



## **HENG HUAT RESOURCES GROUP BERHAD**

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

### **INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2022**

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

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30.09.2022 <sup>(1)</sup> RM'000	Preceding Year Corresponding Quarter 30.09.2021 RM'000	Current Year Period 30.09.2022 <sup>(1)</sup> RM'000	Preceding Year Corresponding Period 30.09.2021 RM'000
Revenue	35,879	19,979	83,372	40,555
Cost of sales	(25,793)	(12,094)	(63,061)	(27,781)
Gross profit	10,086	7,885	20,311	12,774
Other income	1,741	961	2,613	1,308
Administrative expenses	(3,337)	(3,836)	(7,476)	(5,972)
Selling and distribution expenses	(1,264)	(501)	(3,384)	(1,276)
Operating profit	7,226	4,509	12,064	6,834
Finance costs	(420)	(201)	(783)	(527)
Profit before tax	6,806	4,308	11,281	6,307
Taxation	(500)	(255)	(990)	(667)
<b>Total comprehensive income</b>	<b>6,306</b>	<b>4,053</b>	<b>10,291</b>	<b>5,640</b>
<b>Total comprehensive income attributable to:</b>				
- Owners of Heng Huat	5,597	4,044	7,906	5,629
- Non-controlling interests	709	9	2,385	11
	<b>6,306</b>	<b>4,053</b>	<b>10,291</b>	<b>5,640</b>
<b>Earnings per share (sen) attributable to owners of Heng Huat:</b>				
- Basic <sup>(2)</sup>	0.75	1.16 <sup>^</sup>	1.13	1.77 <sup>^</sup>
- Diluted <sup>(2)</sup>	0.63	0.87 <sup>^</sup>	0.93	1.28 <sup>^</sup>

Notes:

<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 2022 and the accompanying explanatory notes attached to this interim financial report.

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

<sup>^</sup> The earnings per share for quarter and financial period ended 30 September 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 30.09.2022 <sup>(1)</sup> RM'000 (unaudited)	As at 31.03.2022 RM'000 (audited)
<b>Non-Current Assets</b>		
Property, plant and equipment	73,988	75,586
Investment properties	28,045	11,419
Right-of-use assets	7,612	6,657
Inventories	21,585	21,000
Intangible assets	19,909	20,521
Keyman insurance contracts	628	590
	151,767	135,773
<b>Current Assets</b>		
Inventories	15,363	15,237
Trade and other receivables	31,546	30,309
Current tax assets	117	-
Cash and cash equivalents	46,025	34,264
	93,051	79,810
<b>TOTAL ASSETS</b>	<b>244,818</b>	<b>215,583</b>
<b>Equity</b>		
Share capital	130,687	126,199
Other reserves	5,589	6,708
Retained profits/(Accumulated losses)	3,189	(4,717)
	139,465	128,190
Non-controlling interests	23,136	20,783
<b>Total Equity</b>	<b>162,601</b>	<b>148,973</b>
<b>Non-Current Liabilities</b>		
Lease liabilities	3,569	3,216
Borrowings	25,552	18,230
Deferred tax liabilities	1,831	1,831
	30,952	23,277
<b>Current Liabilities</b>		
Trade, other payables and provision	37,720	31,632
Contract liabilities	-	1,248
Derivative financial liabilities	664	-
Lease liabilities	2,642	1,916
Borrowings	10,239	8,397
Current tax liabilities	-	140
	51,265	43,333
<b>Total Liabilities</b>	<b>82,217</b>	<b>66,610</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>244,818</b>	<b>215,583</b>
<b>NET ASSETS PER SHARE (RM)</b>	<b>0.22 <sup>(2)</sup></b>	<b>0.53 <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 2022 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 30 September 2022 of 746,235,060 ordinary shares.

<sup>(3)</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.



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

	<i>[----- Attributable to Owners of the Company -----]</i>							
	<i>[----- Non-distributable -----]</i>							
	Share Capital	Reorganisation Reserve	Warrants Reserve	SIS Reserve	(Accumulated Losses)/ Retained Profits	Total	Non- controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	-	-	7,906	7,906	2,385	10,291
Acquisition of subsidiaries	-	-	-	-	-	-	(32)	(32)
Issuance of shares pursuant to:	-	-	-	-	-	-	-	-
- warrant exercised	3,693	-	(879)	-	-	2,814	-	2,814
- SIS exercised	889	-	-	(240)	-	649	-	649
Share issue expenses	(94)	-	-	-	-	(94)	-	(94)
At 30 September 2022	<u>130,687</u>	<u>(5,185)</u>	<u>3,370</u>	<u>7,404</u>	<u>3,189</u>	<u>139,465</u>	<u>23,136</u>	<u>162,601</u>
At 1 April 2021	60,055	(5,185)	-	-	(19,442)	35,428	236	35,664
Total comprehensive profit for the financial period	-	-	-	-	5,629	5,629	11	5,640
Right issue of shares with warrants	4,606	-	4,316	-	-	8,922	-	8,922
At 30 September 2021	<u>64,661</u>	<u>(5,185)</u>	<u>4,316</u>	<u>-</u>	<u>(13,813)</u>	<u>49,979</u>	<u>247</u>	<u>50,226</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 2022 and the accompanying explanatory notes attached to this interim financial report.



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

	Year-to-date ended	
	30.09.2022 RM'000	30.09.2021 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	11,281	6,307
<u>Adjustments for:</u>		
Allowance for expected credit loss		
- current year	33	-
- reversal	(511)	(46)
Amortisation of intangible assets		
- trademarks	12	12
- goodwill	646	-
Depreciation on investment properties	169	-
Depreciation of property, plant and equipment	4,460	1,688
Depreciation of right-of-use assets	1,064	1,041
Fair value adjustment on derivative instruments	665	-
Gain on disposal of property, plant and equipment	(207)	(155)
Gain on change in fair value of keyman insurance contracts	(38)	-
Impairment loss on property, plant and equipment		
- current year	-	-
- reversal	-	(264)
Impairment loss on goodwill	51	-
Interest expense	783	527
Interest income	(178)	(7)
Unrealised gain on foreign exchange	(173)	(9)
	18,057	9,094
Operating profit before working capital changes	18,057	9,094
Increase in inventories	(711)	(1,418)
Decrease/(increase) in trade and receivables	1,363	(3,984)
(Decrease)/increase in trade, other payables and provision	(177)	7,180
Decrease in contract liabilities	(1,248)	(155)
	17,284	10,717
Cash generated from operations	17,284	10,717
Income tax paid	(1,247)	(14)
	<b>16,037</b>	<b>10,703</b>
<b>Net cash from operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Changes in fixed deposits pledged with licensed banks	4,377	33
Interest received	178	7
Proceeds from disposal of property, plant and equipment	375	720
Purchase of property, plant and equipment	(3,030)	(1,350)
Purchase of investment properties	(12,630)	-
Purchase of intangible assets	-	(1)
	-	(1)
<b>Net cash used in investing activities</b>	<b>(10,730)</b>	<b>(591)</b>

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

	Year-to-date ended	
	30.09.2022 RM'000	30.09.2021 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(783)	(527)
Proceeds from issuance of shares pursuant to warrants	2,813	-
Proceeds from issuance of shares pursuant to share issuance scheme	649	-
Net proceeds from right issue of shares with warrants	-	8,922
Drawdown of term loan	7,000	-
Drawdown of finance lease liabilities	428	-
Repayment of bankers' acceptance	(975)	(96)
Repayment of term loans	(1,205)	(1,840)
Repayment of finance lease liabilities	(587)	(796)
Repayment of lease liabilities	(940)	(904)
Share issuance expenses paid	(94)	-
<b>Net cash from financing activities</b>	<b>6,306</b>	<b>4,759</b>
Net increase in cash and cash equivalents	11,613	14,871
Cash and cash equivalents at beginning of the financial period	23,771	(496)
<b>Cash and cash equivalents at end of the financial period</b>	<b>35,384</b>	<b>14,375</b>
Cash and cash equivalents comprise the following:		
Cash and bank balances	39,888	14,375
Fixed deposits pledged to financial institutions	6,137	916
Short-term investments	-	-
	46,025	15,291
Less: Bank overdraft	(4,504)	-
Less: Fixed deposits pledged to financial institutions	(6,137)	(916)
	<b>35,384</b>	<b>14,375</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 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 September 2022 is as follows:

	<b>As at 30.09.2022 RM'000</b>
<b>Property, plant and equipment</b>	
Approved but not contracted for	1,977
Contracted but not provided for	6,071
	<u>8,048</u>



### A13. SEGMENT INFORMATION

The Group, through its subsidiaries, are principally engaged in manufacturing and trading of biomass materials, manufacturing and trading of furniture, mattresses and related products, property development and management. 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	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
<b><i>Segment Revenue</i></b>				
Biomass materials and related products	19,558	19,813	47,789	38,717
Furniture, mattresses and related products	18,666	2,741	40,629	7,423
Property development and management	23	-	39	-
	38,247	22,554	88,457	46,140
Elimination of intragroup transactions	(2,368)	(2,575)	(5,085)	(5,585)
<b>Revenue from external customers</b>	<b>35,879</b>	<b>19,979</b>	<b>83,372</b>	<b>40,555</b>
<b><i>Segment Results</i></b>				
Biomass materials and related products	4,869	7,161	10,497	9,685
Furniture, mattresses and related products	2,283	(1,033)	3,972	(1,268)
Property development and management	(309)	-	(1,455)	-
	6,843	6,128	13,014	8,417
Unallocated corporate income and expenses (net)	5,590	(1,820)	10,262	(2,110)
Elimination of intragroup transactions and profits	(5,627)	-	(11,995)	-
<b>Profit before tax of the Group</b>	<b>6,806</b>	<b>4,308</b>	<b>11,281</b>	<b>6,307</b>



**A13. SEGMENT INFORMATION (cont'd)**

	Current quarter ended		Year-to-date ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
<b><i>Segment Assets</i></b>				
Biomass materials and related products	78,852	70,144	78,852	70,144
Furniture, mattresses and related products	81,528	11,354	81,528	11,354
Property development and management	57,427	-	57,427	-
	217,807	81,498	217,807	81,498
Tax assets	117	81	117	81
Unallocated assets	28,670	14,346	28,670	14,346
Elimination of intragroup balances	(1,776)	(9,314)	(1,776)	(9,314)
<b>Total assets of the Group</b>	<b>244,818</b>	<b>86,611</b>	<b>244,818</b>	<b>86,611</b>
<b><i>Segment Liabilities</i></b>				
Biomass materials and related products	34,266	31,441	34,266	31,441
Furniture, mattresses and related products	39,840	10,668	39,840	10,668
Property development and management	10,360	-	10,360	-
	84,466	42,109	84,466	42,109
Tax liabilities	1,831	858	1,831	858
Unallocated liabilities	22,982	2,266	22,982	2,266
Elimination of intragroup balances	(27,062)	(8,848)	(27,062)	(8,848)
<b>Total liabilities of the Group</b>	<b>82,217</b>	<b>36,385</b>	<b>82,217</b>	<b>36,385</b>

**A14. RELATED PARTY TRANSACTIONS**

	Current quarter ended		Year-to-date ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Purchase of coconut fibre	1,512	-	3,201	-
Purchase of furniture semi part	1,601	-	2,967	-
Rental expenses paid to a company in which a director of the Group has substantial financial interest	-	165	-	299
	<b>3,113</b>	<b>165</b>	<b>6,168</b>	<b>299</b>

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 MALAYSIA SECURITIES BERHAD**

**B1. ANALYSIS OF PERFORMANCE**

Profit and loss	Individual Quarter		Changes		Cumulative Period		Changes	
	Current 30.09.2022	Preceding 30.09.2021			Current 30.09.2022	Preceding 30.09.2021		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	35,879	19,979	15,900	79.58	83,372	40,555	42,817	105.58
Profit before tax	6,806	4,308	2,498	57.99	11,281	6,307	4,974	78.86
Profit after tax	6,306	4,053	2,253	55.59	10,291	5,640	4,651	82.46

**Revenue**

For the current quarter and financial period ended 30 September 2022, the Group recorded revenue of RM35.88 million and RM83.37 million during the current quarter and financial period, representing increase of approximately RM15.90 million or 79.58% and RM42.82 million or 105.58% respectively as compared to 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. Additional segment from furniture division which was acquired on 30 March 2022; and
- ii. Increase in sales volume of bio-oil product, where total quantities sold during the current quarter and financial period under review, which has improved by approximately 17.02% and 19.86% respectively as compared to the preceding year corresponding quarter and period.

However, the increase of sales performance was partially offset by the decrease in sales volume of oil palm EFB fibre during the current quarter and financial period under review, which has reduced by approximately 84.69% and 77.90% respectively as compared to the preceding year corresponding quarter and period.

**Profit Before Tax**

Our Group reported a profit before taxation of approximately RM6.81 million and RM11.28 million respectively for the current quarter and financial period, representing an increase of approximately RM2.50 million or 57.99% and RM4.97 million or 78.86% 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 increase in gross profit in line with the enhanced sales performance as explained above.

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## B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current quarter ended 30.09.2022	Preceding quarter ended 30.06.2022
	RM'000	RM'000
Profit before taxation	6,806	4,475

Our Group recorded a profit before tax of approximately RM6.81 million for the current quarter ended 30 September 2022, as compared to a profit before tax of RM4.48 million in the preceding quarter ended 30 June 2022, was primarily due to the following:

- i. Increase in gross profit in line with the enhanced sales performance as explained above.
- ii. Increase in other income due to one-off, non-recurring transaction from fire insurance compensation on biomass, materials and related products segment during the current quarter under review.
- iii. Increase in other income due to realised and unrealised gain on foreign exchange on furniture, mattresses and related products segment during the current quarter under review.

## 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.



**B3. PROSPECTS (cont'd)**

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.

**B5. TAX EXPENSE**

	<b>Current quarter ended 30.09.2022 RM'000</b>	<b>Year-to-date ended 30.09.2022 RM'000</b>
Current tax expense	(500)	(990)
Deferred tax expense	-	-
Total tax expense	<u>(500)</u>	<u>(990)</u>
Effective tax rate	<u>7.35%</u>	<u>8.78%</u>

The Group's effective tax rate for the current quarter and financial period under review stood at 7.35% and 8.78%. 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 September 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	2,166	-	2,166
Bank overdrafts	4,504	-	4,504
Finance lease liabilities	928	1,001	1,929
Term loans	2,641	24,551	27,192
<b>Total Borrowings</b>	<b>10,239</b>	<b>25,552</b>	<b>35,791</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”)

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	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
<b>Basic earnings per share</b>				
Profit attributable to owners of the Company (RM'000)	5,597	4,044	7,906	5,629
Weighted average number of ordinary shares in issue ('000)	744,009	348,366	699,485	318,517
BEPS (sen)	0.75	1.16	1.13	1.77

### 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	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
<b>Diluted earnings per share</b>				
Profit attributable to owners of the Company (RM'000)	5,597	4,044	7,906	5,629
Weighted average number of ordinary shares in issue ('000)	744,009	348,366	699,485	318,517
Adjustment for dilutive effects of:				
- Warrants ('000)	104,326	118,629	102,961	120,582
- SIS ('000)	45,965	-	43,387	-
	894,300	466,995	845,833	439,099
DEPS (sen)	0.63	0.87	0.93	1.28

## 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:

	<b>Current quarter ended 30.09.2022 RM'000</b>	<b>Year-to-date ended 30.09.2022 RM'000</b>
Interest income	84	178
Other income including investment income	-	-
Interest expense	(420)	(783)
Depreciation expenses	(3,958)	(5,693)
Amortisation expenses	(329)	(658)
Bad debts written-off	-	-
Unrealised gain on foreign exchange	469	173
Gain on disposal of property, plant and equipment	29	207
Fair value loss on derivative instruments	(665)	(665)
Allowance for expected credit losses:		
- Current year	(21)	(33)
- Reversal	477	511
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*

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 30 September 2022, the Group have the following outstanding forward currency contracts:

<b>Type of Derivatives</b>	<b>[----Contract/ Notional Value-----]</b>		<b>Fair value as at 30.09.2022</b>
	<b>USD'000</b>	<b>RM'000 equivalent</b>	<b>RM'000</b>
Forward Foreign Currency Contracts			
- Less than 1 year	1,784	7,553	665
	<u>1,784</u>	<u>7,553</u>	<u>665</u>



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**B11. FINANCIAL INSTRUMENTS (cont'd)**

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 31 March 2022 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 loss of approximately RM665,000 during the financial period 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 30 September 2022.