

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2021 RM	2020 RM
Unquoted shares, at cost		
Balance at beginning	31,230,000	31,730,097
Additions	34,018,200	-
Written off	-	(500,097)
	65,248,200	31,230,000
Less: Accumulated impairment losses		
Balance at beginning	(11,499,999)	(500,000)
Addition	-	(11,499,999)
Written off	-	500,000
	(11,499,999)	(11,499,999)
	53,748,201	19,730,001

The details of the subsidiaries, all of which were incorporated in Malaysia are as follows:

Name of Company	Effective Equity Interest		Principal Activities
	2021	2020	
	%	%	
Direct			
Heng Huat Industries Holdings Sdn. Bhd. ("HHIH")	100	100	Investment holdings.
Fibre Star (M) Sdn. Bhd. ("FSM")	100	100	Manufacturing and marketing of mattress and related products.
HK Gua Musang Sdn. Bhd. ("HKGM")	100	100	Manufacturing and trading of oil palm biomass materials and value-added products.
HK Power Sdn. Bhd. ("HKP")	100	100	Operator of power plant and boiler turbine system for electricity generation and steam production.
HH Land and Development Sdn. Bhd. ("HHLD")	100	-	Dormant.
HH Ecometal Recycling Sdn. Bhd. ("HHER")	100	-	Dormant.



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7. INVESTMENT IN SUBSIDIARIES (cont'd)

The details of the subsidiaries, all of which were incorporated in Malaysia are as follows (cont'd):

Name of Company	Effective		Principal Activities
	Equity Interest		
	2021	2020	
	%	%	
Indirect – held through HHIH			
HK Fibre Sdn. Bhd.	97	97	Manufacturing and trading of coconut biomass materials and value-added products.
HK Kitaran Sdn. Bhd.	100	100	Manufacturing and trading of oil palm biomass materials and value-added products.
Sabut Kelapa Terengganu Sdn. Bhd. ("SKT")	97	97	Manufacturing and trading of coconut biomass materials and value-added products.

(i) Incorporation of subsidiaries

2021

On 20 July 2020, the Company had incorporated a wholly-owned subsidiary, HHLD in Malaysia with an issued and paid-up share capital of RM100 comprising 100 ordinary shares. On 1 January 2021, the Company increased its investment in HHLD by RM3,704,000 to RM3,704,100 through the subscription of an additional 3,704,000 new ordinary shares at an issue price of RM1 per share.

On 15 October 2020, the Company had incorporated a wholly-owned subsidiary, HHER in Malaysia with an issued and paid-up share capital of RM100 comprising 100 ordinary shares.

(ii) Subscription of ordinary shares in subsidiaries

2021

On 1 January 2021, the Company had subscribed to 653,000, 27,327,000 and 2,334,000 new ordinary shares at an issue price of RM1 per share in FSM, HKGM and HKP respectively. The new ordinary shares were fully paid up through conversion of the amount owing by the respective subsidiaries to the Company collectively amounting to RM30,314,000.

(iii) Impairment loss on investment in a subsidiary

2020

During the financial period, the management performed an impairment test for the investment in HKGM. The management had assessed its recoverable amount based on its fair value less cost to sell, which approximates the net assets held by HKGM at the end of the reporting period.

Accordingly, an impairment loss of RM11,499,999 was recognised in HKGM during the financial period.

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7. INVESTMENT IN SUBSIDIARIES (cont'd)

(iv) Investment in subsidiaries written off

2020

The investment in subsidiaries written off during the financial period arose from the application to strike off the names of certain subsidiaries from the Register of Companies Commission of Malaysia pursuant to Section 550 of the Companies Act 2016. The subsidiaries involved were Fibre Star Marketing Sdn. Bhd., Sabut Kelapa Saujana Setiu Terengganu Sdn. Bhd. and HK Mega Industries Sdn. Bhd. The subsidiaries were successfully struck off on 22 May 2020.

(v) Acquisition of SKT

2020

On 5 September 2019, an indirect wholly-owned subsidiary of the Company, HHHH acquired 97 ordinary shares of SKT, representing 97% of the issued and paid-up share capital of SKT, for a total cash consideration of RM200,000.

The following were the carrying amount of the assets and liabilities which was also the fair value on acquisition date:

	RM
Property, plant and equipment (Note 4)	2,097,911
Trade and other receivables	511,469
Cash and bank balances	63,978
Trade and other payables	<u>(3,715,883)</u>
	(1,042,525)
NCI share of liabilities acquired (3%)	<u>31,274</u>
Net identifiable liabilities	<u>(1,011,251)</u>
Goodwill arising from acquisition:	
	RM
Total fair value of consideration transferred	200,000
Fair value of net identifiable liabilities acquired	<u>1,011,251</u>
Goodwill (Note 6)	<u>1,211,251</u>
Net cash outflow on acquisition of a subsidiary:	
	RM
Consideration paid in cash	(200,000)
Cash and bank balances acquired	<u>63,978</u>
	<u>(136,022)</u>

