to announce that the Company proposes to undertake the following Proposals:

- i. Proposed settlement of debt owing to selected creditors of Heng Huat (“**Creditors**”) in the aggregate sum of RM7,750,272 to be fully satisfied through the issuance of 24,219,600 new ordinary shares in Heng Huat (“**Heng Huat Shares**”) (“**Creditor Settlement Shares**”) at an issue price of RM0.32 each (“**Proposed Debt Settlement with Creditors**”);
- ii. Proposed settlement of debt owing to directors of Heng Huat in the aggregate sum of RM7,000,000 to be fully satisfied through the issuance of 21,875,000 new Heng Huat Shares (“**Director Settlement Shares**”) at an issue price of RM0.32 each (“**Proposed Debt Settlement with Directors**”);
- iii. Proposed issuance of 9,024,300 new Heng Huat Shares (“**Consideration Shares**”) at an issue price of RM0.41 each, to satisfy the total purchase consideration of RM3,699,963 for two separate acquisitions of land by HH Land and Development Sdn. Bhd. (“**HH Land**”), a wholly-owned subsidiary of Heng Huat (“**Proposed Issuance of Consideration Shares**”); and
- iv. Proposed share issuance scheme of up to 30% of the total number of issued Heng Huat Shares (excluding any treasury shares) at any one time during the duration of the share issuance scheme (“**Proposed SIS**”).

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

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 Rights Issue of Shares with Warrants. Please refer to the attachment below for further details on the announcement.

Proposed renounceable rights issue of up to 46,235,800 new ordinary shares in Heng Huat on the basis of 1 rights share for every 2 existing Heng Huat shares held on an entitlement date to be determined, together with up to 69,353,700 free detachable warrants on the basis of 3 warrants for every 2 rights shares subscribed.



**A7. DEBTS AND EQUITY SECURITIES (Cont'd)**

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

**A8. DIVIDEND PAID/ DECLARED**

The Board of Directors did not recommend any payment of dividend during the current quarter and financial year under review. (For Financial Ended 31 March 2020: Nil)

**A9. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

There were no material events subsequent to the end of current quarter and financial year 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**

The Company had incorporated two new wholly-owned subsidiaries, namely HH Land and Development Sdn. Bhd. on 20 July 2020 and HH Ecometal Recycling Sdn. Bhd. on 15 October 2020.

There were no other changes in the composition of the Group during the current quarter and financial year 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 2021 is as follows:

	<b>As at 31.03.2021 RM'000</b>
<b>Property, plant and equipment</b>	
Approved but not contracted for	-
Contracted but not provided for	-
	<hr/>
	-

**A13. SEGMENT INFORMATION**

The Group, through its subsidiaries, are principally engaged in manufacturing and trading of biomass materials and 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 year under review.



### A13. SEGMENT INFORMATION (Cont'd)

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	
	30.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
<b><u>Segment Revenue</u></b>				
Biomass materials and related products	17,875	9,007	58,169	64,638
Mattresses and related products	6,699	5,013	24,008	20,543
	24,574	14,020	82,177	85,181
Elimination of intragroup transactions	(3,647)	(1,062)	(8,583)	(6,742)
<b>Revenue from external customers</b>	<b>20,927</b>	<b>12,958</b>	<b>73,594</b>	<b>78,439</b>
<b><u>Segment Results</u></b>				
Biomass materials and related products	446	(22,606)	(18,253)	(43,000)
Mattresses and related products	(137)	(741)	1,377	(1,196)
	309	(23,347)	(16,876)	(44,196)
Unallocated corporate income and expenses(net)	1,366	(69)	1,393	(1,023)
Elimination of intragroup transactions and profits	(2,328)	1,974	(2,328)	2,013
<b>Loss before tax of the Group</b>	<b>(653)</b>	<b>(21,442)</b>	<b>(17,811)</b>	<b>(43,206)</b>
<b><u>Segment Assets</u></b>				
Biomass materials and related products	69,297	108,703	69,297	108,703
Mattresses and related products	14,726	17,899	14,726	17,899
	84,023	126,602	84,023	126,602
Tax assets	660	782	660	782
Unallocated assets	13,728	29,032	13,728	29,032
Elimination of intragroup balances and profits	(20,854)	(38,852)	(20,854)	(38,852)
<b>Total assets of the Group</b>	<b>77,557</b>	<b>117,564</b>	<b>77,557</b>	<b>117,564</b>



**A13. SEGMENT INFORMATION (Con't)**

	Current quarter ended		Year-to-date ended	
	30.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
<i><u>Segment Liabilities</u></i>				
Biomass materials and related products	39,616	91,953	39,616	91,953
Mattresses and related products	12,573	17,468	12,573	17,468
	52,189	109,421	52,189	109,421
Tax liabilities	859	647	859	647
Unallocated liabilities	8,424	9,196	8,424	9,196
Elimination of intragroup balances and profits	(19,966)	(37,976)	(19,966)	(37,976)
<b>Total liabilities of the Group</b>	<b>41,506</b>	<b>81,288</b>	<b>41,506</b>	<b>81,288</b>

**A14. RELATED PARTY TRANSACTIONS**

	Current quarter ended		Year-to-date ended	
	30.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
Renting of two storey office with single storey detached factory used for mattress production and warehouse	152	152	608	607
Renting of vacant land for placement of portable cabins used for staff accommodation	-	30	-	120

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.



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

### B1. ANALYSIS OF PERFORMANCE

	Individual Quarter		Changes		Cumulative Period		Changes	
	Current year quarter	Preceding year Corresponding Quarter			Current year period	Preceding year Corresponding Period		
	31.03.2021 RM'000	31.03.2020 RM'000	RM'000	%	31.03.2021 RM'000	31.03.2020 RM'000	RM'000	%
Revenue	20,927	12,958	7,969	61.50	73,594	78,439	(4,845)	(6.18)
Loss before tax	(653)	(21,442)	20,789	96.95	(17,811)	(43,206)	25,395	58.78
Loss after tax	(1,754)	(21,058)	19,304	91.67	(19,706)	(43,140)	23,434	54.32

#### Revenue

For the current quarter and financial year ended 31 March 2021, the Group recorded revenue of RM20.93 million and RM73.59 during the current quarter and financial year, representing increase of approximately RM7.97 million or 61.50% and decrease of approximately RM4.85 million or 6.18% respectively as compared to the preceding year corresponding quarter and year.

#### Current Quarter Under Review

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

- i. Increase in sales volume of bio-oil product, where total quantities sold during the current quarter under review improved by approximately 669.26% as compared to the preceding year corresponding quarter;
- ii. Increase in average selling prices of bio-oil product, which average selling price sold during the current quarter under review has improved by approximately 50.46% as compared to the preceding year corresponding quarter; and

However, the increase of sales performance was partially offset by the decrease in sales volume of oil palm EFB fibre during the current quarter by approximately 63.48% as compared to the preceding year corresponding quarter.

#### Current Financial Year Under Review

The moderation of sales performance was primarily attributable to the decrease in sales volume of oil palm EFB fibre during the financial year under review by approximately 61.57% as compared to preceding year corresponding period.

However, the moderation of sales performance was partially offset by the increase in average selling price of bio-oil, which has improved approximately 67.95% as compared to the preceding year corresponding period.

#### Loss Before Tax

Our Group reported a loss before taxation of approximately RM0.65 million and RM17.81 million respectively for the current quarter and financial year respectively.



## B1. ANALYSIS OF PERFORMANCE (Cont'd)

The moderation of financial performance for the current quarter and financial year under review, as compared to the preceding year corresponding quarter and period, was primarily due to the following factors:

- i. Lower revenue and increasing cost of sales which resulted in lower gross profit recorded;
- ii. Lower gross profit margin achieved, as a result of higher average unit cost arising from lower production output. The Group, after taken into consideration the prevailing uncertainties in the market, has temporarily controlled the production volume to prevent the risk of overstocking which could lead to quality issue consequently; and
- iii. Increase in administrative and other expenses as a result of provision of impairment on trade receivables, machineries from biomass division.

## B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	<b>Current quarter ended 31.03.2021</b>	<b>Preceding quarter ended 31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Loss before taxation	(653)	(12,155)

Our Group recorded a loss before tax of approximately RM0.65 million for the current quarter ended 31 March 2021, as compared to a loss before tax of RM12.16 million.

## B3. PROSPECTS

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 3% in 2020. The global economy is projected to rebound to 5.8% 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 EFB fibres in Malaysia is expected to be affected by this development in 2020 going in to 2021 as well.

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.





### B3. PROSPECTS (Cont'd)

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 EFB fibres will play a key role in Malaysia's emerging "green" economy.

*(Source: Independent Market Report by Protégé Associates).*

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.

The Group expects 2021 to be a challenging year.

### B4. PROFIT FORECAST OR PROFIT GUARANTEE

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

### B5. TAX EXPENSE

	<b>Current quarter ended 31.03.2021 RM'000</b>	<b>Year-to-date ended 31.03.2021 RM'000</b>
Current tax expense	(1,174)	(1,472)
Real properties Gain Tax "RPGT"	(510)	
Deferred tax income	(211)	-
	<hr/>	<hr/>
Total tax expense	(1,895)	(1,472)

Our Group recorded total tax expenses of approximately RM1.90 million and RM1.47 million during the current quarter and financial year under review. Company recognise higher of tax expense are primarily due to RPGT tax and tax liabilities recognition by the Group's subsidiary in disposal of land and building.



## B6. STATUS OF CORPORATE PROPOSALS

### **Proposed Fund Raising: Announcement dated 18 November 2019**

The Proposed Share Consolidation and Proposed Rights Issue was subsequently approved by the shareholders of the Company in the Extraordinary General Meeting held on 9 January 2020.

On 15 January 2020, Company had announced that the entitlement date for the Proposed Share Consolidation is fixed on 30 January 2020.

The Proposed Share Consolidation has been completed on 31 January 2020, following the listing of and quotation for 33,957,001 Consolidated Shares on the ACE Market of Bursa Securities with effect from 9.00 a.m. on 31 January 2020.

On 14 May 2020, Company had announced that Company had decided not to proceed with the Rights Issue, which was approved by its shareholders at an EGM on 9 January 2020. The Company's decision was made after carefully considering recent developments which had affected the Company's ability to successfully complete its Rights Issue, including the likelihood that the Minimum Level of Subscription for the Rights Issue will not be able to be met, as well as prevailing market conditions brought about by the Covid-19 pandemic which had led to a downward trend for the Company's share price which is presently lower than the Rights Issue price fixed at RM0.25 each. The Company's share price was RM0.21 on 13 May 2020.

### **Proposed Disposal: Announcement dated 14 May 2020**

On 14 May 2020, 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").

The Proposed disposal have been completed on 30 October 2020.

### **Proposed Fund Raising: Announcement dated 13 June 2020**

On 17 July 2020, Company announced that the Proposed Private Placement has been completed, where a total of 3,395,700 new shares were placed out. Total gross proceeds raised amounted to RM1,120,581. The status of utilisation of the proceeds as per reporting date as follow:

Purpose	Intended Timeframe for Utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation	
				RM'000	%
i. Repayment of bank borrowings	Within 12 months	997	997	-	-
ii. General administrative and operating expenses	Within 12 months	124	124	-	-
<b>Total</b>		<b>1,121</b>	<b>1,121</b>	<b>-</b>	<b>-</b>



**B6. STATUS OF CORPORATE PROPOSALS (Cont'd)**

**Proposed Multiple Proposal: Announcement dated 13 August 2020**

On 14 August 2020, Company announced that the additional listing application in relation to the Proposals has been submitted to Bursa Securities on 14 August 2020.

On 10 November 2020, Company announced that Bursa Securities had, vide its letter dated 9 November 2020, approved the following:

- i. listing of and quotation for 24,219,600 Creditor Settlement Shares to be issued pursuant to the Proposed Debt Settlement with Creditors;
- ii. listing of and quotation for 21,875,000 Director Settlement Shares to be issued pursuant to the Proposed Debt Settlement with Directors;
- iii. listing of and quotation for 9,024,300 Consideration Shares to be issued pursuant to the Proposed Issuance of Consideration Shares;
- iv. listing of and quotation for up to 27,741,400 Placement Shares to be issued pursuant to the Proposed 30% Placement; and
- v. listing of and quotation for such number of new ordinary shares in Heng Huat representing up to 30% of the total number of issued shares in Heng Huat (excluding any treasury shares) at any point in time during the duration of the Proposed SIS, to be issued pursuant to the exercise of SIS Options.

The approval granted by Bursa Securities for the Proposed Debt Settlement with Creditors, Proposed Debt Settlement with Directors, Proposed Issuance of Consideration Shares and Proposed 30% Placement is subject to the following conditions:

- i. Heng Huat and TA Securities must fully comply with the relevant provisions under the ACE Market Listing Requirements pertaining to the implementation of the Proposed Debt Settlement with Creditors, Proposed Debt Settlement with Directors, Proposed Issuance of Consideration Shares and Proposed 30% Placement;
- ii. Heng Huat and TA Securities to inform Bursa Securities upon the completion of the Proposed Debt Settlement with Creditors, Proposed Debt Settlement with Directors, Proposed Issuance of Consideration Shares and Proposed 30% Placement;
- iii. 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 Debt Settlement with Creditors, Proposed Debt Settlement with Directors, Proposed Issuance of Consideration Shares and Proposed 30% Placement are completed;
- iv. Compliance by Heng Huat with the public shareholding spread upon completion of the Proposals. In this connection, TA Securities is to furnish a schedule containing the information set out in Appendix 8E, Chapter 8 of the LR to Bursa Securities, prior to completion of the Proposed Issuance of Consideration Shares; and
- v. Heng Huat to furnish Bursa Securities with a certified true copy of the resolutions passed by shareholders in the extraordinary general meeting approving the Proposed Debt Settlement with Creditors, Proposed Debt Settlement with Directors, Proposed Issuance of Consideration Shares and Proposed 30% Placement.

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

- i. TA Securities is required to submit a confirmation to Bursa Securities of full compliance of the Proposed SIS pursuant to Rule 6.44 of the LR and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in the extraordinary general meeting; and



**B6. STATUS OF CORPORATE PROPOSALS (Cont'd)**

- ii. Heng Huat is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of options, pursuant to the Proposed SIS as at the end of each quarter together with a detailed computation of listing fees payable.

The Proposed Multiple Proposal was subsequently approved by the shareholders of the Company in the Extraordinary General Meeting held on 2 December 2020.

The proposed issuance new ordinary shares for settlement of debt owing to selected creditor has been completed on 10 December 2020 and 30 December 2020, following the listing of 21,810,500 and 2,409,100 of new ordinary shares respectively on ACE Market of Bursa Securities.

The proposed issuance new ordinary shares for settlement of debt owing to director has been completed on 10 December 2020, following the listing of 21,875,000 of new ordinary shares on ACE Market of Bursa Securities.

The proposed issuance new ordinary shares for two separate acquisitions of land by HH Land and Development Sdn Bhd has been completed on 10 December 2020 and 15 December 2020, following the listing of 3,414,600 and 5,609,700 of new ordinary shares respectively on ACE Market of Bursa Securities.

On 9 February 2021, Company had announced that Company had decided not to proceed with the implementation of the 30% Placement, with the reason being that the Company will announce a proposed renounceable rights issue of shares with warrants to enable all shareholders of the Company to participate in the Company's fund-raising efforts.

On 7 May 2021, Company announced that the effective date for the implementation of SIS is 7 May 2021.

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

On 9 February 2021, 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, 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:



**Proposed Fund Raising: Announcement dated 9 February 2021 (Cont'd)**

- i. Heng Huat and TA Securities 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. Heng Huat and TA Securities to inform Bursa Securities upon the completion of the Proposed Rights Issue of Shares with Warrants;
- iii. 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 Rights Issue of Shares with Warrants is completed; and
- iv. Heng Huat 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.

The Proposed Share Consolidation and Proposed Rights Issue was subsequently approved by the shareholders of the Company in the Extraordinary General Meeting held on 23 March 2020.

On 17 May 2021, Company announce that the Rights Issue has been completed with the listing of and quotation for 46,235,733 Rights Shares together with 69,353,589 Warrants on the ACE Market of Bursa Securities.

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

**B7. BORROWINGS**

The Group's borrowings as at 31 March 2021 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	96	-	96
Bank overdrafts	8,950	-	8,950
Hire purchase payables	1,192	941	2,133
Term loans	3,057	6,690	9,747
<b>Total Borrowings</b>	<b>13,295</b>	<b>7,631</b>	<b>20,926</b>

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



## B8. LOSS PER SHARE

### Basic Loss per Share (“BLPS”)

	Current quarter ended		Year-to-date ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
<b>Basic loss per share</b>				
Loss attributable to equity holders of the parent	(1,754)	(21,061)	(19,773)	(43,099)
Weighted average number of ordinary shares in issue ('000)	92,472	339,570	53,052	339,570
BLPS (sen)	(1.90)	(62.02)	(37.27)	(126.92)

### Diluted Loss per Share (“DLPS”)

No diluted loss per share is disclosed as the Company does not have any dilutive potential ordinary shares (such as options or convertible instruments) in issue as at 31 March 2021.

## 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 loss before tax comprised the following income (expense) items:

	Current quarter ended	Year-to-date ended
	31.03.2021	31.03.2021
	RM'000	RM'000
Interest income	16	34
Other income including investment income	-	-
Interest expense	(968)	(1,657)
Depreciation expenses	(382)	(2,039)
Amortisation expenses	(6)	(24)
Bad debts written-off	-	-
Net foreign exchange loss	-	-
(Loss)/Gain on disposal of property, plant and equipment	(182)	(645)
Fair value (loss)/gain on derivative instruments	-	8
Reversal of impairment of receivables	99	6,177
Property, plant and equipment written off	-	-
Provision for doubtful debts and write-off of receivables	(1,107)	(14,631)
Intangible assets written off	-	-
Impairment of assets	(323)	(11,478)
Provision for and write off of inventories	-	-
Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-
Exceptional items	-	-



## B11. FINANCIAL INSTRUMENTS

### *Derivatives*

The Group have entered into forward foreign currency contracts to operationally hedge forecast sales collection denominated in foreign currency that are expected to occur at various dates within the next 12 months from the end of the reporting period.

As at 31 March 2021, the Group have the following outstanding forward currency contracts:

Type of Derivatives	[---Contract/ Notional Value---]		Fair value
	USD'000	RM'000 equivalent	as at 31.03.2021 RM'000
Forward Foreign Currency Contracts			
- Less than 1 year	-	-	-
	-	-	-

The fair value of a forward foreign currency contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

The difference between the forward rates entered into, and the market rates, is recognised as derivatives liability or asset as applicable with a corresponding amount reported in the profit or loss.

There is no change to the policies in relation to the derivatives since the last financial year ended 30 March 2021 in respect of the followings:

- (i) the credit risk market risk and liquidity risk associated with the derivatives;
- (ii) the cash requirements of the derivatives;
- (iii) the policies in place for mitigating or controlling the risks associated with the derivatives;  
and
- (iv) the related accounting policies.

### *Gains/(Losses) arising from Fair Value Changes of Financial Liabilities*

The Group recorded net fair value gain of approximately RM8,000 during the financial year under review, as a result of reversal of derivative asset associated with forward foreign currency contracts which lapsed during the current quarter under review and after offsetting fair value changes of the forward foreign currency contracts entered into by the Group and outstanding as at 31 March 2021.