



## **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 2021**

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

|   | Individual Quarter  |   | Cumulative Quarter   |  |
|---|---|---|--|--|
|   | Current<br>Year<br>Quarter<br>30.09.2021 <sup>(1)</sup><br>RM'000 | Preceding<br>Year<br>Corresponding<br>Quarter<br>30.09.2020<br>RM'000 | Current<br>Year<br>Period<br>30.09.2021 <sup>(1)</sup><br>RM'000 | Preceding<br>Year<br>Corresponding<br>Period<br>30.09.2020<br>RM'000 |
| Revenue   | 19,979  | 18,825  | 40,555   | 31,120   |
| Cost of sales   | (12,094)  | (13,835)  | (27,781)   | (27,024)   |
| Gross profit  | 7,885   | 4,990   | 12,774   | 4,096  |
| Other income  | 961   | 813   | 1,308  | 1,388  |
| Marketing expenses  | (501)   | (687)   | (1,276)  | (1,170)  |
| Administrative expenses   | (3,836)   | (7,073)   | (5,972)  | (8,628)  |
| Finance costs   | (201)   | (314)   | (527)  | (689)  |
| Profit/(Loss) before tax  | 4,308   | (2,271)   | 6,307  | (5,003)  |
| Taxation  | (255)   | (78)  | (667)  | (206)  |
| <b>Total comprehensive income/(loss)</b>  | <b>4,053</b>  | <b>(2,349)</b>  | <b>5,640</b>   | <b>(5,209)</b>   |
| <b>Total comprehensive income/(loss)<br/>attributable to:</b>                         |   |   |  |  |
| - Owners of Heng Huat   | 4,044   | (2,425)   | 5,629  | (5,257)  |
| - Non-controlling interests   | 9   | 76  | 11   | 48   |
|   | <b>4,053</b>  | <b>(2,349)</b>  | <b>5,640</b>   | <b>(5,209)</b>   |
| <b>Basic earnings/(loss) per share (sen)<br/>attributable to owners of Heng Huat:</b> |   |   |  |  |
| - Basic <sup>(2)</sup>  | 2.90  | (6.61)  | 4.42   | (14.87)  |
| - Diluted <sup>(2)</sup>  | 2.35  | (6.61)  | 3.52   | (14.87)  |

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<br>30.09.2021 <sup>(1)</sup><br>RM'000<br>(unaudited) | As at<br>31.03.2021<br>RM'000<br>(audited) |
|-------------------------------------|---|--|
| <b>Non-Current Assets</b>           |   |  |
| Property, plant and equipment       | 36,862  | 37,500                                     |
| Right-of-use assets                 | 7,600   | 8,641                                      |
| Intangible assets                   | 144   | 155  |
|                                     | 44,606  | 46,296                                     |
| <b>Current Assets</b>               |   |  |
| Inventories                         | 5,939   | 4,521                                      |
| Trade and other receivables         | 17,294  | 13,255                                     |
| Current tax assets                  | 81  | 735  |
| Cash and cash equivalents           | 15,291  | 9,404                                      |
|                                     | 38,605  | 27,915                                     |
| Non-current assets held for sale    | 3,400   | 3,400                                      |
|                                     | 42,005  | 31,315                                     |
| <b>TOTAL ASSETS</b>                 | <b>86,611</b>   | <b>77,611</b>                              |
| <b>Equity</b>                       |   |  |
| Share capital                       | 64,661  | 60,055                                     |
| Warrants reserve                    | 4,316   | -  |
| Reorganisation reserve              | (5,185)   | (5,185)                                    |
| Accumulated losses                  | (13,813)  | (19,442)                                   |
|                                     | 49,979  | 35,428                                     |
| Non-controlling interests           | 247   | 236  |
| <b>Total Equity</b>                 | <b>50,226</b>   | <b>35,664</b>                              |
| <b>Non-Current Liabilities</b>      |   |  |
| Lease liabilities                   | 4,149   | 5,108                                      |
| Borrowings                          | 6,609   | 7,573                                      |
| Deferred tax liabilities            | 858   | 858  |
|                                     | 11,616  | 13,539                                     |
| <b>Current Liabilities</b>          |   |  |
| Trade and other payables            | 20,253  | 13,073                                     |
| Contract liabilities                | -   | 155  |
| Lease liabilities                   | 1,882   | 1,827                                      |
| Borrowings                          | 2,634   | 13,353                                     |
|                                     | 24,769  | 28,408                                     |
| <b>Total Liabilities</b>            | <b>36,385</b>   | <b>41,947</b>                              |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>86,611</b>   | <b>77,611</b>                              |
| <b>NET ASSETS PER SHARE (RM)</b>    | <b>0.36<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 period ended as at 30 September 2021 of 139,606,384 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)**

|  | <i>[----- Non-distributable -----]</i> |                             |                                   | <i>Distributable</i>          | <b>Total<br/>attributable to<br/>owners<br/>of the<br/>Company</b> | <b>Non-<br/>controlling<br/>interests</b> | <b>Total<br/>equity</b> |
|--|--|-----------------------------|-----------------------------------|-------------------------------|--|---|-------------------------|
|  | <b>Share<br/>capital</b>               | <b>Warrants<br/>Reserve</b> | <b>Reorganisation<br/>reserve</b> | <b>Accumulated<br/>losses</b> | <b>RM'000</b>  | <b>RM'000</b>                             | <b>RM'000</b>           |
|  | <b>RM'000</b>                          | <b>RM'000</b>               | <b>RM'000</b>                     | <b>RM'000</b>                 | <b>RM'000</b>  | <b>RM'000</b>                             | <b>RM'000</b>           |
| 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   | <b>64,661</b>                          | <b>4,316</b>                | <b>(5,185)</b>                    | <b>(13,813)</b>               | <b>49,979</b>  | <b>247</b>                                | <b>50,226</b>           |
| At 1 April 2020  | 40,538                                 | -                           | (5,185)                           | 718                           | 36,071   | 205                                       | 36,276                  |
| Adjustment of MFRS recognition:<br>- MFRS 16 lease portion               | -                                      | -                           | -                                 | (8)                           | (8)  | -   | (8)                     |
| Total comprehensive loss for the financial period                        | -                                      | -                           | -                                 | (5,257)                       | (5,257)  | 48  | (5,209)                 |
| Issuance of new shares pursuant to private placement,<br>net of expenses | 1,067                                  | -                           | -                                 | -                             | 1,067  | -   | 1,067                   |
| At 30 September 2020   | <b>41,605</b>                          | <b>-</b>                    | <b>(5,185)</b>                    | <b>(4,547)</b>                | <b>31,873</b>  | <b>253</b>                                | <b>32,126</b>           |

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   |                      |
|---|----------------------|----------------------|
|   | 30.09.2021<br>RM'000 | 30.09.2020<br>RM'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                      |                      |
| Profit/(Loss) before tax  | 6,307                | (5,003)              |
| <u>Adjustments for:</u>   |                      |                      |
| Amortisation of intangible assets                               | 12                   | 11                   |
| Depreciation of property, plant and equipment                   | 1,688                | 3,245                |
| Depreciation of right-of-use assets                             | 1,041                | 502                  |
| Fair value adjustment on derivative instruments                 | -                    | (8)                  |
| Gain on disposal of property, plant and equipment               | (155)                | (95)                 |
| Impairment loss on property, plant and equipment                |                      |                      |
| - Current year  | -                    | 5,354                |
| - Reversal  | (264)                | -                    |
| Allowance for expected credit loss:                             |                      |                      |
| - Current year  | -                    | -                    |
| - Reversal  | (46)                 | -                    |
| Interest expense  | 527                  | 689                  |
| Interest income   | (7)                  | (12)                 |
| Unrealised gain on foreign exchange                             | (9)                  | 15                   |
|   | <hr/>                | <hr/>                |
| Operating profit before working capital changes                 | 9,094                | 4,698                |
| (Increase)/Decrease in inventories                              | (1,418)              | 296                  |
| (Increase)/Decrease in trade and other receivables              | (3,984)              | 2,062                |
| Increase in trade and other payables                            | 7,180                | 1,674                |
| Decrease in contract liabilities                                | (155)                | -                    |
|   | <hr/>                | <hr/>                |
| Tax paid  | 10,717               | 8,730                |
|   | (14)                 | (234)                |
|   | <hr/>                | <hr/>                |
| <b>Net cash from operating activities</b>                       | <b>10,703</b>        | <b>8,496</b>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                      |                      |
| Interest received   | 7                    | 12                   |
| Proceeds from disposal of property, plant and equipment         | 720                  | 117                  |
| Purchase of intangible assets                                   | (1)                  | -                    |
| Purchase of property, plant and equipment                       | (1,350)              | (232)                |
| Changes in fixed deposits pledged with licensed banks           | 33                   | (5)                  |
|   | <hr/>                | <hr/>                |
| <b>Net cash used in investing activities</b>                    | <b>(591)</b>         | <b>(108)</b>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |                      |                      |
| Interest paid   | (527)                | (689)                |
| Net proceeds from issuance of shares                            |                      | 1,067                |
| Net proceeds from right issue of shares with warrants           | 8,922                | -                    |
| Net repayment of bankers' acceptance                            | (96)                 | 1,182                |
| Net repayment of term loans                                     | (1,840)              | (1,389)              |
| Net repayment of finance lease liabilities                      | (796)                | (1,024)              |
| Net repayment of lease liabilities                              | (904)                | (414)                |
|   | <hr/>                | <hr/>                |
| <b>Net cash from/(used in) financing activities</b>             | <b>4,759</b>         | <b>(1,267)</b>       |
| Net changes in cash and cash equivalents                        | 14,871               | 7,121                |
| Cash and cash equivalents at beginning of the financial period  | (496)                | (10,979)             |
|   | <hr/>                | <hr/>                |
| <b>Cash and cash equivalents at end of the financial period</b> | <b>14,375</b>        | <b>(3,858)</b>       |



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

|  | Year-to-date ended |                |
|--|--------------------|----------------|
|  | 30.09.2021         | 30.09.2020     |
|  | RM'000             | RM'000         |
| Cash and cash equivalents comprise the following:      |                    |                |
| Cash and bank balances                                 | 14,375             | 4,928          |
| Fixed deposits pledged to financial institutions       | 916                | 1,290          |
|  | <hr/>              | <hr/>          |
|  | 15,291             | 6,218          |
| Less: Bank overdraft                                   | -                  | (8,786)        |
| Less: Fixed deposits pledged to financial institutions | (916)              | (1,290)        |
|  | <hr/>              | <hr/>          |
|  | <b>14,375</b>      | <b>(3,858)</b> |
|  | <hr/>              | <hr/>          |

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.



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

### 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 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.

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.

#### **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;



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

- 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.

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

There were no capital commitments for the purchase of any property, plant and equipment or any other expenses that were not accounted for in the financial statements of the quarter under review.

## 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 |                |
|--|-----------------------|----------------|--------------------|----------------|
|  | 30.09.2021            | 30.09.2020     | 30.09.2021         | 30.09.2020     |
|  | RM'000                | RM'000         | RM'000             | RM'000         |
| <b><u>Segment Revenue</u></b>                |                       |                |                    |                |
| Biomass materials and related products       | 19,813                | 14,069         | 38,717             | 23,742         |
| Mattresses and related products              | 2,741                 | 6,798          | 7,423              | 10,580         |
|  | 22,554                | 20,867         | 46,140             | 34,322         |
| Elimination of intragroup transactions       | (2,575)               | (2,042)        | (5,585)            | (3,202)        |
| <b>Revenue from external customers</b>       | <b>19,979</b>         | <b>18,825</b>  | <b>40,555</b>      | <b>31,120</b>  |
| <b><u>Segment Results</u></b>                |                       |                |                    |                |
| Biomass materials and related products       | 7,161                 | (2,995)        | 9,685              | (5,743)        |
| Mattresses and related products              | (1,033)               | 795            | (1,268)            | 945            |
|  | 6,128                 | (2,200)        | 8,417              | (4,798)        |
| Unallocated corporate expenses (net)         | (1,820)               | (71)           | (2,110)            | (206)          |
| Elimination of intragroup transactions       | -                     | -              | -                  | -              |
| <b>Profit/(Loss) before tax of the Group</b> | <b>4,308</b>          | <b>(2,271)</b> | <b>6,307</b>       | <b>(5,004)</b> |



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

|  | Current quarter ended |                | Year-to-date ended |                |
|--|-----------------------|----------------|--------------------|----------------|
|  | 30.09.2021            | 30.09.2020     | 30.09.2021         | 30.09.2020     |
|  | RM'000                | RM'000         | RM'000             | RM'000         |
| <b><i>Segment Assets</i></b>           |                       |                |                    |                |
| Biomass materials and related products | 70,144                | 98,174         | 70,144             | 98,174         |
| Mattresses and related products        | 11,354                | 16,196         | 11,354             | 16,196         |
|  | 81,498                | 114,370        | 81,498             | 114,370        |
| Tax assets                             | 81                    | 810            | 81                 | 810            |
| Unallocated assets                     | 14,346                | 30,385         | 14,346             | 30,385         |
| Elimination of intragroup balances     | (9,314)               | (40,553)       | (9,314)            | (40,553)       |
| <b>Total assets of the Group</b>       | <b>86,611</b>         | <b>105,012</b> | <b>86,611</b>      | <b>105,012</b> |
| <b><i>Segment Liabilities</i></b>      |                       |                |                    |                |
| Biomass materials and related products | 31,441                | 87,766         | 31,441             | 87,766         |
| Mattresses and related products        | 10,668                | 14,848         | 10,668             | 14,848         |
|  | 42,109                | 102,614        | 42,109             | 102,614        |
| Tax liabilities                        | 858                   | 648            | 858                | 648            |
| Unallocated liabilities                | 2,266                 | 9,712          | 2,266              | 9,712          |
| Elimination of intragroup balances     | (8,848)               | (40,088)       | (8,848)            | (40,088)       |
| <b>Total liabilities of the Group</b>  | <b>36,385</b>         | <b>72,886</b>  | <b>36,385</b>      | <b>72,886</b>  |

**A14. RELATED PARTY TRANSACTIONS**

|   | Current quarter ended |            | Year-to-date ended |            |
|---|-----------------------|------------|--------------------|------------|
|   | 30.09.2021            | 30.09.2020 | 30.09.2021         | 30.09.2020 |
|   | 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 | 165                   | 152        | 299                | 304        |

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    |                                     | Changes |        |
|--------------------------|----------------------|--------------------------------------|---------|--------|----------------------|-------------------------------------|---------|--------|
|                          | Current year quarter | Preceding year Corresponding Quarter |         |        | Current year period  | Preceding year Corresponding Period |         |        |
|                          | 30.09.2021<br>RM'000 | 30.09.2020<br>RM'000                 | RM'000  | %      | 30.09.2021<br>RM'000 | 30.09.2020<br>RM'000                | RM'000  | %      |
| Revenue                  | 19,979               | 18,825                               | 1,154   | 6.13   | 40,555               | 31,120                              | 9,435   | 30.32  |
| Profit/(Loss) before tax | 4,308                | (2,271)                              | 6,579   | 289.70 | 6,307                | (5,003)                             | 11,310  | 226.06 |
| Profit/(Loss) after tax  | 4,053                | (2,349)                              | 6,402   | 272.54 | 5,640                | (5,209)                             | 10,849  | 208.27 |

#### Revenue

For the current quarter and financial period ended 30 September 2021, the Group recorded revenue of RM19.98 million and RM40.56 million during the current quarter and financial period, representing increase of approximately RM1.15 million or 6.13% and RM9.44 million or 30.32% 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. Increase in sales volume of bio-oil product, where total quantities sold during the current quarter under review improved by approximately 231.97% as compared to the preceding year corresponding quarter and period;
- 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 81.91% as compared to the preceding year corresponding quarter; and

However, the increase of sales performance was partially offset by the decrease in average selling price of oil palm EFB fibre during the current quarter by approximately 10.97% as compared to the preceding year corresponding quarter and period.

#### Profit Before Tax

Our Group reported a profit before taxation of approximately RM4.31 million and RM6.31 million respectively for the current quarter and financial period, representing an increase of approximately RM6.58 million or 289.70% and RM11.31 million or 226.06% respectively as compared to the preceding year corresponding quarter and period.

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

Higher gross profit margin achieved, as a result of lower average unit cost arising from higher production output for bio-oil product.



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

|                        | <b>Current<br/>quarter ended<br/>30.09.2021</b> | <b>Preceding<br/>quarter ended<br/>30.06.2021</b> |
|------------------------|---|---|
|                        | <b>RM'000</b>                                   | <b>RM'000</b>                                     |
| Profit before taxation | 4,308   | 1,999   |

Our Group recorded a profit before tax of approximately RM4.31 million for the current quarter ended 30 September 2021, as compared to a profit before tax of RM2 million in the preceding quarter ended 30 June 2021.

This is mainly due to higher gross profit margin as a result of lower average unit cost arising from higher production output for bio-oil product in the current 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.



**B5. TAX EXPENSE**

|                     | <b>Current quarter<br/>ended<br/>30.09.2021<br/>RM'000</b> | <b>Year-to-date<br/>ended<br/>30.09.2021<br/>RM'000</b> |
|---------------------|--|---|
| Current tax expense | (255)  | (667)   |
| Effective tax rate  | 5.92%  | 10.58%  |

The Group's effective tax rate for the current quarter and financial period under review stood at 5.92%. 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 13 August 2020**

On 14 August 2020, the 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, the 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 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 of 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.



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

The proposed issuance of 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 of 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, the Company had announced that the 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, the Company announced that the effective date for the implementation of SIS.

On 25 October 2021, the Company announced that pursuant to Paragraph 9.19(51) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company wishes to announce that offer of options has been grant to the eligible employees of the Company and its subsidiaries to subscribe for the new ordinary shares in the Company under the Company's Share Issuance Scheme.

**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





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

- 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 30 September 2021, the gross proceeds from public issue had been fully utilised in the following manner:

| Purpose                                       | Intended<br>Timeframe for<br>Utilisation | Proposed<br>Utilisation<br>RM'000 | Actual<br>Utilisation<br>RM'000 | Deviation    |              |
|---|--|-----------------------------------|---------------------------------|--------------|--------------|
|   |  |                                   |                                 | RM'000       | %            |
| Repayment of bank borrowings                  | Within 3 months                          | 6,899                             | 4,599                           | 2,300        | 33.34        |
| General administrative and operating expenses | Within 6 months                          | 2,348                             | 2,348                           | -            | -            |
| <b>Total</b>                                  |  | <b>9,247</b>                      | <b>6,947</b>                    | <b>2,300</b> | <b>33.34</b> |

### **Proposed Multiple Proposal: Announcement dated 25 October 2021**

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

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 2021 are as follows:

|                                      | Short Term<br>(Within 12 months)<br>RM'000 | Long Term<br>(> 12 months)<br>RM'000 | Total<br>RM'000 |
|--------------------------------------|--|--------------------------------------|-----------------|
| <b><i>Secured and guaranteed</i></b> |  |                                      |                 |
| Bankers' acceptance                  | -  | -                                    | -               |
| Bank overdrafts                      | -  | -                                    | -               |
| Finance lease liabilities            | 746  | 591                                  | 1,337           |
| Term loans                           | 1,888                                      | 6,018                                | 7,906           |
| <b>Total Borrowings</b>              | <b>2,634</b>                               | <b>6,609</b>                         | <b>9,243</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 |            |
|--|-----------------------|------------|--------------------|------------|
|  | 30.09.2021            | 30.09.2020 | 30.09.2021         | 30.09.2020 |
|  | RM'000                | RM'000     | RM'000             | RM'000     |
| <b>Basic earnings per share</b>                            |                       |            |                    |            |
| Profit/(Loss) attributable to equity holders of the parent | 4,043                 | (2,425)    | 5,629              | (5,257)    |
| Weighted average number of ordinary shares in issue ('000) | 139,446               | 36,725     | 127,457            | 35,349     |
| BEPS (sen)   | 2.90                  | (6.61)     | 4.42               | (14.87)    |

### Diluted Earnings per Share (“DEPS”)

|  | Current quarter ended |            | Year-to-date ended |            |
|--|-----------------------|------------|--------------------|------------|
|  | 30.09.2021            | 30.09.2020 | 30.09.2021         | 30.09.2020 |
|  | RM'000                | RM'000     | RM'000             | RM'000     |
| <b>Diluted earnings per share</b>                          |                       |            |                    |            |
| Profit/(Loss) attributable to equity holders of the parent | 4,043                 | (2,425)    | 5,629              | (5,257)    |
| Weighted average number of ordinary shares in issue ('000) | 171,768               | 36,725     | 159,778            | 35,349     |
| DEPS (sen)   | 2.35                  | (6.61)     | 3.52               | (14.87)    |

## 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<br/>ended<br/>30.09.2021<br/>RM'000</b> | <b>Year-to-date<br/>ended<br/>30.09.2021<br/>RM'000</b> |
|--|--|---|
| Interest income  | 4  | 7   |
| Interest expense   | (201)  | (527)   |
| Depreciation expenses  | (1,333)  | (2,729)   |
| Amortisation expenses  | (6)  | (12)  |
| Unrealised gain on foreign exchange                          | -  | 9   |
| Gain on disposal of property, plant and equipment            | 104  | 155   |
| Allowance for expected credit losses:                        |  |   |
| - Current year   | (87)   | (134)   |
| - Reversal   | 21   | 180   |
| Reversal of Impairment loss on property, plant and equipment | 264  | 264   |

## 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.