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Established Since 1986

HENG HUAT RESOURCES GROUP BERHAD
201101041555 (969678-D)

GO GREEN

Towards Continuous

**GROWTH &
EXCELLENCE**

annual report 2022



Stronger Together

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Vision Statement

To be the pioneering leader in the manufacturing of eco-friendly biomass material products, mattresses products and focusing on value optimisation for all stakeholders and shareholders.

Mission Statement

- Optimising value-creation for all stakeholders: wealth creation and enhancement for shareholders, value-for-money products for customers, and a mutually beneficial relationship and growth for suppliers.
- Cultivating a corporate culture that embraces positive and open-minded thinking, team-orientation, mutual respect and continuing professional and knowledge development.
- Maintaining production integrity at all times, providing customers with products of only the finest quality.
- Creating a work environment that is conducive to learning and innovation.
- Promoting effective communication with open-mindedness, both internally and externally.

Philosophy and Corporate Culture

- Challenge and problem solving.
- Change and continuously improve.
- Customers' satisfaction is a top priority.
- Good leadership.
- Honesty, integrity, ethical and professional.
- Listen and appreciate.
- Maximise resources and quality.

Company Profile

Heng Huat Resources Group Berhad ("Heng Huat" or the "Company") was incorporated in Malaysia under the Companies Act, 1965 on 25 November 2011 as a private limited company under the name of Heng Huat Resources Group Sdn Bhd. We were subsequently converted into a public limited company and assumed our present name on 18 June 2012. We were listed on the ACE Market of Bursa Malaysia Securities Berhad on 25 July 2014.

Heng Huat and its subsidiaries ("the Group") are principally involved in the manufacturing and trading of biomass material and value-added products, focusing on oil palm empty fruit bunch ("EFB") fibre, coconut fibre and value-added products. We are also a manufacturer and distributor of our own brands of mattresses and bedding accessories.

Biomass Materials Manufacturing

Our Group's biomass materials manufacturing operations are carried out by our subsidiaries, namely, HK Fibre Sdn Bhd, HK Kitaran Sdn Bhd, HK Gua Musang Sdn Bhd and HK Power Sdn Bhd.

Our bio-oil is mainly supplied to companies involving the manufacturing of sanitary consumer products.

We treat and process coconut husks, oil palm EFB and bio oil utilising our proprietary production process to produce large quantities of high quality fibres at a competitive price. We exert stringent quality controls over our production processes and this has enabled us to produce quality coconut and oil palm EFB fibre which are not only long, clean and fine, but has great uniformity and low oil content. Our bio-oil is mainly supplied to Company for manufacture of sanitary consumer products.

Meanwhile, we consume a large proportion of our internally-produced coconut fibres through the manufacturing of our value-added products such as mattress fibre sheets and coconut peats. We have lined up various initiatives to innovate new manufacturing and processing technologies to produce various green and environmentally-friendly biomass value-added products.

Fully-Integrated Fibre Mattress, and Other Bedding Accessories

Our Group's fibre mattress manufacturing operations are carried out by our subsidiary, namely Fibre Star (M) Sdn Bhd.

Our Group is one of the few mattress manufacturers who has successfully moved upstream into the manufacturing of our own mattress fibre sheets which are made from coconut fibres. We are a fully integrated fibre mattress, divan and headboard manufacturer. We design, market, produce and distribute our own fibre mattresses under the brand of "Fibre Star", which is made from our internally-produced mattress fibre sheets, whilst our other bedding

accessories such as cushions, pillows and bolsters are marketed under the brand of "Xiong Mao". Currently, all our fibre and other mattresses and bedding accessories are distributed to furniture retailers in Malaysia. By manufacturing our own mattress fibre sheets, we are able to effectively control the availability of materials. This allows us the flexibility of scaling up production with greater predictability while giving us better control over production costs through the reduction of production time and material costs. In addition, we play an important role as an Original Equipment Manufacturer (OEM) of fibre mattresses for reputable brands in the local market.

Newly Acquire

Specialist in Manufacturing in Children's bedroom set

MG Furniture Sdn Bhd was established in 2009 and specialised in the manufacturing of kids' bed with the combination of metal and particle board. All of our products are fully knock-down and ready-to-assemble furniture with 100% export market only.

Our designers with more than 12 years of experience on designing beds with a dedicated Research and Development team to develop our bedding line and our designs are also fulfil the Bunk Safety Regulation for each of the country all over the world. Besides, we are FSC certify (ESTS-COC-200336) company.

MG Furniture adheres strongly to its brand identity by producing easy-to-assemble mechanism and stackable furniture pieces. Both that made it packed with style, uniqueness and creativity.

Property Development Business

Heng Huat announced its intention to diversify into the property development business through announcement dated 25 October 2021 via its Proposed Diversification. The Proposed Diversification was subsequently approved by the shareholders of the Company in the Extraordinary General Meeting held on 15 March 2022.

Corporate Information

BOARD OF DIRECTORS

Dato' H'ng Choon Seng
Managing Director

Kee Swee Lai
Deputy Managing Director

Ng Chin Nam
Executive Director

Cheah Swi Chun
Independent Non-Executive Director

Ho Whye Chong
Independent Non-Executive Director

Lee Yee Wooi
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Cheah Swi Chun

Members
Ho Whye Chong
Lee Yee Wooi

NOMINATION AND REMUNERATION COMMITTEE

Chairman
Ho Whye Chong

Members
Cheah Swi Chun
Lee Yee Wooi

RISK MANAGEMENT COMMITTEE

Chairman
Kee Swee Lai

Members
Cheah Swi Chun
Ho Whye Chong
Lee Yee Wooi

COMPANY SECRETARIES

WONG YEE LIN
(MIA:15898)
SSM PC NO. 201908001793

HING POE PYNG
(MAICSA:7053526)
SSM PC NO. 202008001322

REGISTERED OFFICE

51-8-A Menara BHL
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia
Tel : (604) 373 6616
Fax : (604) 373 6615

SHARE REGISTRAR

AGRITEUM Share Registration Service Sdn Bhd
200201010810 (578473-T)
2nd Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang, Malaysia
Tel : (604) 228 2321
Fax : (604) 227 2391

AUDITORS

Grant Thornton Malaysia PLT (AF 0737)
Level 5, Menara BHL
51, Jalan Sultan Ahmad Shah
10050 Penang, Malaysia
Tel : (604) 228 7828
Fax : (604) 227 9828

PRINCIPAL BANKERS

CIMB Bank Berhad
1972001001799 (13491-P)
Public Bank Berhad
196501000672(6463-H)
OCBC Bank (Malaysia) Berhad
199401009721(295400-W)

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

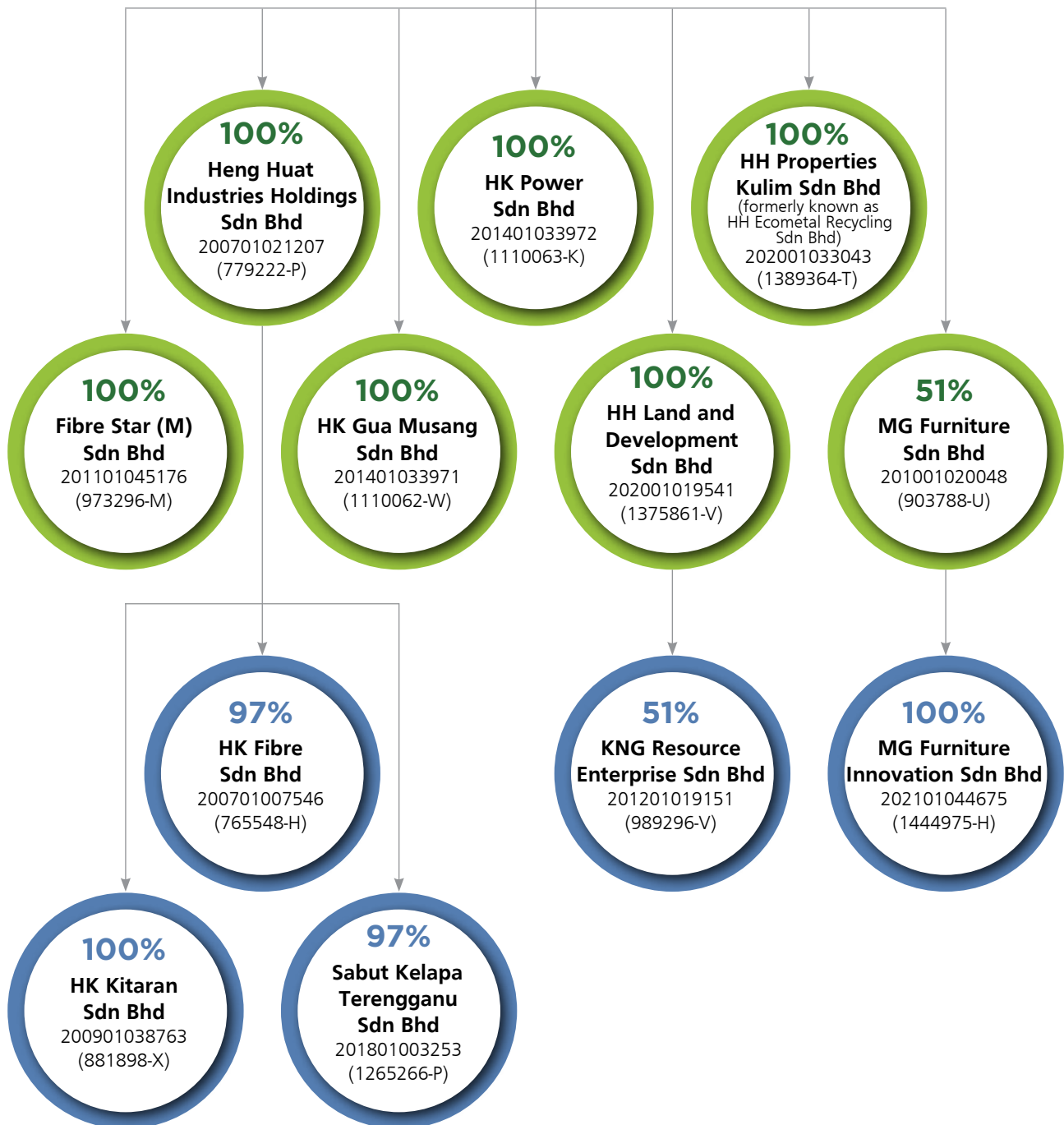
Stock Name : HHGroup
Stock Code : 0175

Corporate Structure



Heng Huat Resources Group Berhad

201101041555
(969678-D)



Financial Highlights

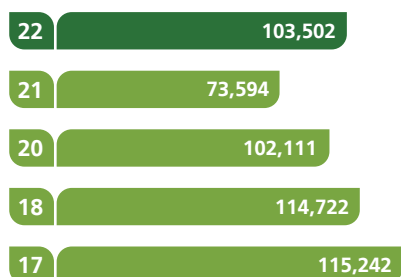
	Audited 2017	Audited 2018	Audited 2020	Audited 2021	Audited 2022
Revenue	115,242	114,722	102,111	73,594	103,502
Earnings/(Loss) Before Interest, Tax, Depreciation & Amortisation	16,956	10,822	(25,662)	(8,708)	21,474
Profit/(Loss) Before Tax	2,244	(3,877)	(43,312)	(18,198)	14,847
Profit/(Loss) Before Tax Margin (%)	1.95	(3.38)	(42.42)	(24.73)	14.34
Profit/(Loss) After Tax	268	(3,476)	(42,904)	(20,092)	14,756
Profit/(Loss) After Tax Margin (%)	0.23	(3.03)	(42.02)	(27.30)	14.26
Gross Earnings/(Loss) Per Share (Sen)*	7.27	(12.52)	(127.55)	(34.30)	11.03
Net Earnings/(Loss) Per Share (Sen)*	1.19	(11.30)	(126.26)	(38.00)	10.94
Diluted Net Earnings/(Loss) Per Share (Sen)#	1.19	(11.30)	(126.26)	(38.00)	7.44

Notes:

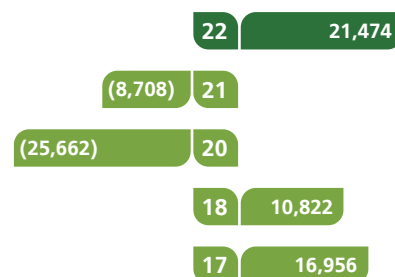
* Computed based on the weighted average number of ordinary shares in issue.

Computation based on weighted average number of ordinary shares in issue adjusted to assume conversion of all dilutive potential ordinary shares arising from warrants and share issuance scheme (with effective year 2022).

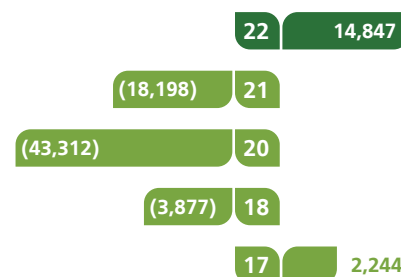
REVENUE (RM'000)



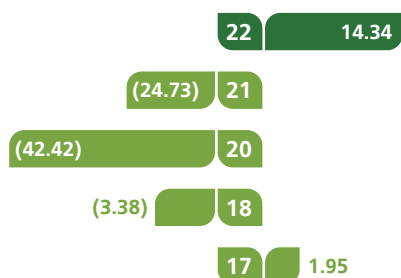
EBITDA (RM'000)



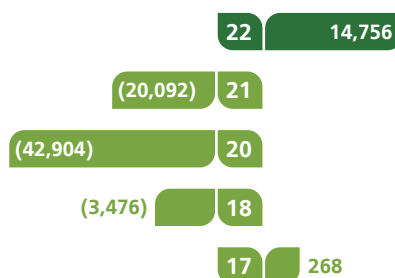
PBT (RM'000)



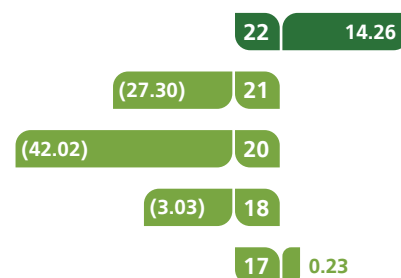
PBT MARGIN (%)



PAT (RM'000)



PAT MARGIN (%)



Management Discussion And Analysis

OVERVIEW OF THE GROUP'S OPERATIONS

Heng Huat is an investment holding company with subsidiaries involved in following business activities as following:

- (i) Oil palm empty fruit bunch ("EFB") fibre and value-added products,
- (ii) Coconut fibre and value-added products;
- (iii) Fully-Integrated fibre mattress, kids' bed and other bedding accessories; and
- (iv) Property development and management.

Apart from upstream activities, our Group has also ventured downstream to manufacture and distribute our own-brands of mattresses and related products utilising primarily the coconut fibre produced internally.

FINANCIAL RESULTS & CONDITION

• Financial Performance

	2022 RM'000	2021 RM'000	Year-on-Year Variance (%)
Revenue			
Biomass materials and value-added products	80,985	49,586	63.32
Mattresses and related products	22,517	24,008	-6.21
	103,502	73,594	40.64
Profitability			
Gross profit "GP"	37,667	12,695	196.71
<i>GP margin</i>	36.39%	17.25%	
Profit/(Loss) before tax "(PBT)"	14,847	(18,198)	
<i>(PBT) margin</i>	14.34%	-24.73%	181.59
Net profit/(loss) for the year "(PAT)"	14,756	(20,092)	
<i>(PAT) margin</i>	14.26%	-27.30%	173.44

The Group's revenue for the financial year ended ("FYE") 31 March 2022 increased by RM29.91 million (or 40.64%) to RM103.50 million was arising from:

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

The Group's PAT for the FYE 31 March 2022 increased by RM34.85 million (or 173.44%) to RM14.76 million mainly due to:

- i. Increase in margin of biomass products as a result of financial and operation restructuring by the management;
- ii. Increase in quantity demanded from market; and
- iii. Impairment loss on property, plant and equipment and allowance for expected credit loss amounting to RM11.17 million and RM12.89 million respectively for the FYE 31 March 2021.

The revenue growth was, however, partially offset by an administrative and other expenses mainly due to one off non-recurring transaction incurred during the financial year under review. The non-cash expenses amounted RM7.64 million recognised was in relation to the equity-settled share-based payment transactions.

Management Discussion And Analysis (Cont'd)

FINANCIAL RESULTS & CONDITION (CONT'D)

• Financial Position

	2022 ⁽¹⁾ RM'000	2021 RM'000	Year-on-Year Variance (%)
Total assets	134,789	77,611	73.67
Total liabilities	34,130	41,946	-18.63
Shareholders' equity	100,191	35,429	182.79
Net assets per share (sen)	74.46	66.78	

⁽¹⁾Excluded the impacts of the newly acquired subsidiary, MG Furniture Sdn Bhd on 30 March 2022.

As at 31 March 2022, our Group's total assets and total liabilities stood at RM134.79 million and RM34.13 million respectively, representing an increase of 73.67% and a decrease of 18.63% as compared to the preceding year.

As at 31 March 2022, our shareholders' equity remained at a positive level, stood at RM100.19 million (2021: RM35.43 million).

• Liquidity

	2022 ⁽³⁾ RM'000	2021 Days	Changes Day
Trade receivables' turnover period ⁽¹⁾	34	47	- 13 days
Inventories' turnover period ⁽²⁾	33	27	+ 6 days
Trade payables' turnover period ⁽²⁾	24	25	- 1 days
Cash conversion cycle	43	49	- 6 days

⁽¹⁾This is derived using the formula: (Closing balance as at year-end / Total revenue) x 365 days

⁽²⁾This is derived using the formula: (Closing balance as at year-end / Cost of sales) x 365 days

⁽³⁾Excluded the impacts of the newly acquired subsidiary, MG Furniture Sdn Bhd on 30 March 2022.

Management Discussion And Analysis (Cont'd)

FINANCIAL RESULTS & CONDITION (CONT'D)

• Liquidity (cont'd)

Our Group managed to improve the cash conversion cycle from 49 days in the FYE 2021 to 43 days in the FYE 2022.

	2022 ⁽¹⁾ RM'000	2021 RM'000
Cash flows from operating activities	27,394	9,304
Cash flow (used in)/from investing activities	(41,403)	19,532
Cash flow from/(used in) financing activities	36,327	(17,600)
Net movements in cash and cash equivalents	22,318	11,236
Cash and cash equivalents at the end of the financial year:		
Cash and bank balances	19,825	8,454
Deposits with licensed banks	2,422	950
Short-term investments	2,000	-
	24,247	9,404
Less:		
Deposits pledged to licensed banks	(2,422)	(950)
Bank overdrafts included in borrowings	-	(8,950)
	21,825	(496)
Current ratio (times)	2.15	1.10

⁽¹⁾Excluded the impacts of the newly acquired subsidiary, MG Furniture Sdn Bhd on 30 March 2022.

Our Group's current ratio had improved from 1.10 times in the preceding year to 2.15 times for the financial year under review, mainly due to lower borrowings as there is no utilisation of overdraft facilities and improvement in cash and cash equivalents which derived from collection received from increased sales during the financial year.

Management Discussion And Analysis (Cont'd)

FINANCIAL RESULTS & CONDITION (CONT'D)

• Capital Expenditure Requirements, Capital Structure and Capital Resources

Capital Commitment	2022 RM'000	2021 RM'000
Capital expenditure in respect of purchase of property, plant and equipment		
Approved but not contracted for	107	-
Contracted but not provided for	10,366	540
	10,473	540

As of 31 March 2022, our Group did not incur any new expansion or future project.

Borrowings	2022 ⁽¹⁾ RM'000	2021 RM'000
Short terms (repayable within 12 months)	2,186	13,353
Long terms (repayable more than 12 months)	6,371	7,573
	8,557	20,926
Gearing ratio (times) Borrowings /Shareholders' Equity	0.09	0.59

⁽¹⁾Excluded the impacts of the newly acquired subsidiary, MG Furniture Sdn Bhd on 30 March 2022.

During the financial year under review, our Group's gearing ratio decreased to 0.09 time as compared to 0.59 time in prior year. Our borrowings decreased by RM12.37 million or 59.11% from RM20.93 million in the preceding year to RM8.56 million as at 31 March 2022.

The decrease in our Group's borrowings was primarily attributable to repayment of bankers' acceptance, bank overdrafts, finance lease liabilities and term loans.

Our Group will evaluate the capital requirements and capital structure on a regular basis, to ensure that adequate capital resources are available to meet the working capital requirements and expansion needs and gearing ratio is maintained within a reasonable range.

REVIEW OF OPERATING ACTIVITIES

Proposed Fund Raising: Rights Issue of Shares with Warrants

On 9 February 2021, the Company announced to undertake the proposed renounceable rights issue ("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, together with up to 69,353,700 free detachable warrants on the basis of 3 warrants for every 2 rights shares subscribed.

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

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

Management Discussion And Analysis (Cont'd)

REVIEW OF OPERATING ACTIVITIES (CONT'D)

Proposed Multiple Proposal: Announcement dated 25 October 2021

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 new ordinary shares in Heng Huat to be issued pursuant to the Proposed MG Furniture Acquisition;
- ii. listing and quotation of 30,232,558 new ordinary shares in Heng Huat to be issued pursuant to the Proposed Lots 1222 & 1223 Acquisition;
- iii. listing and quotation of 604,651 new ordinary shares in Heng Huat to be issued pursuant to the Proposed Lots 2312 & 2337 Acquisition; and
- iv. listing and quotation of 46,511,627 new ordinary shares in Heng Huat to be issued pursuant to the Proposed Kulim Land Acquisition.

The approval granted by Bursa Securities for the listing and quotation of the new ordinary shares in Heng Huat is subject to the following conditions:

- a. Heng Huat and TA Securities Holdings Berhad ("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.

Management Discussion And Analysis (Cont'd)

REVIEW OF OPERATING ACTIVITIES (CONT'D)

Proposed Bonus Issue: Announcement dated 13 January 2022

On 13 January 2022, the Company announced to undertake 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 issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the financial year under review and up to date of Board of Directors' resolution.

Management Discussion And Analysis (Cont'd)

ANTICIPATED OR KNOW RISK

Principal Risk	Description/Consequences	Strategies to Mitigate Risk
Dependent on single market	<ul style="list-style-type: none"> - The biomass products are sold mainly to customers in China. - The products are suitable and acceptable in the China market. - Any changes in China's ruling and economic may give significant impact to the company. 	<ul style="list-style-type: none"> - Exploring new market such as Australia, Japan, United States and United Kingdom. - Diversifying the product range. - Participating in roadshow and exhibition.

FORWARD LOOKING STATEMENT

Prospect

Heng Huat Group has been facing challenges in its existing business of manufacturing and trading of biomass materials and value-added products because the COVID-19 pandemic had reduced demand from its China-based customers. In addition, the movement control orders imposed periodically in the last two years to contain the COVID-19 pandemic has affected palm oil and coconut as well as related industries operations in Malaysia as a result of the imposition of lockdowns to curb the spread of the virus which have led to supply chain disruption, resulting in higher logistics costs and delivery delays.

Going forward, MG Furniture is expected to expand Heng Huat Group's marketing, distribution and customer coverage to developed countries with growth opportunities in the export market for the custom-made furniture that are currently served by MG Furniture. MG Furniture's network of distributors/retailers and/or customers can be used to market Heng Huat Group's mattresses and other related products overseas beginning immediately after the completion of the Proposed MG Furniture Acquisition. Heng Huat Group expects to launch the comprehensive bedding package in the market immediately after the completion of the Proposed MG Furniture Acquisition with no additional financial resources are required as the bedding package would be a repackaging of existing Heng Huat and MG Furniture products into a new product.

Heng Huat Group's strategic plan to diversify its business to include property development is part of its longer-term plan to increase its revenue stream, starting with the Kulim Land which is strategically located within close proximity of Kulim Hi-Tech Park.

As the COVID-19 pandemic is still evolving, Heng Huat Group will closely monitor the developments arising from the COVID-19 pandemic to ascertain the magnitude of the impact and has taken proactive measures to mitigate the impact such as adopting stricter cost control measures, improving asset utilisation and aligning Heng Huat Group's cost structure with current production levels. Heng Huat Group is confident that it will be able to navigate through these headwinds through the support of its ongoing initiatives.

(Source: The management of Heng Huat)

Management Discussion And Analysis (Cont'd)

DIVIDEND POLICY

Our Company presently does not have any formal dividend policy. The declaration of interim dividends and the recommendation of any final dividends are subject to the discretion of our Board of Directors and any final dividend proposed is subject to our shareholders' approval.

Our Board of Directors seeks to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group while maintaining an optimal capital structure and ensuring sufficient funds for our future growth. In determining the payment of dividends, our Board of Directors take into consideration, amongst other factors, the operational performance, financial condition, capital expenditure plans and business expansion plans of Group.



Directors' Profile



DATO' H'NG CHOON SENG

Managing Director

Malaysian, Male, aged 55

Dato' H'ng Choon Seng was appointed to our Board as Director on 25 November 2011 and on 28 May 2012, he was designated as our Managing Director. He completed his high school education at Sekolah Menengah Kebangsaan Tun Syed Sheh Barakbah, Jawi, Seberang Perai Selatan, Penang in 1983. He has since accumulated 39 years of experience in the furniture and biomass material industries. As our Managing Director, he is responsible for overseeing our Group's operations and has been instrumental in the growth and development of our Group.

Dato' H'ng started his career in 1983 when he joined a home-based furniture manufacturer in Jawi, Penang. In 1986, he started his own home-based furniture manufacturing and trading businesses under Chiang Wei Enterprise and Heng Huat Industries Enterprise respectively. In 1997, he established Heng Huat Manufacturer Sdn Bhd to manufacture mattresses.

In 2007, he co-founded HK Fibre Sdn Bhd, together with Kee Swee Lai to manufacture coconut fibre which paved the way for his involvement in the biomass industry. Subsequently, HK Kitaran Sdn Bhd was established in 2009 to manufacture oil palm EFB fibre. He does not hold any directorship in other public companies in Malaysia.

He attended all 6 Board of Directors' Meeting held in the financial year ended 31 March 2022.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past 5 years other than traffic offences, if any.

Directors' Profile (Cont'd)



KEE SWEE LAI

Deputy Managing Director
Malaysian, Male, aged 59

Kee Swee Lai was appointed to our Board as Director on 25 November 2011 and on 28 May 2012, he was designated as our Deputy Managing Director. He graduated with a Bachelor of Science in Microbiology from Universiti Kebangsaan Malaysia in 1987. He has since accumulated 35 years of experience in plantation management and factory operations. As our Deputy Managing Director, he is responsible for overseeing our production operations and process development activities and has been instrumental in developing our automated production process. He is presently the Chairman of the Risk Management Committee.

Mr Kee started his career with Lion Plantation Sdn Bhd in 1987 as a Management Trainee and was subsequently promoted to Plantation Manager in 1989. In 1991, he left Lion Plantation Sdn Bhd and joined PT Riau Sakti Plantations (RSUP) under Sambu Group as an Assistant General Manager and was subsequently promoted to General Manager in 1993. He left PT Riau Sakti Plantations (RSUP) in 2006 and subsequently co-founded HK Fibre Sdn Bhd in 2007 followed by HK Kitaran Sdn Bhd in 2009. He does not hold any directorship in other public companies in Malaysia.

He attended all 6 Board of Directors' Meeting held in the financial year ended 31 March 2022.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past 5 years other than traffic offences, if any.



NG CHIN NAM

Executive Director
Malaysian, Male, aged 52

Ng Chin Nam is our Executive Director and was appointed to our Board on 2 August 2021. He is member of the Risk Management Committee of the Company.

Mr Ng has more than 20 years of experience in the fields of accounting, auditing, taxation and corporate finance. He started his career in 1992, in a manufacturing environment. He joined an international audit firm in 1997 after obtaining his professional qualification from the Chartered Institute of Management Accountants (CIMA). He left the audit firm in 2000 and was head of the finance department of different listed companies prior to joining our Company.

In 2021, he joined our Company as an Executive Director and is responsible for overseeing our Group's accounting, finance, corporate exercise activities and business development.

Currently, he is an Independent Non-Executive Director of Asia File Corporation Bhd, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

He attended all 4 Board of Directors' Meeting held subsequent to his appointment and up to the financial year ended 31 March 2022.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past 5 years other than traffic offences, if any.

Directors' Profile (Cont'd)



CHEAH SWI CHUN

Independent Non-Executive Director
Malaysian, Male, aged 49

Cheah Swi Chun is our Independent Non-Executive Director and was appointed to our Board on 2 August 2016. He is presently the Chairman of the Audit Committee and a member of the Nomination Committee, Remuneration Committee and Risk Management Committee of the Company.

Mr Cheah graduated with a Bachelor of Commerce (Accounting) from La Trobe University, Australia in 1996. He is a member of Malaysian Institute of Accountants and also a member of CPA Australia.

He joined Messrs. Ernst & Young – Corporate Advisory Division upon graduation in 1996 and left to join B.Braun Medical Industries Sdn Bhd as Corporate Controller Asia Pacific in 2000. In 2002, he joined Astino Berhad as Accountant and Corporate Manager. He left Astino Berhad in 2003 to jointly establish several private companies as Director with its principal business activities in building construction works and trading of building materials.

He attended all 6 Board of Directors' Meeting held in the financial year ended 31 March 2022.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past 5 years other than traffic offences, if any.



HO WHYE CHONG

Independent Non-Executive Director
Malaysian, Male, aged 44

Ho Whye Chong is our Independent Non-Executive Director and was appointed to our Board on 23 July 2020. He is presently the Chairman of the Nomination Committee and a member of the Audit Committee, Remuneration Nomination Committee and Risk Management Committee of the Company.

Mr Ho graduated with a Bachelor of Civil Engineering from the University of New South Wales, Sydney, Australia in 2001. Upon graduation, he started his career with a construction company as a Project Engineer. He left the company in 2002 and joined an engineering consultant company as a Civil Engineer.

In 2003, Mr. Ho co-founded a company called Pena Builders Sdn. Bhd. The company is mainly involved in the provision of interior fit-out solution and construction. As the managing director of Pena Builders Sdn Bhd, he is responsible for the overall business operations and project management as well as the strategic planning, formulation and implementation of the strategies. He is also actively involved in developing the business networking of the company.

He attended all 6 Board of Directors' Meeting held in the financial year ended 31 March 2022.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past 5 years other than traffic offences, if any.

Directors' Profile (Cont'd)



LEE YEE WOOI

Independent Non-Executive Director
Malaysian, Male, aged 50

Lee Yee Wooi is our Independent Non-Executive Director and was appointed to our Board on 19 January 2022. He is presently the Chairman of the Remuneration Committee and a member of the Audit Committee, Nomination Committee and Risk Management Committee of the Company.

Mr Lee graduated with a Bachelor of Accounting (Hons) from University of Melaya in 1997. He is a registered member of the Malaysia Institute of Accountants since 2000.

He began his career in 1997 with Ernst & Young as a Tax Assistant, where he was tasked with various accounting, taxation and auditing matters. Subsequently in 1999, he was promoted to the position of Tax Consultant where his work encompassed various accounting, taxation and auditing functions for clients ranging from small and medium enterprises to multinationals. He then left Ernst & Young in 2002 to join Smart Modular Technologies Sdn Bhd as a Finance Analyst where he was responsible for preparing monthly financial statement and analysis. After a few months with Smart Modular Technologies Sdn Bhd, he left to join Scope Manufacturers (M) Sdn Bhd to serve as Accounts/Finance Manager where he was in charge of preparing monthly financial statement and analysis. In 2004, he was promoted as the Financial Controller following the listing of Scope Industries Berhad on the Mesdaq Market (now known as the ACE Market) of Bursa Securities. He was responsible for financial management, budget planning, preparation of management accounts and financial reports, costing, as well as internal and credit control of the group. He then left in 2009 and co-founded Transform Electrical Industry Sdn Bhd, where he served as the Finance Director and was mainly responsible for overseeing all financial activities and operations. In 2014, he disposed his equity stake in Transform Electrical Industry Sdn Bhd to his partner.

He attended all 1 Board of Directors' Meeting held subsequent to his appointment and up to the financial year ended 31 March 2022.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past 5 years other than traffic offences, if any.

Key Senior Management Profile

Cheng Pek Tong

Chief Finance Officer

Malaysian, Male, aged 43

Cheng Pek Tong is our Chief Finance Officer and was appointed on 1 January 2014. He graduated with a Bachelor of Accountancy from Universiti Utara Malaysia in 2004. He is a Chartered Accountant and a member of the Malaysian Institute of Accountants. He started his career in Aljeffridean, Chartered Accountants (M) as an Audit Assistant in 2004 and was subsequently promoted to Assistant Manager in 2005. In 2008, he left Aljeffridean, Chartered Accountants (M) and joined Eonmetall Group Berhad as an Accountant. In 2011, he left Eonmetall Group Berhad and joined our Group as an Accountant, and was subsequently promoted to Chief Finance Officer. He is currently responsible for overseeing and monitoring our financial accounting and taxation matters, as well as planning and coordinating our corporate financial activities.

He does not hold any directorship in other public companies in Malaysia.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past 5 years other than traffic offences, if any.

Awards and Achievements



1. Golden Bull Award
Year : 2010

2. SME 100 Fast Moving Company Award
Year : 2011

3. Green TAG Certificate of Endorsement
Year : 2013

4. Superbrands Award
Year : 2015

5. HK Kitaran Sdn. Bhd.
ISO 9001: 2015



6. Fibre Star (M) Sdn Bhd
ISO 9001: 2015

7. Asia Honesty Product Award 2015
Year : 2015

8. Golden Eagle Award 2015
Malaysia 100 Excellent Enterprises
Year : 2015

9. FSC Standard
Year : 2020

Corporate Governance Overview Statement

The Board of Directors of Heng Huat Resources Group Berhad ("**Board**") is committed to ensure that good corporate governance is practised and applied throughout the Group. These best practices will not only safeguard and enhance sustainability of its shareholders' value but also ensure that the interests of all the stakeholders are protected.

The Board is guided and remains vigilant of the principles and recommendations of corporate governance as stipulated in the Malaysian Code on Corporate Governance which took effect on April 2017 ("**the Code**"). The Group will continuously uphold good corporate governance practices and will endeavour to ensure that the principles and recommendations advocated therein by the Code are observed, where applicable and appropriate. The detailed explanation on the application of the corporate governance practices are reported under Corporate Governance Report ("**CG Report**") as published in the Company's website at <http://www.henghuat.com.my>.

The three (3) principles set out below describe the extent of how the Group has applied and complied with the principles and recommendations set out in the Code pursuant to Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") for the financial year under review.

Principle A	Board leadership and effectiveness
Principle B	Effective audit and risk management
Principle C	Integrity in corporate reporting and meaningful relationship with stakeholders

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

Roles and Responsibilities of the Board

The Board acknowledges its key responsibilities in establishing the Group's overall strategic objectives, deliberating and directing strategic action plans and policies and strategic allocation of the Group's resources to align with the overall objectives of the Group. The primary focus of the Board mainly comprised formulation of strategies, overseeing the proper conduct of the Group's business and evaluating whether the business is properly managed, monitoring of financial performance, evaluation and management of principal risks faced by the Group, implementation and review of risk management and internal control system, succession planning, as well as development and implementation of investor relations programme and shareholders' policy.

To ensure the effective discharge of its function and responsibilities, the Board delegates some of the Board's authorities and discretion to the Executive Directors and key management staff of the operating units within the Group ("**Management**"), as well as properly constituted Board committees. There is a clear segregation of responsibilities reserved for the Board and those delegated to the Management. Any material and important proposals that will significantly affect the policies, strategies, directions and assets of the Group will be subject to approval by the Board. None of the members of the Board has unfettered powers of decision.

The Board committees established are the Audit Committee, the Nominating Committee, Remuneration Committee and the Risk Management Committee (collectively referred to as the "**Board Committees**"). The Board committees are entrusted with specific duties and responsibilities to oversee the Group's affairs, in accordance with their respective terms of reference. At each Board meeting, minutes of the Board Committee meetings are presented to the Board. The respective Chairman of the Board Committees will also report to the Board on key issues deliberated by the Board Committees.

The roles and responsibilities of Executive and Non-Executive Directors are distinguished and clearly defined. The Executive Directors, through their daily involvement in the operations of the Group, assume the primary responsibility for managing the Group's operations and resources. Their intimate knowledge and vast experience of the business and their active-participation management style have contributed to the continued growth of the Group.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Roles and Responsibilities of the Board (cont'd)

The Independent Non-Executive Directors, on the other hand, exercise with professional competence and independence, a supervisory role via their involvement in various Board committees and focus principally on performance monitoring and enhancement of corporate governance and internal controls. They offer a capable check and balance for the Executive Directors and ensure that issues pertaining to strategies, performance and resources allocation proposed by the Management (led by the Executive Directors) are objectively evaluated, taking into consideration the interests of the shareholders and relevant stakeholders of the Group.

Roles of Chairman

The Chairman's responsibilities include:

- Chairing Board meetings and ensures the following:
 - All relevant issues are on the agenda;
 - Board freely debates on the strategic and critical issues;
 - Board receives the necessary management reports on a timely basis; and
 - Accurate, timely and clear information are provided to members of the Board.
- Providing leadership to the Board and is responsible for the developmental needs of the Board.
- Chairing shareholders' meetings and ensuring effective communication with shareholders and stakeholders.
- Facilitating the effective contribution of non-executive directors and ensuring constructive relations between the executive and non-executive directors.

The roles of the Chairman are mentioned in detail in the Board Charter which is made available on the Company's corporate website www.henghuat.com.my.

Currently, the Company has not appointed a Chairman but is reviewing the suitability of candidates for this position.

Separation of Roles of Chairman and Managing Director

A segregation of responsibilities between the Independent Non-Executive Chairman and the Managing Director is practiced by the Company. Their roles are clearly defined and segregated to ensure appropriate balance of power and authority, increased accountability and enhanced capacity of the Board for independent decision-making. The Chairman is not related to the Managing Director and is responsible for leading the Board in the oversight and supervision of the Group's management. The Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board and the Management. The Managing Director is responsible for the day-to-day operations of the Group, making strategic business decision and implementing Board policies and decisions.

Role of Company Secretaries

The Board is supported by a qualified Company Secretaries. The Company Secretaries play an advisory role to the Board in relation to the Company's Constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries are also responsible in ensuring that deliberations at the Board and its Committees meetings are properly minuted and kept. During the financial year under review, the Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its duties and responsibilities.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Information and Support of Director

The Board convenes regular meetings on a quarterly basis to deliberate on the Group's overall strategies, operations and financial performance of the Group, with additional meetings to be convened from time to time to resolve any major and ad hoc matters requiring immediate attention. Directors are allowed to either participate in person, or through electronic means of communication (via teleconference).

During the financial year under review, 6 Board meetings have been called. The attendance of the individual Directors at the Board meetings are as follows:

	Attendance of Meeting
<u>Executive Directors</u>	
Dato' H'ng Choon Seng	6/6
Kee Swee Lai	6/6
Ng Chin Nam (Appointed on 2.8.2021)	4/4 ⁽ⁱ⁾
<u>Independent Non-Executive Directors</u>	
Dr. Lo Liang Kheng (Resigned on 1.10.2021)	2/2 ⁽ⁱⁱ⁾
Cheah Swi Chun	6/6
Ho Whye Chong	6/6
Lee Yee Wooi (Appointed on 19.1.2022)	1/1 ⁽ⁱⁱⁱ⁾

Notes

- (i) *Four meetings were held subsequent to his appointment and up to 31 March 2022.*
- (ii) *Two meetings were held prior to his resignation.*
- (iii) *One meeting was held subsequent to his appointment and up to 31 March 2022.*

The Board is satisfied with the Directors' commitment in fulfilling their roles and responsibilities as directors, as evidenced by the good attendance record of the Directors at the Board meetings.

The Board is given full and unrestricted access to all information pertaining to the Group's affairs to assist them in discharging their fiduciary duties effectively. The Board also has full access to the advice and services of the Company Secretaries who are responsible to the Board for ensuring that the Board meeting procedures are adhered to and that the applicable rules and regulations are being complied with. The Board is allowed, whether as a full board or in their individual capacity, to solicit independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group's expense.

Relevant formal meeting agenda are circulated to the Board members in advance of each Board meeting to ensure the Directors have sufficient time to solicit further explanations and/or information, where necessary, so as to enable them to duly discharge their duties and ensure that deliberations at the meeting are focused and constructive. Senior Management team and external advisers are normally invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda.

The proceedings and relevant resolutions passed at the Board meeting are duly recorded by the Company Secretaries, and properly documented and filed in the Minutes Book maintained at the Registered Office of the Company.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Board Charter

A formal board charter ("**the Charter**") has been drawn up and adopted by the Board in accordance with of the Code. The Board is guided by its Board Charter which clearly sets out the Board's roles, duties and responsibilities in discharging its fiduciary and leadership functions.

The objectives of the Charter are to ensure that the members of the Board are aware of their roles, duties and responsibilities and the application of principles and practices of good corporate governance in their business conduct and dealings in respect of, and on behalf of the Company and comply with the various laws and regulations governing them and the Company.

The Board will review the Charter at least once in every financial year and to make any necessary amendments when the Board deems necessary.

The Board Charter is available for reference on the Company's corporate website at www.henghuat.com.my.

Code of Conduct and Ethics

A formal code of conduct ("**the Code of Conduct**") which outlines the standards of business conduct and ethical behaviour which the Directors and employees should adhere to has been put in place in accordance with the Code.

The Code of Conduct is available for reference on the Company's corporate website at www.henghuat.com.my.

Whistleblowing Policies and Procedures

The Group has a whistleblowing policy and procedure to allow employees and any external stakeholders to report cases of bribery amongst other matters in the workplace. There are proper grievance procedures in place to allow employees to report on matters that they wish to highlight to Management's attention.

The Whistleblowing policies and procedures is available for reference on the Company's corporate website at www.henghuat.com.my.

Board Composition and Independence

The Board currently consists of 6 members, comprising 3 Executive Directors and 3 Independent Non-Executive Directors as follows:

Executive Directors

Dato' H'ng Choon Seng	(Managing Director)
Kee Swee Lai	(Deputy Managing Director)
Ng Chin Nam	(Executive Director)

Independent Non-Executive Directors

Cheah Swi Chun
Ho Whye Chong
Lee Yee Wooi

The composition of the Board is in compliance with paragraph 15.02 of the Listing Requirements, which requires at least 2 Directors or 1/3 of the Board, whichever is the higher, to consist of Independent Non-Executive Directors.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Board Composition and Independence (cont'd)

The biographical information of each Director are presented on pages 15 to 18 of this Annual Report, under Directors' Profile.

Members of the Board are persons of high calibre with different professional and commercial backgrounds. With a blend of good management, entrepreneurial skills and industry-specific knowledge, they bring extensive depth and diversity in experience and perspectives which are essential for the sustainability of the Group. To ensure an effective and independent supervision, all the Independent Non-Executive Directors in office are independent of the Executive Directors, Management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a proper check and balance on the Board's deliberations.

Continuing Education Programme for Directors

The Board takes cognisance of the importance of appropriate continuous training in keeping the Directors updated and informed on the changes and developments of operating environment and the corporate regulatory framework.

All the Directors have attended and completed the Mandatory Accreditation Programme (MAP). Moreover, the Directors are briefed and updated at the quarterly meetings by the Company Secretaries, Internal and/or External Auditors on relevant amendments to the Listing Requirements, corporate governance practices and principles, risk management and internal control approaches, Malaysian Financial Reporting Standards, as well as auditing requirements. The Directors also gained insights to the market development through constructive and active deliberations at the Board meetings.

During the financial year under review, the training programmes, seminars and briefings attended by the Directors are as follows:

Name of Director	Training Programme
Dato' H'ng Choon Seng	Risk Management 26 - 27 November 2021
Kee Swee Lai	Risk Management 26 - 27 November 2021
Ng Chin Nam	Risk Management 26 - 27 November 2021 Webinar on budget 2022: Budget highlights and reasons tax and developments
Cheah Swi Chun	MIA Webinar Series: Pre & Post IPO Rules and Key Updates to Listing Requirements
Ho Whye Chong	Risk Management 26 - 27 November 2021
Lee Yee Wooi	Mandatory Accreditation Programme

The Board is mindful of the importance of continuing professional development and the need for continuous update and training. The Board, via the Nominating Committee, will assess the training needs of the Directors on a continuing basis. The Directors are expected to identify suitable training programmes for participation to ensure that they are updated and kept abreast with the economy developments, changes in the industry and business environment, new regulatory and financial reporting requirements, as well as essential practices for effective corporate governance, risk management and internal control. Thus, allowing them to discharge their roles and responsibilities effectively.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Compliance with Applicable Financial Reporting Standards

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the issuance of Annual Audited Financial Statements, quarterly financial reports, and corporate announcements on significant developments affecting the Group in accordance with the Listing Requirements.

The Annual Audited Financial Statements and quarterly financial reports are prepared in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act 2016 and the Listing Requirements of Bursa Securities.

Directors' responsibilities in relation to the preparation of the Group's financial statements are further elaborated under Directors' Responsibility Statement.

The Audit Committee assists the Board in overseeing the Group's financial reporting processes and ensuring the quality of its financial reporting. The Group's annual and quarterly financial statements are reviewed by the Audit Committee, with the focus on changes in accounting policies, Management's judgement in applying these accounting policies as well as the assumptions and estimates applied in accounting for certain material transactions.

Assessment of Suitability and Independence of External Auditors

The Board acknowledges that the independent opinion of the Group's External Auditors is essential in reassuring the shareholders that the Group's financial statements present a true and fair view of its financial position, financial performance and cash flows status.

The Board strives to establish a transparent and professional relationship with the Group's External Auditors with the assistance of the Audit Committee. The Audit Committee members meet with the Group's External Auditors at least twice a year with the absence of the Executive Directors and Senior Management to discuss the results and concerns arising from their audit.

The Audit Committee is responsible to review and monitor the suitability and independence of the Group's External Auditors. The Audit Committee had obtained assurance from its external auditors, Messrs. Grant Thornton Malaysia PLT, confirming that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. After having satisfied with the performance of Messrs. Grant Thornton Malaysia PLT and its audit independence, the Audit Committee recommended the re-appointment of Messrs. Grant Thornton Malaysia PLT to the Board for approval by its shareholders at the forthcoming AGM.

Tenure of Independent Director

The Board is aware that the tenure of an Independent Non-Executive Director should not exceed a cumulative term of 9 years as recommended by the Code.

Upon completion of the 9 years, the Independent Non-Executive Director concerned may:

- Continue to serve on the Board if deemed appropriate and suitable by the Board, subject to him/her being re-designated as Non-Independent Director; or
- Remain as an Independent Non-Executive Director if deemed appropriate and suitable by the Board, subject to the shareholders' approval. The Board must provide justification for the decision.

As of the date of this Annual Report, none of the Independent Non-Executive Directors has served a consecutive term of nine (9) years.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Board Diversity, Targets and Measures to Meet Those Targets

The Group currently has no female Board member.

The Board acknowledges the important of promoting gender diversity to comply with the recommendations of the Code.

As recommended under practice 4.5, the Code encourages that the Board comprises of 30% women directors. The Board will remain mindful and has set an objective to comply with the Code by appointing more women director to the Board when suitable candidate is identified to support the Group's objectives.

The Group is an employer who provides equal opportunity to all its employees. All appointments and employments are strictly based on meritocracy and are not driven by any racial, gender, ethnicity or age bias.

Sourcing of Director

The Nominating Committee shall exclusively comprises of Non-Executive Directors, a majority of whom are Independent Directors and is primarily responsible for the following:

- Propose, consider and recommend suitable persons for appointment as Director. In making its recommendations, the Nominating Committee should consider the candidates:
 - Skills, knowledge, expertise and experience;
 - Professionalism;
 - Integrity; and
 - In the case of candidates for the position of Independent Non-Executive Directors, to evaluate the candidates' ability to discharge such responsibilities/ functions as expected from the Independent Non-Executive Directors;
- Recommend to the Board the Directors to fill the seats on the Board Committees;
- Annual review of the required mix of skills, experience, competencies, independency and other qualities, which Non-Executive Directors should bring to the Board;
- Annual assessment of the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director including the Independent Non-Executive Directors as well as the Chief Executive Directors;
- Review the succession plans and training programmes for the Board; and
- Perform such other responsibilities as may be delegated by the Board from time to time.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Sourcing of Director (cont'd)

During the financial year under review, 1 meeting of the Nominating Committee was held to undertake the following activities:

- Assessed the size and composition of the Board;
- Reviewed and discussed the performance and contribution of the individual Directors (both the Executive Directors and Independent Non-Executive Directors);
- Assessed the performance of the Board and of the respective Board Committees;
- Reviewed the terms of office and performance of Audit Committee and each of its members; and
- Evaluated the Directors that shall retire at the forthcoming Annual General Meeting ("**AGM**") pursuant to the Company's Constitution and made recommendation for their re-election.

The details of attendance are reflected below:

	Attendance of Meeting
<u>Chairman</u>	
Ho Whye Chong (<i>Independent Non-Executive Director</i>)	1/1
<u>Members</u>	
Dr. Lo Liang Kheng (<i>Independent Non-Executive Director</i>) (Resigned on 1.10.2021)	1/1 ⁽ⁱ⁾
Cheah Swi Chun (<i>Independent Non-Executive Director</i>)	1/1
Lee Yee Wooi (<i>Independent Non-Executive Director</i>) (Appointed on 19.1.2022)	N/A ⁽ⁱⁱ⁾

Notes

- (i) One meeting was held prior to his resignation
- (ii) No meeting was held subsequent to his appointment.

Chairmanship of the Nomination Committee

Practice of the Code advocates that the Chairman of the Nominating Committee should be the Independent Director or a Senior Independent Non-Executive Director.

The Nominating Committee carries out an assessment on the composition of the Board, contribution of each individual Directors and overall effectiveness of the Board as a whole, and the Board Committees, on an annual basis, to ensure as far as possible, the Board is equipped with members of different mix of skill sets, competencies and gender diversity as well as to identify areas for improvement and for the purposes of reappointment of Directors of the Company.

Upon assessment of the Board's size and composition, the Nominating Committee is satisfied that the Board's size is appropriate given the scale of the Group's business and operations and the composition is well-balanced with mix of knowledge, skills and attributes to enable the Board to discharge its duties efficiently.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Evaluation of Board, Board Committees and Individual Directors

The Board as a whole makes decisions on appointment of Director, upon recommendation by the Nominating Committee.

The selection and appointment of suitable candidates for the Board membership are conducted in a systematic manner. It involves the following 5 nomination procedures:

- Identification/selection of potential candidate(s);
- Assessment of suitability of candidate(s);
- Formal interview with potential candidate(s);
- Final deliberation by the Nominating Committee; and
- Recommendation to the Board for approval.

In the selection process, the Board and the Nominating Committee endeavour to appoint member that can improve the Board's overall compositional balance and enhance the Board's overall effectiveness in discharging its duties. The selection process is unbiased and unprejudiced in respect of race, religion and gender although the Board and the Nominating Committee are cognisant of the gender diversity recommendation advocated by the Code.

Pursuant to the Company's Constitution, 1/3 of the Directors are required to retire at each Annual General Meeting and be subjected to re-election by shareholders. All Directors shall also retire at least once every 3 years. Directors who are newly appointed by the Board shall retire and subject themselves for re-election by the shareholders at the next Annual General Meeting held following their appointments.

The Companies Act 2016 abolished the maximum age for Directors and hence, the appointment or re-appointment of Directors will be based on their qualifications and merits.

Upon the recommendation of the Nominating Committee and the Board, the Directors who are standing for re-election and re-appointment at the coming Eleventh Annual General Meeting of the Company to be held in 2022 as stated in the Notice of Annual General Meeting.

Annual Assessment of the Board

The Nominating Committee carries out an assessment on the composition of the Board, contribution of each individual Directors and overall effectiveness of the Board as a whole, and the Board Committees, on an annual basis, to ensure as far as possible, the Board is equipped with members of different mix of skill sets, competencies and gender diversity as well as to identify areas for improvement and for the purposes of reappointment of Directors of the Company.

Upon assessment of the Board's size and composition, the Nominating Committee is satisfied that the Board's size is appropriate given the scale of the Group's business and operations and the composition is well-balanced with mix of knowledge, skills and attributes to enable the Board to discharge its duties efficiently.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Remuneration Policy and Procedures for Director and Senior Management

According to the Code, the Remuneration Committee shall only consist of Non-Executive Directors, a majority of whom are Independent Directors and is primarily responsible for the following:

- Recommend to the Board the remuneration package of the Executive Directors and key senior management personnel in all its form, drawing from outside advice, if necessary;
- Recommend to the Board the remuneration of Non-Executive Directors which shall be a decision of the Board as a whole, save and except where the remunerations is in respect of any member or members of this Committee; and
- Assist the Board in discharging its responsibilities relating to, amongst others, compensation strategy, succession planning, management development and other compensation arrangements.

During the financial year, Remuneration Committee had rescheduled the Remuneration Committee meeting and to be held after year end. Subsequent to reporting date, 1 meeting of the Remuneration Committee was held and the details of attendance are reflected below:

Attendance of Meeting

Chairman

Dr. Lo Liang Kheng (<i>Independent Non-Executive Director</i>) (Resigned on 1.10.2021)	1/1 ⁽ⁱ⁾
Ho Whye Chong (<i>Independent Non-Executive Director</i>)	1/1

Members

Cheah Swi Chun (<i>Independent Non-Executive Director</i>)	1/1
Lee Yee Woi (<i>Independent Non-Executive Director</i>) (Appointed on 19.1.2022)	N/A ⁽ⁱⁱ⁾

Notes

- (i) One meeting was held prior to his resignation
(ii) No meeting was held subsequent to his appointment.

The principal objective of the Group's remuneration policy is to attract, retain and motivate the Directors of the necessary calibre and experience to lead and manage the Group effectively. For Executive Directors, the remuneration package is structured to align the interests of the Executive Directors with those of shareholders and is linked to corporate and individual performance, service seniority, experience and responsibilities. For Independent Non-Executive Directors, the level of remuneration is based on the level of their experience and responsibilities.

The framework of Executive Directors' remuneration package and the terms of their employment are recommended by the Remuneration Committee for the Board's approval. The remuneration package of Independent Non-Executive Directors is determined by the Board as a whole. Directors are required to abstain from deliberations and voting on decisions concerning their own remuneration.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Disclosure of Remuneration

The details of the remuneration of the Directors who are also top Key Senior Management for the financial year ended 31 March 2022 are as follows:

Group	Fees RM'000	Meeting Allowance RM'000	Salary RM'000	Bonus RM'000	Share issuance scheme expenses RM'000	Other emoluments RM'000	Benefits- in-kind RM'000
Non-Executive Director							
Cheah Swi Chun	24	*	-	-	38	-	-
Dr. Lo Liang Kheng	12	*	-	-	-	20	-
Ho Whye Chong	18	*	-	-	1,125	-	-
Lee Yee Wooi	6	-	-	-	-	-	-

Executive Director							
Dato' H'ng Choon Seng	-	-	560	500	-	128	16
Kee Swee Lai	-	-	380	350	504	88	21
Ng Chin Nam	-	-	279	310	1,663	66	2

Company	Fees RM'000	Meeting Allowance RM'000	Salary RM'000	Bonus RM'000	Share issuance scheme expenses RM'000	Other emoluments RM'000	Benefits- in-kind RM'000
Non-Executive Director							
Cheah Swi Chun	24	*	-	-	38	-	-
Dr. Lo Liang Kheng	12	*	-	-	-	20	-
Ho Whye Chong	18	*	-	-	1,125	-	-
Lee Yee Wooi	6	-	-	-	-	-	-

Executive Director							
Dato' H'ng Choon Seng	-	-	-	-	-	-	-
Kee Swee Lai	-	-	-	-	-	-	-
Ng Chin Nam	-	-	174	-	-	21	2

Notes

* Less than RM1,000

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Risk Management

The Board recognises the significance of sound risk management and internal control systems, which are necessary to safeguard the Group's assets and shareholders' investment. To this end, the Board affirms its overall responsibility in ensuring the adequacy, effectiveness and integrity of the Group's risk management and internal control system which encompasses risk management practices as well as financial, operational and compliance controls. Nonetheless, it is important to note that such system, by its nature, manages but not eliminates risks and therefore can provide only reasonable and not absolute assurance against material misstatement, loss or fraud.

The *Statement on Risk Management and Internal Control* set out on pages 37 to 40 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Internal Audit Function

The Board has outsourced its internal audit function to a professional consulting firm, which is independent to the activities and operations of the Group. The Outsourced Internal Auditors conduct independent reviews on the state of risk management and internal controls of the Group and report directly to the Audit Committee. The findings of the internal auditors, together with recommended action plans, are reported to the Audit Committee and conveyed to the Management.

A summary of the major areas of work performed by the internal auditors during the financial year are set out in the *Audit Committee Report* on pages 41 to page 44 of this Annual Report.

Risk Management Committee

The Risk Management Committee (“RMC”) has been established to review the adequacy and effectiveness of risk management of the Group. The RMC’s main role is to review, on behalf of the Board, the system of risk management necessary to manage the key risks inherent in the business and to present its findings to the Board.

Risk Management enables the Group to identify, assess and mitigate risks systematically.

Continuous risk assessment is fundamental to the Group’s risk management process where the risk owners from the business and corporate units are responsible to develop the appropriate response strategies to mitigate the risks.

Detail of the activities carries out by the RMC in 2022 are set out on pages 37 to page 40.

The Term of Reference is available for reference on the Company’s corporate website at www.henghuat.com.my.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Corporate Disclosure Policy

The Board is aware of the importance of maintaining proper corporate disclosure procedures with the aim of providing shareholders and investors with comprehensive, accurate and quality information on a timely basis. Personnel and working team preparing the disclosure will conduct proper verification, as well as coordinate the efficient disclosure of material information to the investing public.

The Board, in its best efforts, always ensure that the financial results are released to the shareholders and the general public on a timely manner and the financial statements are presented with accuracy and adequacy and comply with all relevant regulatory reporting requirements and financial reporting standards.

Leverage on Information Technology for Effective Dissemination of Information

To ensure effective dissemination of information to the shareholders and stakeholders, an Investor Relations (“IR”) section has been incorporated in its corporate website, which provides all relevant information on the Group and is accessible by the public. This IR section enhances the IR function by including all announcements made by the Company to the website of Bursa Securities, quarterly report, annual report, board charter as well as corporate governance structure of the Company.

The Company will continuously enhance the disclosures on its website for broader and effective dissemination of information to its shareholders and stakeholders.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE C – INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

Shareholders' Participation at General Meeting

All shareholders are invited and encouraged by the Board to attend the Company's general meeting, particularly the Annual General Meeting, as it forms an important platform where the shareholders can engage directly with the Board and the Management and raise any questions and concerns they may have on the Group. The Company is looking forward to solicit feedbacks and views from its shareholders and answer shareholders' question on all issues pertaining to the Company at the AGM. Shareholders who are unable to attend personally are allowed to appoint proxy/proxies to attend and vote on their behalf. Notice of the Annual General Meeting is circulated to the shareholders at least 28 days prior to the meeting.

Poll Voting

The Board is mindful of the poll voting requirement under Paragraph 8.31A of the Listing Requirements. The Board will implement poll voting for all the resolutions to be passed in the forthcoming Annual General Meeting. The Company will appoint 1 scrutineer, who is independent of the Group and the person undertaking the polling process, to validate the votes casted.

The Board will consider adopting electronic voting to facilitate greater shareholders participation when the facilities for electronic voting mechanism are more prevalent in the future.

Effective Communication and Proactive Engagement

The Board acknowledges the paramount importance of an active and constructive communication policy that enables effective communication between the Board, shareholders, stakeholders and general public and the importance of timely dissemination of information to shareholders, stakeholders and general public and their rights to be updated of the Group's activities and performance to enable them to make informed evaluation and investment decision.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

- Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;
- Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;
- Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements;
- Annual General Meetings; and
- Corporate website under www.henghuat.com.my.

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" section of this Annual Report. Notwithstanding that, shareholders and investors may also direct their queries to other Director of the Group as the Board operates in an open environment in which information is freely exchanged among the Board members, with due care exercised to safeguard the confidentiality of the information.

While the Group strives to provide as much information as possible to the shareholders and stakeholders, the Board upholds strict standards of confidentiality with regard to undisclosed material information under all circumstances and is cognisant of the legal and regulatory framework governing the dissemination of information to shareholders and the general public particularly the rules and regulations stipulated under Chapter 9 of the Listing Requirements.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE C – INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

Corporate Governance Compliance Statement

The Board recognises the importance of good corporate governance towards long term sustainability of the Group. The Board always strive to adopt the principles and recommendations promoted by the Code. Save as disclosed within this Annual Report, the Group has, and will continue to apply the principles and recommendations as set out in the Code where practical and appropriate.

This statement was made in accordance with a Board of Directors' resolution dated 25 July 2022.

DIRECTORS' RESPONSIBILITY STATEMENT

In the course of preparing the annual financial statements for the Group and the Company, the Directors reaffirm that they are collectively responsible for ensuring that these financial statements are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia, the provisions of the Companies Act 2016 and the Listing Requirements of Bursa Securities; and that the financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group for the financial year ended 31 March 2022.

To ensure that the financial statements are properly drawn up, the Directors have taken the following measures:

- adopted the relevant Malaysian Financial Reporting Standards and International Financial Reporting Standards;
- applied the appropriate and relevant accounting policies on consistent basis;
- where applicable, made judgements and estimates that are reasonable and prudent;
- prepared the financial statements on going concern basis; and
- ensured that proper accounting records are kept in accordance with the requirements of the Companies Act 2016 so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors have also made reasonable steps to prevent and detect fraud as well as other irregularities in safeguarding the assets of the Group.

This statement was made in accordance with a Board of Directors' resolution dated 25 July 2022.

Sustainability Statement

The Group recognises the significance philosophy of sustainability towards the key stakeholders of the Company, as it believes that the well-doing of the society is essential for the continuous and long-term sustainability of the Group. The Group is committed to ensure ethical conduct of its business activities while striving to maximise the returns to the shareholders. The Group is dedicated to continuously improve its programs and hence, will review and monitor its sustainability policies from time to time to identify areas for enhancement.

The Group's sustainability policies and programs encompass 4 core areas:

- **Workplace**

The Group recognises that continuous success is impossible to achieve, without the dedicated efforts and supports from its employees. The Group endeavours to create a safe and healthy working environment for its employees. Where appropriate, revision on employees' remuneration will be made accordingly after consideration of the respective employees' performance and the market rate.

It is the Group's policy that the production floor is to be maintained neatly organised at all times for safety consideration. Safety officers are assigned to patrol around the production floor to ensure that the production workers adhere to the safety measures.

In addition to that, an internal emergency response team has been established where regular trainings are provided to equip the team members with first-aid knowledge as well as emergency handling skills. The emergency response team will then conduct in-house briefings from time to time and share the knowledge and skills with other employees.

- **Environment**

Environmental protection is embedded into the Group's operations and corporate culture and is one of the elementary competitive strength of the Group's operations. The Group's primary business focus is to convert biomass waste, namely coconut husks and oil palm EFB into biomass materials and value-added products comprising coconut fibre, coconut peat, coconut fibre sheet, oil palm EFB fibre, briquette and geotextiles.

To enhance the environmental protection, the Group had installed scrubber to its plants to reduce the ash releases into the air and constructed a sludge pool to contain the ash. In addition, the bag filter system is being implemented to enhance the air pollution control system.

To further minimise the environmental impact of the Group's operations, wastes (by-products from its biomass materials production such as foreign waste materials and short fibre) are reused to generate biomass energy. The biomass energy is then used to supplement the power needs of the manufacture of its biomass materials and value-added products. This helps to reduce its reliance on firewood and lower the risk of pollution.

In addition to that, the Group maintains careful waste-handling procedures where the wastes are being gathered for subsequent proper disposal to avoid contaminating surrounding public areas.

Sustainability Statement (Cont'd)

- **Marketplace**

The Group recognises the importance of ethical practices and conducts towards long term sustainable development of its operations. It places strong emphasis on the quality of all products produced and are committed towards ensuring a consistent and reliable supply to its customers according to their requirements. It continually seeks to uphold the quality of its main operation in biomass and mattress division. Its commitment to quality is testified by several qualified bodies by the Group's key operating subsidiaries.

Its entire production process including material handling, fibre production and packing system goes through proper quality checks at various critical points to ascertain that its product quality remains consistent throughout. In addition, it checks all incoming raw materials to ensure that the materials meet pre-determined standards and to reject materials that do not meet specification.

The Group values the customers and suppliers being its key business partners who contribute to the continuing success of the Group. Accordingly, the Group always maintain active communication with the customers and suppliers and ensure prompt response to the customers' feedback and enquiries.

- **Community**

The Group truly appreciates that it should contribute to the community, as the well-being of the community underlies the Group's long term and sustainable development.

The Group has actively played its social role by taking the opportunity to interact with the local community through direct or indirect involvement in several activities during the year. Therefore, in line with the purpose of promoting a healthy lifestyle, the Group had sponsored various sport events held by the local community.

Statement On Risk Management and Internal Control

The Board is cognisant of the necessity of establishing a sound risk management and internal control systems in order to support the Group's objectives and to safeguard the shareholders' investments and the Group's assets.

The Board is pleased to present the Statement on Risk Management and Internal Control ("**Statement**") pursuant to Rule 15.26(b) of the Listing Requirements. This Statement has been prepared in accordance with the *Statement on Risk Management and Internal Control ("RMIC"): Guidelines for Directors of Listed Issuers ("Guidelines")*.

It is essential to note that the systems of internal control and risk management are designed to manage, supervise and control risks appropriately within a reasonable and practicable level, rather than to eliminate the risk of failure to achieve business objectives. Hence, these systems can only provide reasonable and not absolute assurance against material misstatement of management and financial information, or against financial losses and fraud or breaches of laws and regulations.

The effectiveness of risk management and internal control systems may vary over time due to the ever-changing circumstances and conditions of the Company and the Group. Nevertheless, the Board acknowledges the need for the systems of risk management and internal control to be continuously improved in line with the evolving business development.

OBJECTIVE

The objective of establishing a sound risk management framework and an adequate and effective system of internal control is to safeguard shareholders' investment and the Group's assets, pursuant to the Malaysian Code on Corporate Governance which has come into force in April 2017.

- Outline the Group's risk context which comprise Group's philosophies, strategies and policies and operating system to better manage the business risks faced in today's adversity;
- Provide a guide to Head of Department as to how to govern the action of their operating personnel in relation to risk; and
- Provide assurance to the Board that a sound risk internal control is in place.

RMIC is a structured and disciplined approach align strategies, processes, people, technology and knowledge with the purpose of evaluating and managing the risk the Group faces as it creates value.

An integrated, future focused and process orientated across functional, divisional and cultural barrier helps the Group manage all key business risk and opportunities with the intent of maximizing shareholders value for the Group as a whole.

DEFINITION OF RISK

Risk may be viewed as the threat of some event, action or loss of opportunity that, if it occurs or become a reality, will adversely either or value to shareholders, ability to achieve the objectives and implement business strategies, manner in conducting the business operation and Group's reputation.

Statement On Risk Management and Internal Control (Cont'd)

CRITICAL SUCCESS FACTOR FOR RISK MANAGEMENT

The successful management of risk within the Group depends upon limitation as below:

- Risk management being part and parcel of strategy, project and operational planning and activities throughout the Group;
- Risk management is openly accepted and supported by the Group’s leadership as providing sound business value; and
- Risk management is to be incorporated into the daily activity and being view as helpful in achieving the Group vision and strategic goal.

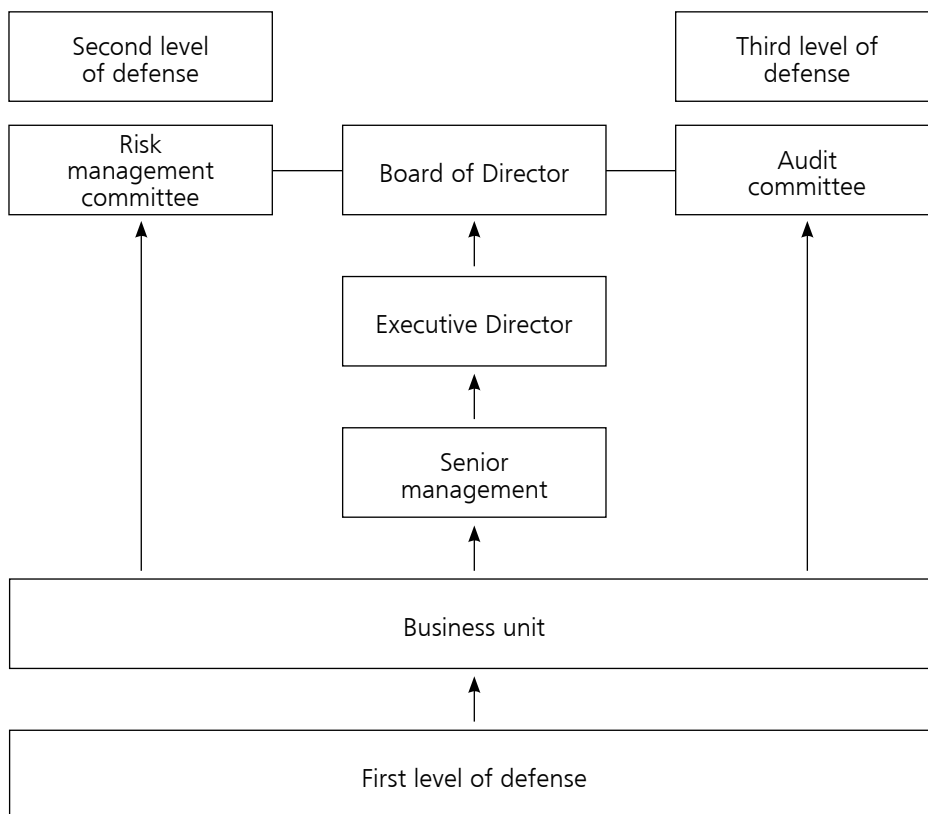
RISK STRUCTURE

Risk management cannot function in isolated silos. An appropriate framework has to be established within the Group to provide the control environment for risk management activities. This framework or structure embedded within the fabric of the Group. Key elements in the risk management structure included the following:

Risk management organisation structure:

- Roles, responsibilities and accountabilities of individual and terms especially the risk manager;
- Use of common terminology, this was communicated to the Executive Directors, Managing Director, Head of Departments, Executives and some support staff during the workshop and awareness session; and
- Reporting structure and the frequency of the reporting process will allow red flags or high risk areas to be immediately channeled to the appropriate level for action.

Risk Organisation Structure



Statement On Risk Management and Internal Control (Cont'd)

RISK MANAGEMENT

From the date of last AGM, the Group via its Risk Management Committee ("**RMC**") conducted 1 meeting to review the key risks faced by the Group. This is to ensure the risk management framework and internal control mechanism that have been put in place remain relevant and capable to reduce the risks to acceptable level.

The RMC will conduct half-yearly review and assessment on the key risks faced by the Group in its ordinary course of business to ensure that all the principal risks are maintained at acceptable level. Material findings, if any, together with additional control measures to be put in place shall be reported to the Board for deliberation.

During the financial year under review, as an initiative to enhance awareness on corporate governance, training had been conducted for the Board and the management personnel as recommended by the RMC. In addition, key risk and action are discussed at Board meetings. The Board will ensure that Management implement all action plans within the agreed timeline. The management shall conduct a half-yearly review to ensure that all key risks are maintain at acceptable level, and material finding (if any) shall be submitted to the Board for deliberation.

The Audit Committee will assist in overseeing the internal control aspects of the Group.

INTERNAL CONTROL

Maintaining a robust control structure and environment for the proper conduct of the Group's business operations and towards achieving a sound system of internal control has always been the Board's commitment. The key elements of the Group's system of internal control include:

- A well-defined organisational structure with well-defined scopes of responsibility, clear lines of accountability and appropriate levels of delegated authority. There is a process of hierarchical reporting which provides for a documented and auditable trail of accountability. Delegation of authorities including authorisation limits are clearly defined to ensure accountability and responsibility;
- The Group's Management carry out the monitoring and reviewing of the financial results for all businesses within the Group, including reporting thereon, of performance against the operating plans. The Management then formulate action plans to address any areas of concern;
- Regular Board and Management meetings are held where information is provided to the Board and Management covering financial performances and operations;
- The Board ensure that all recurrent related party transactions are dealt in accordance with the Listing Requirements. These recurrent related party transactions are subject to review by the Audit Committee and the Board at their respective meetings;
- A fully independent Audit Committee consisting exclusively of Independent Non-Executive Directors that monitor and review internal control issues identified by the internal auditors, the external auditors and the Management, and evaluate the adequacy and effectiveness of the risk management and internal control systems; and
- Quarterly meetings for the Audit Committee and Board are held to discuss on quarterly financial reports and issues that warrant the Audit Committee's and the Board's attention.

The Board acknowledges and recognises the importance of the internal audit function in assisting the Board in reviewing the effectiveness of the risk management and internal control system within the Group in safeguarding the shareholders' investments and the Group's assets.

Statement On Risk Management and Internal Control (Cont'd)

INTERNAL CONTROL (cont'd)

An independent professional internal audit firm has been engaged by the Group as the Internal Auditors to provide much of the assurance it requires regarding the effectiveness and the adequacy and integrity of the Group's internal control system. To ensure independence, the Internal Auditors report directly to the Audit Committee.

During the financial year under review, the internal audit of the Group was carried out on a risk-based auditing approach in accordance with the 1 year audit plan and scope of works approved by the Audit Committee. The internal audit provides an assessment of the adequacy, efficiency and effectiveness of the Group's internal control system. Recommendations for improvement are presented to the Audit Committee at its quarterly meetings, where necessary.

The internal audit reports are also circulated to the Management for implementation of the recommended improvement action plans. Follow-up reviews are conducted by the Internal Auditors to ascertain whether the recommendations are implemented within the stipulated time frame.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control. As set out in their terms of engagement, the procedures were performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3 issued by Malaysian Institute of Accountants. Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is it factually inaccurate.

ASSURANCE FROM MANAGEMENT

The Management is accountable to the Board for implementing and monitoring the systems of risk management and internal control and for providing assurance to the Audit Committee and the Board that it has done so. The Board has received assurance from the Managing Director and Chief Financial Officer that the Group's risk management and internal control system are operating adequately and effectively in all material aspects, based on the risk management and internal control system adopted by the Group.

CONCLUSION

The Board has considered the adequacy and effectiveness of the Group's system of risk management and internal control for the year under review, and up to the date of this Statement. The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year ended 31 March 2022. The Board and the Management continuously take measures to enhance the control environment and monitor the risk management and internal control framework in meeting the Group's business objectives. This statement was made in accordance with a Board of Directors' resolution dated 25 July 2022.

The Term of Reference is available for reference on the Company's corporate website at www.henghuat.com.my.

Audit Committee Report

Composition of Audit Committee

The Audit Committee members are nominated and appointed by the Board and consist of three (3) members as of the date of this report:

- Cheah Swi Chun Chairman/ Independent Non-Executive Director
- Ho Whye Chong Member/ Independent Non-Executive Director
- Lee Yee Wooi Member/ Independent Non-Executive Director

Objectives

The Audit Committee ("**Committee**") is established to assist the Board in ensuring timely and accurate financial reporting, proper implementation of risk management policies and internal control, and regulatory compliance.

Authority

- (a) The Committee is authorised by the Board to carry out the duties mentioned below and the Board and Management shall give all assistance that is necessary to enable the Committee to discharge its duties.
- (b) The Committee shall, whenever necessary and reasonable for the performance of its duties and in accordance with a procedure to be determined by the Board and at the Company's cost:
 - have explicit authority to investigate any matter within its terms of reference;
 - have the resources which are required to perform its duties;
 - have, at the expense of the Company, full/unrestricted access to all information and documents/ resources pertaining to the Company which are required to perform its duties;
 - have direct communication channels with the external auditors, person(s) carrying out the internal audit function or activity (if any) and senior management of the Company;
 - be able to obtain external and independent professional or other advice, and to invite outsiders with relevant experience to attend meetings, if necessary; and
 - be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary
- (c) Procedure of the Committee

The Committee may regulate its own procedure, in particular:

- the calling of meetings;
- the notice to be given of such meetings;
- the voting and proceedings of such meetings;
- the keeping of minutes; and
- the custody, production and inspection of such minutes.

Audit Committee Report (Cont'd)

Attendance at Meetings

During the financial year under review, 5 meetings were held and the details of attendance of each member are as follows:

Members	Attendance of Meetings
Cheah Swi Chun	5/5
Dr. Lo Liang Kheng (Resigned on 1.10.2021)	2/2 ⁽ⁱ⁾
Ho Whye Chong	5/5
Lee Yee Wooi (Appointed on 19.1.2022)	1/1 ⁽ⁱⁱ⁾

Notes

- (i) *Two meetings was held prior to his resignation*
- (ii) *One meeting was held subsequent to his appointment and up to 31 March 2022.*

Summary of Activities of the Committee

In discharging its function, the Audit Committee had carried out the following activities during the financial year ended 31 March 2022:

- Financial Reporting
 - (a) Reviewed the unaudited quarterly financial reports prior to recommending them to the Board for approval of announcement to Bursa Malaysia Securities Berhad ("Bursa Securities") and Securities Commission ("SC");
 - (b) Reviewed the annual audited financial statements of the Company and of the Group for the financial year ended 31 March 2021 prior to recommending it to the Board for approval of announcement to Bursa Securities and SC;
 - (c) Reviewed the Audit Committee Report, Statement of Corporate Governance and Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 March 2021 ("Annual Report 2021") to ensure the contents therein are accurate and in compliance with the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad;
 - (d) Reviewed the list of related party transaction undertaken by the Group during the financial year and confirmed that the transaction was undertaken at arm's length basis and that the terms are not more favourable than those generally available to the public, and that adequate and accurate disclosure was made in compliance with the AMLR; and
 - (e) Reviewed the Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction ("**RRPT Circular**") to Shareholders dated 26 July 2022 before recommending them to the Board for consideration and approval.

Audit Committee Report (Cont'd)

Summary of Activities of the Committee (cont'd)

- External Auditors
 - (a) Reviewed and assessed the suitability and independence of the external auditors. To this end, the Audit Committee had obtained confirmation from the External Auditors on their independence and were not aware of any potential conflict of interest situation;
 - (b) Reviewed the performance appraisal of the External Auditors and recommended the Board for their re-appointment for financial year ended 2022;
 - (c) Reviewed and discussed the audit findings in relation to the audited financial statements for the financial year ended 31 March 2021 as well as few internal control areas that required improvement as recommended by the External Auditors. To this end, the Audit Committee had reviewed the findings highlighted, deliberated on the Management's responses thereto and evaluated the recommended improvement action plans to ensure the areas of concern are adequately mitigated;
 - (d) Reviewed the scope of work and audit plan tabled by the External Auditors in relation to the statutory audit for the financial year ended 31 March 2022. The Committee had obtained updates from the External Auditors on the new accounting standards, auditing standards and other changes relating to the legal and regulatory requirements that came into effect during the financial year ended 31 March 2022; and
 - (e) Held private session (without the presence of the Executive Directors and Management) with the External Auditors twice during the financial year under review.
- Internal Auditors
 - (a) Reviewed the internal audit plans and scope of works submitted by the Internal Auditors engaged by the Group;
 - (b) Reviewed the internal audit reports submitted by the Internal Auditors, and discussed the findings and recommendations with the Management; and
 - (c) Reviewed the performance appraisal of the Internal Auditors and recommended the Board for their re-appointment.

The Audit Committee confirmed that it has been allowed unrestricted communication with both the External and Internal Auditors during the financial year under review, and participations of the Executive Directors and Management in the Committee's meetings were strictly upon invitation.

Subsequent to the financial year end, the Audit Committee had reviewed the following prior to recommending to the Board for approval:

- The audited financial statements of the Company and the Group for the financial year ended 31 March 2022;
- The Audit Committee Report, Corporate Governance Overview Statement, Corporate Governance Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 March 2022;
- The RRPT Circular dated 26 July 2022; and
- The performance appraisal of the External Auditors for their re-appointment for the financial year ending 31 March 2023.

Audit Committee Report (Cont'd)

Internal Audit Function

The Group has outsourced its internal audit function to an external professional internal audit firm, Total Advisors Sdn Bhd ("Internal Auditors").

The Internal Auditors report directly to the Audit Committee. The primary role of the internal audit function is to review the effectiveness of the Group's systems on internal control and this is performed with impartiality, proficiency and due professional care. The internal audit function adopts a risk-based auditing approach by focusing on reviewing identified high risk areas for compliance with control policies and procedures, identifying business risk which have not been appropriately addressed and evaluating the adequacy and effectiveness of controls.

The internal audit function assists the Audit Committee in discharging its duties and responsibilities with respect to the adequacy and effectiveness of the Group's internal control system. In order to maintain the integrity of the internal audit function, the Internal Auditors report directly to the Audit Committee.

During the financial year under review, the Internal Auditors have conducted a review:

- (a) Report dated February 2022

The areas/departments reviewed include:

- i) Sales – Credit Control & Collection.

The findings and recommendations were tabbed to the Audit Committee for deliberations. The Internal Auditors have highlighted certain areas for improvement on the covered areas/departments. Most of the recommendations have been implemented during the financial year under review, as assessed by the Internal Auditors during their follow-up review.

The total internal audit fees payable for the abovementioned reviews carried out during the financial year under review amounted to RM15,000.

Additional Compliance Information

UTILISATION OF PROCEED

Proposed Rights Issue of Shares with Warrants

On 17 May 2021, Company announced that the Rights Issue 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. The status of utilisation of the proceeds as per reporting date as follow:

	Intended Timeframe for Utilisation	Proposed Utilisation RM'000	Actual Utilisation As at 31 March RM'000	Balance of Proceeds RM'000
Repayment of bank borrowings	Within 3 months	6,899	6,899	-
General administrative and operating expenses	Within 6 months	2,348	2,348	-
Total		9,247	9,247	-

AUDIT AND NON-AUDIT FEES

	Financial Year Ended 31 March 2022	
	Group RM	Company RM
Audit fees paid and payable to the external auditors	156,000	32,000
Non-audit fees paid and payable to the affiliated firm of the external auditor for advisory and corporate tax compliance services rendered	128,395	86,800
	284,395	118,800

Additional Compliance Information (Cont'd)

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

There were material contracts which had been entered into by the Company and its subsidiaries involving the interests of the Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year as following:

Proposed MG Furniture Acquisition⁽¹⁾

On 25 October 2021, Heng Huat entered into the following agreements for Proposed acquisition of 1,020,000 ordinary shares in MG Furniture Sdn Bhd ("MGF"), representing 51% equity interest, 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 ("Consideration Shares") at RM0.43 each;

- (i) Shareholders Agreement between Cfamilie Holdings Sdn Bhd ("CHSB") and Heng Huat (Collectively the "Shareholders") and MGF (The "Company")
- (ii) Share Sale Agreement between Ch'ng Boon Sin, Ch'ng Chen Mong and Tan Poh Cheng (Collectively the "Vendors") and Heng Huat (The "Purchaser")
- (iii) Profit Guarantee Agreement between Ch'ng Boon Sin, Ch'ng Chen Mong, Tan Poh Cheng and Cfamilie Holdings Sdn Bhd (Collectively the "Profit Guarantors") and Heng Huat (The "Purchaser")

Proposed Lots 1222 & 1223 Acquisition and Proposed Lots 2312 & 2337 Acquisition⁽²⁾

On 25 October 2021, Fibre Star (M) Sdn Bhd entered into a sale and purchase agreement with Heng Huat Furniture Sdn Bhd ("HHFSB") to acquire of 2 parcels of leasehold land (Lot 1222 and Lot 1223, Mukim 11, Daerah Seberang Perai Selatan, Pulau Pinang) erected upon with a warehouse, offices annexed with showrooms, a store and ancillary buildings, for a purchase consideration of RM13,000,000 to be satisfied via the issuance of 30,232,558 consideration shares at RM0.43 each;

On 25 October 2021, HH Land and Development Sdn Bhd entered into a sale and purchase agreement with H'ng Jia Min to acquire of 2 parcels of freehold land (Lot 2312 and Lot 2337, Mukim 6, Daerah Seberang Perai Selatan, Pulau Pinang) for a purchase consideration of RM260,000 to be satisfied via the issuance of 604,651 consideration shares at RM0.43 each;

Proposed Kulim Land Acquisition⁽³⁾

On 25 October 2021, HH Properties Kulim Sdn Bhd (formerly known as HH Ecometal Recycling Sdn Bhd), entered into a sale and purchase agreement with Kulim Property Sdn Bhd ("KPSB") of 133 Lots of leasehold land in Kulim, Kedah for a purchase consideration of RM27,000,000 to be satisfied via the issuance of RM7,000,000 in cash and the issuance of 46,511,627 consideration shares at RM0.43 each.

Notes:

- (1) *None of the Company's Directors, major shareholders, chief executive and persons connected to them has any direct or indirect interest in the Proposed MG Furniture Acquisition.*

The MG Furniture Vendors who hold Heng Huat Shares as at 15 March 2022, the date of the Extraordinary General Meeting ("EGM") will abstain from voting in respect of their direct and/or indirect shareholdings in Heng Huat, if any, on the resolution pertaining to the Proposed MG Furniture Acquisition at the EGM.

Ch'ng Chen Mong and Tan Poh Cheng are deemed to be major shareholders of Heng Huat, subsequently after completion at the acquisition on 30 March 2022.

Additional Compliance Information (Cont'd)

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST (cont'd)

Proposed Kulim Land Acquisition ⁽³⁾ (cont'd)

Notes: (Cont'd)

- (2) *Dato' H'ng Choon Seng is the Managing Director and a major shareholder of Heng Huat. He is a person connected to the vendor of the Jawi Lots 1222 & 1223 (namely HHFSB) by virtue of the directors and shareholders of HHFSB (namely H'ng Jia Min and H'ng Jia Qi) being his son and daughter respectively.*

Dato' H'ng Choon Seng is also a person connected to the vendor of the Jawi Lots 2312 & 2337 (namely H'ng Jia Min) by virtue of H'ng Jia Min being his son.

Dato' H'ng Choon Seng has abstained and will continue to abstain from all deliberations and voting pertaining to the Proposed Lots 1222 & 1223 Acquisition and Proposed Lots 2312 & 2337 Acquisition at the relevant Board meetings of the Company. Dato' H'ng Choon Seng will abstain from voting in respect of his direct and indirect interest in Heng Huat and will also undertake to ensure that any persons connected with him will abstain from voting in respect of their direct and indirect interest in Heng Huat on the resolutions pertaining to the Proposed Lots 1222 & 1223 Acquisition and Proposed Lots 2312 & 2337 Acquisition at the EGM.

- (3) *Ho Whye Chong is an Independent Non-executive Director of Heng Huat as well as a major shareholder of KPSB. Ho Whye Chong has abstained and will continue to abstain from all deliberations and voting pertaining to the Proposed Kulim Land Acquisition at the relevant Board meetings of the Company.*

Goh Boon Leong is deemed to be a major shareholder of Heng Huat as well as a director and major shareholder of KPSB. For the purposes of the Proposed Kulim Land Acquisition, Goh Boon Leong is deemed to be a major shareholder of Heng Huat pursuant to Rule 10.02 of the Listing Requirements as he held more than 10% of the total number of Heng Huat Shares within the preceding 6 months of the date on which the terms of the Proposed Kulim Land Acquisition were agreed upon.

Save for Ho Whye Chong and Goh Boon Leong, none of the Company's Directors, major shareholders, chief executive and persons connected to them has any direct or indirect interest in the Proposed Kulim Land Acquisition.

Ho Whye Chong and Goh Boon Leong will abstain from voting and will also undertake to ensure that any persons connected with them will abstain from voting in respect of their direct and indirect interest in Heng Huat on the relevant resolution pertaining to the Proposed Kulim Land Acquisition at the EGM

CONTRACT RELATING TO LOAN BY THE COMPANY

There was no contract relating to loan entered into by the Company and its subsidiaries involving the interest of the Directors and major shareholders of the Company.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPTs")

Details on the RRPTs entered into by the Group during the financial year under review are disclosed under Note 26 to the Financial Statements on page 122 to 123 of this Annual Report. The Company is also seeking shareholders' approval for the proposed renewal of shareholders' mandate for RRPTs in the forthcoming AGM. The details of the RRPTs to be entered into by the Group with the related party are included in the Circular to Shareholders.

Additional Compliance Information (Cont'd)

SHARE ISSUANCE SCHEME ("SIS")

The Company's SIS is governed by the By-Laws which were approved by the shareholders at an Extraordinary General Meeting held on 2 December 2020. The SIS was in force for a period of five (5) years commencing from 7 May 2021 to 6 May 2026.

Details of SIS is disclosed in the Directors' Report appearing on Page 51 of this Annual Report.



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Directors' Report

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended **31 March 2022**.

PRINCIPAL ACTIVITIES

The principal activity of the Company in the course of the financial year remains unchanged and consist of investment holding. The principal activities of the subsidiaries are set out in Note 9 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Profit after taxation for the financial year	<u>14,756,184</u>	<u>6,498,076</u>
Attributable to:		
Owners of the Company	14,724,915	6,498,076
Non-controlling interests	<u>31,269</u>	<u>-</u>
	<u>14,756,184</u>	<u>6,498,076</u>

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 March 2022** have not been substantially affected by any item, transaction or event of a material and unusual nature other than the share issuance expenses recognised in profit or loss of the Group and of the Company amounting to RM7,644,478 and RM3,181,256 respectively.

DIVIDEND

No dividend has been declared or paid by the Company since the end of previous financial year.

The directors do not recommend any dividend payment for the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the notes to the financial statements.

Directors' Report (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company increased its issued and fully paid-up ordinary share capital from RM60,054,641 to RM126,198,404 through the following:

- (i) Rights issue of 46,235,733 ordinary shares amounting to RM9,247,147 at an issue price of RM0.20 per ordinary shares on the basis of 1 rights share for every 2 existing shares held, together with 69,353,589 free detachable warrants on the basis of 3 warrants for every 2 rights shares subscribed as disclosed in Note 31 (a) to the financial statements;
- (ii) Issuance of 1,956,425 ordinary shares amounting to RM391,285 at an issue price of RM0.20 per ordinary shares arising from the exercise of warrant as disclosed in Note 14 to the financial statements;
- (iii) Issuance of 142,465,115 ordinary shares amounting to RM61,260,000 at an issue price of RM0.43 per ordinary shares as settlement for the multiple proposals as disclosed in Note 31 (c) to the financial statements; and
- (iv) Setting off RM4,249,237 to warrant reserve and RM505,432 for share issuance expenses.

The newly issued ordinary shares rank *pari passu* in all respects with the existing ordinary shares of the Company.

Other than the foregoing, the Company did not issue any shares or debenture.

WARRANTS

During the financial year, the Company issued 69,353,589 Warrants pursuant to a rights issue with free detachable warrants on the basis of 3 warrants for every 2 rights shares subscribed as disclosed in Note 31 (a) to the financial statements.

The salient features of the Warrants are disclosed in Note 15.2 to the financial statements.

Details of Warrants issued to directors are disclosed in the section on directors' interests in shares in this report.

SHARE ISSUANCE SCHEME ("SIS")

The Company's SIS is governed by the By-Laws which was approved by the shareholders at an Extraordinary General Meeting held on 2 December 2020. The SIS is in force for a period of five years commencing from 7 May 2021 to 6 May 2026.

The movements of share options offered during the financial year are as follows:

Grant date	Exercise price	← Number of share options over ordinary shares →			Balance at 31.3.2022
		Balance at 1.4.2021	Granted	Exercised	
25.10.2021	RM0.48	-	41,600,000	-	41,600,000

No SIS were exercised during the financial year.

The salient features of the SIS are disclosed in Note 30 to the financial statements.

Details of options granted to directors are disclosed in the section on directors' interests in shares in this report. The Company had been granted exemption by the Companies Commission of Malaysia ("CCM") from having to disclose in this report the names of option holders, other than Directors, who have been granted for share options during the financial year and details of their holdings as required by Section 5 of Schedule 5 (Part 1) of the Companies Act 2016. This information has been separately filed with the CCM.

Directors' Report (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

DIRECTORS

The directors in office since the beginning of the financial year to the date of this report are as follows:

Directors of the Company:

Dato' H'ng Choon Seng ^
 Kee Swee Lai ^
 Cheah Swi Chun
 Ho Whye Chong
 Ng Chin Nam ^
 Lee Yee Wooli (appointed on 19.1.2022)
 Dr. Lo Liang Kheng (resigned on 1.10.2021)

^ Directors of the Company and certain subsidiaries.

Directors of the Subsidiaries:

Pursuant to Section 253 of the Companies Act 2016, the list of directors of the subsidiaries (excluding directors who are also directors of the Company) in office during the financial year and during the period from the end of the financial year to the date of this report are as follows:

Ruhani Binti Ismail
 Datin Khor Mooi Kim
 Khor Teik Boon
 Teh Chai Luang
 Ch'ng Chen Mong
 Tan Poh Cheng
 Chong Ewe Lian (appointed on 15.12.2021)
 Eng Chin Keong (appointed on 15.12.2021)
 Goh Boon Leong (resigned on 16.12.2021) ^^
 Teng May Looi (resigned on 16.12.2021) ^^

^^ Directors of a subsidiary acquired during the financial year.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:

	← Number of ordinary shares →				Balance at 31.3.2022
	Balance at 1.4.2021	Allotment	Bought/ (Sold)	Rights Issue	
The Company					
Direct Interest:					
Dato' H'ng Choon Seng	15,312,500	-	-	8,049,421	23,361,921
Kee Swee Lai	7,248,900	-	(1,165,800)	3,624,450	9,707,550
Ho Whye Chong	1,335,000	9,767,442	2,058,000	1,025,700	14,186,142
Ng Chin Nam*	10,000	-	-	-	10,000
Lee Yee Wooli*	40,000	-	-	-	40,000
Deemed Interest:					
Dato' H'ng Choon Seng#	2,390,307	16,883,721	(817,400)	1,474,303	19,930,931
Ho Whye Chong **	-	13,953,488	-	-	13,953,488
Ng Chin Nam ##	3,209,100	-	-	-	3,209,100

Directors' Report (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

DIRECTORS' INTERESTS IN SHARES (CONT'D)

	← Number of Warrants →			
	Balance at 1.4.2021	Effect of Rights issue	Exercised	
The Company				
Direct Interest:				
Dato' H'ng Choon Seng	-	12,074,132	-	12,074,132
Kee Swee Lai	-	5,436,675	-	5,436,675
Ho Whye Chong	-	1,538,550	-	1,538,550
Deemed Interest:				
Dato' H'ng Choon Seng [#]	-	2,211,455	-	2,211,455

	← Number of ordinary shares →			
	Balance at 1.4.2021	Granted	Exercised	
The Company				
Direct Interest:				
Kee Swee Lai	-	2,800,000	-	2,800,000
Cheah Swi Chun	-	200,000	-	200,000
Ho Whye Chong	-	6,000,000	-	6,000,000
Ng Chin Nam	-	9,000,000	-	9,000,000

* At date of appointment.

[#] Deemed interested by virtue of his shareholding in Heng Huat Manufacturer Sdn. Bhd. and Konsortium Asas Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and shares held by his daughter and spouse.

^{**} Deemed interested by virtue of his shareholding in Kulim Property Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

^{##} At date of appointment, deemed interested by virtue of shares held by his spouse pursuant to Section 8 of the Companies Act 2016.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in the ordinary shares in the Company and its related corporations during the financial year.

Directors' Report (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

DIRECTORS' REMUNERATION AND BENEFITS

During the financial year, the fees and other benefits received and receivable by the directors of the Company are as follows: -

	COMPANY RM	SUBSIDIARIES RM	GROUP RM
Salaries, allowances and bonus	195,671	2,205,000	2,400,671
Fees	60,000	-	60,000
EPF	20,865	258,825	279,690
SOCSSO and EIS	385	1,940	2,325
SIS expenses	1,162,500	2,167,685	3,330,185
Benefits-in-kind	2,479	36,750	39,229
	<u>1,441,900</u>	<u>4,670,200</u>	<u>6,112,100</u>

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown above) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, other than those related party transactions disclosed in the notes to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS OR OFFICERS

No indemnity has been given to or insurance effected for any of the directors or officers of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the provision for doubtful debts and satisfied themselves that adequate provision had been made for doubtful debts and there were no bad debts to be written off; and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances:

- (i) that would render it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (iii) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Directors' Report (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, and
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of the directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due, and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

The details of significant events during the reporting period are disclosed in Note 31 to the financial statements.

EVENTS AFTER THE REPORTING PERIOD

The details of the events after the reporting period are disclosed in Note 32 to the financial statements.

AUDITORS

The total amount of fees paid to or receivable by the auditors, **Grant Thornton Malaysia PLT**, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 March 2022 is disclosed in Note 21 to the financial statements.

The Group and the Company have agreed to indemnify the auditors to the extent permissible under the provisions of the Companies Act 2016 in Malaysia. However, no payment has been made under this indemnity for the financial year.

The auditors have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

.....
Ng Chin Nam

.....
Kee Swee Lai

Penang,

Date: 25 July 2022

Directors' Statement

In the opinion of the directors, the financial statements set out on pages 62 to 137 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 March 2022** and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

.....
Ng Chin Nam

.....
Kee Swee Lai

Date: 25 July 2022

Statutory Declaration

I, **Ng Chin Nam**, the director primarily responsible for the financial management of **Heng Huat Resources Group Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 62 to 137 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Penang, this **25th**)
day of **July 2022**.)

.....
Ng Chin Nam

Before me,

.....
Commissioner for Oaths
Goh Suan Bee
P125

Independent Auditors' Report

TO THE MEMBERS OF **HENG HUAT RESOURCES GROUP BERHAD** (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Heng Huat Resources Group Berhad**, which comprise the statements of financial position as at **31 March 2022** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including the summary of accounting policies, as set out on pages 62 to 137.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 March 2022** and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("*By-Laws*") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) ("*IESBA Code*"), and we have fulfilled our other ethical responsibilities in accordance with the *By-Laws* and the *IESBA Code*.

Independent Auditors' Report (Cont'd)

TO THE MEMBERS OF HENG HUAT RESOURCES GROUP BERHAD (Incorporated in Malaysia)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Multiple proposals, Renounceable rights Issue exercise ("Rights Issue") and Share Issuance Scheme ("SIS") (In respect of the Company) <i>(Note 31 to the financial statements)</i></p> <p>During the financial year, the Company undertook several proposals as disclosed in Note 31 to the financial statements.</p> <p>Management estimation was involved in deriving the fair value of the warrants attached to the Rights Issue as well as the fair value allocated to the share options arising from the SIS.</p> <p>Within the multiple proposals, the Company had acquired a controlling stake in MG Furniture Sdn. Bhd ("MGF") and appointed an independent professional qualified valuer to conduct a purchase price allocation ("PPA") exercise to determine the allocation of the purchase price of MGF to the acquired tangible and intangible assets.</p>	<p>Our audit procedures in relation to the proposals undertaken by the Company are described below.</p> <p>In respect of the fair value of the warrants and share options, we have performed amongst other procedures, the following:</p> <ul style="list-style-type: none"> - Obtained the fair value computation by management and verified the key inputs to supporting data. - Recomputed the fair values to ensure that it is arithmetically accurate. - Obtained the allocation listing and verified that the fair value allocation to the respective subsidiaries are accurate and properly recognised and disclosed in the respective financial statements of the Company and its subsidiaries. <p>In respect of the PPA exercise conducted, we have performed amongst other procedures, the following:-</p> <ul style="list-style-type: none"> - Obtained the PPA report to understand the allocation of the purchase price to the respective tangible and intangible assets acquired. - Evaluated the competency, capabilities and objectivity of the independent professional qualified valuer appointed. - Evaluated the methodology and assumption used by management and management's external expert to estimate the fair value of identified customer relationship and goodwill. - Engaged in discussion with the management and their external valuer to understand the methodology and assumption used in deriving the identified assets and liabilities from the PPA exercise conducted. - Checking the mathematical accuracy of the calculations of the fair value of the identified customer relationship and goodwill.

Independent Auditors' Report (Cont'd)

TO THE MEMBERS OF HENG HUAT RESOURCES GROUP BERHAD (Incorporated in Malaysia)

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Provision for expected credit losses of trade receivables (Note 11 to the financial statements)</p> <p>The Group has significant exposure to credit risk arising from its trade receivables as at 31 March 2022.</p> <p>Assessing expected credit losses of trade receivables requires management's judgement and uses of estimates in determining the probability of default occurring by considering the ageing of receivables, historical loss experience and forward-looking information.</p>	<p>Our audit procedures in relation to provision for expected credit losses of trade receivables included:</p> <ul style="list-style-type: none"> - Obtaining an understanding of: <ul style="list-style-type: none"> (i) the Group's control over the trade receivables' collection process; (ii) how the Group identifies and assess the impairment of trade receivables; and (iii) how the Group makes the accounting estimates for impairment. - Evaluating the application of group policy for calculating the expected credit loss. - Considering the ageing of the trade receivables. - Evaluating techniques and methodology in the expected credit loss approach against the requirements of MFRS 9. - Assessing the estimated future cash flows by examining the historical repayment records, historical loss rate of receivables, information regarding the current creditworthiness and any significant changes in credit quality of the debtors, evidence of subsequent settlements and other relevant information. - Comparing the assumptions used to estimate the provision for impairment with the available industry data. - Assessing the operating effectiveness of control policies over ongoing internal credit quality assessments.
<p>Revenue recognition (Note 20 to the financial statements)</p> <p>The Group's revenue stream is derived mainly from sale of biomass materials and value-added products and furniture products.</p> <p>Revenue is recognised at the point in time when control of the goods has been transferred to customer, generally upon delivery of the goods to location specified by customer and acceptance of the goods by the customer.</p> <p>We focus on this area as the management may take an aggressive approach to the recognition of revenue, including improper 5-steps of revenue recognition under MFRS 15 Revenue from Contract with Customers.</p>	<p>Our audit procedures in relation to revenue recognition included:</p> <ul style="list-style-type: none"> - obtaining an understanding of the Group's revenue recognition process and application. Thereafter review compliance to the revenue recognition policies in accordance with MFRS 15 Revenue from contracts with customers. - performing analytical procedures on the trend of revenue recognised to identify for any abnormalities. - reviewing controls over the recognition of revenue including evaluating the design and operating effectiveness of the system automated controls, manual controls surrounding the revenue cycle and restricted access of key functions. - verifying revenue on a sample basis to available evidence and to ensure that revenue is recognised in accordance with the Group's accounting policy on revenue recognition and MFRS 15 Revenue from Contract with Customers. - reviewing any revenue transactions posted using journal entries to identify for any abnormalities. - assessing the reliability of the cut-off system in place through assessing sales transactions taking place before and after the financial year end. - reviewing subsequent to year end credit notes issued and investigate if it pertains to sales recorded for the financial year.

Independent Auditors' Report (Cont'd)

TO THE MEMBERS OF HENG HUAT RESOURCES GROUP BERHAD (Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Independent Auditors' Report (Cont'd)

TO THE MEMBERS OF **HENG HUAT RESOURCES GROUP BERHAD** (Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Grant Thornton Malaysia PLT
AF: 0737
201906003682 (LLP0022494-LCA)
Chartered Accountants

Terence Lau Han Wen
No. 03298/04/2023 J
Chartered Accountant

Penang

Date: 25 July 2022

Statements of Financial Position

AS AT 31 MARCH 2022

	NOTE	GROUP		COMPANY	
		2022 RM	2021 RM	2022 RM	2021 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	75,586,342	37,500,311	224,410	292,041
Investment properties	5	11,418,622	-	-	-
Right-of-use assets	6	6,657,209	8,641,168	-	-
Inventories	7	21,000,000	-	-	-
Intangible assets	8	20,520,967	154,344	-	-
Investment in subsidiaries	9	-	-	86,211,423	53,748,201
Keyman insurance contracts	10	590,378	-	-	-
		<u>135,773,518</u>	<u>46,295,823</u>	<u>86,435,833</u>	<u>54,040,242</u>
Current assets					
Inventories	7	15,236,557	4,521,288	-	-
Trade and other receivables	11	30,309,795	13,254,874	51,397,554	4,503,537
Current tax assets		-	735,079	35,252	24,252
Cash and cash equivalents	12	34,263,929	9,403,860	3,442,668	3,912,988
		<u>79,810,281</u>	<u>27,915,101</u>	<u>54,875,474</u>	<u>8,440,777</u>
Non-current assets held for sale	13	-	3,400,000	-	-
		<u>79,810,281</u>	<u>31,315,101</u>	<u>54,875,474</u>	<u>8,440,777</u>
TOTAL ASSETS		<u>215,583,799</u>	<u>77,610,924</u>	<u>141,311,307</u>	<u>62,481,019</u>
EQUITY AND LIABILITIES					
Share capital	14	126,198,404	60,054,641	126,198,404	60,054,641
Other reserves	15	6,708,715	(5,185,000)	11,893,715	-
(Accumulated losses)/Retained profits		(4,716,154)	(19,441,069)	1,766,764	(4,731,312)
		<u>128,190,965</u>	<u>35,428,572</u>	<u>139,858,883</u>	<u>55,323,329</u>
Non-controlling interests		20,783,393	236,092	-	-
Total equity		<u>148,974,358</u>	<u>35,664,664</u>	<u>139,858,883</u>	<u>55,323,329</u>
Non-current liabilities					
Lease liabilities	6	3,216,191	5,108,104	-	-
Borrowings	16	18,230,099	7,572,634	3,555	17,475
Deferred tax liabilities	17	1,831,094	858,000	5,000	18,400
		<u>23,277,384</u>	<u>13,538,738</u>	<u>8,555</u>	<u>35,875</u>
Current liabilities					
Trade, other payables and provision	18	31,631,709	13,072,557	1,429,949	7,108,532
Contract liabilities	19	1,248,281	154,495	-	-
Lease liabilities	6	1,915,559	1,827,204	-	-
Borrowings	16	8,396,760	13,353,266	13,920	13,283
Current tax liabilities		139,748	-	-	-
		<u>43,332,057</u>	<u>28,407,522</u>	<u>1,443,869</u>	<u>7,121,815</u>
Total liabilities		<u>66,609,441</u>	<u>41,946,260</u>	<u>1,452,424</u>	<u>7,157,690</u>
TOTAL EQUITY AND LIABILITIES		<u>215,583,799</u>	<u>77,610,924</u>	<u>141,311,307</u>	<u>62,481,019</u>

The accompanying notes form an integral part of the financial statements.

Statements of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

	NOTE	GROUP		COMPANY	
		2022 RM	2021 RM	2022 RM	2021 RM
Revenue	20	103,501,966	73,593,746	13,079,000	1,164,160
Cost of sales		<u>(65,835,326)</u>	<u>(60,898,965)</u>	<u>-</u>	<u>-</u>
Gross profit		37,666,640	12,694,781	13,079,000	1,164,160
Other income		1,398,922	2,107,320	87,831	370,488
Administrative expenses		(19,957,513)	(28,521,206)	(6,579,402)	(1,183,335)
Selling and distribution expenses		<u>(3,355,980)</u>	<u>(2,453,053)</u>	<u>-</u>	<u>-</u>
Operating profit/(loss)		15,752,069	(16,172,158)	6,587,429	351,313
Finance costs		<u>(905,318)</u>	<u>(2,026,213)</u>	<u>(102,825)</u>	<u>(165,804)</u>
Profit/(Loss) before tax	21	14,846,751	(18,198,371)	6,484,604	185,509
Taxation	22	<u>(90,567)</u>	<u>(1,894,016)</u>	<u>13,472</u>	<u>(9,757)</u>
Profit/(Loss) for the financial year, representing total comprehensive income/(loss) for the financial year		<u>14,756,184</u>	<u>(20,092,387)</u>	<u>6,498,076</u>	<u>175,752</u>
Profit/(Loss) for the financial year representing total comprehensive income/(loss) attributable to:					
Owners of the Company		14,724,915	(20,159,514)	6,498,076	175,752
Non-controlling interests		<u>31,269</u>	<u>67,127</u>	<u>-</u>	<u>-</u>
		<u>14,756,184</u>	<u>(20,092,387)</u>	<u>6,498,076</u>	<u>175,752</u>
Earnings/(Loss) per share attributable to owners of the Company (sen)					
- Basic	23	<u>10.76</u>	<u>(38.00)</u>		
- Diluted	23	<u>7.44</u>	<u>(38.00)</u>		

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

NOTE	Attributable to Owners of the Company									
	Share Capital	Reorganisation Reserve	Warrants Reserve	SIS Reserve	Accumulated Losses	Total	Non-controlling Interests	Total Equity	RM	RM
2022										
	60,054,641	(5,185,000)	-	-	(19,441,069)	35,428,572	236,092	35,664,664		
	-	-	-	-	14,724,915	14,724,915	31,269	14,756,184		
	-	-	-	-	-	-	20,528,032	20,528,032		
	-	-	-	-	-	-	(12,000)	(12,000)		
14	9,247,147	-	-	-	-	9,247,147	-	9,247,147		
14	61,260,000	-	-	-	-	61,260,000	-	61,260,000		
14	514,540	-	(123,255)	-	-	391,285	-	391,285		
15	(4,372,492)	-	4,372,492	-	-	-	-	-		
15	-	-	-	7,644,478	-	7,644,478	-	7,644,478		
14	(505,432)	-	-	-	-	(505,432)	-	(505,432)		
	66,143,763	-	4,249,237	7,644,478	-	78,037,478	20,516,032	98,553,510		
	126,198,404	(5,185,000)	4,249,237	7,644,478	(4,716,154)	128,190,965	20,783,393	148,974,358		

Total comprehensive income for the financial year

Transactions with owners:

Acquisition of subsidiaries
Dividend paid to non-controlling interests

Issuance of shares pursuant to:

- rights issue
- settlement of multiple proposals
- warrant exercised

Recognition of warrants reserve

SIS reserve

Share issuance expenses

Balance at end

Consolidated Statement of Changes in Equity (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

NOTE	Attributable to Owners of the Company									
	Share Capital	Reorganisation Reserve	Warrants Reserve	SIS Reserve	Accumulated Losses	Total	Non-controlling Interests	Total Equity	RM	RM
2021										
	40,537,659	(5,185,000)	-	-	718,445	36,071,104	204,965	36,276,069		
	-	-	-	-	(20,159,514)	(20,159,514)	67,127	(20,092,387)		
<i>Transactions with owners:</i>										
14	19,570,816	-	-	-	-	19,570,816	-	19,570,816		
14	(53,834)	-	-	-	-	(53,834)	-	(53,834)		
	-	-	-	-	-	-	(36,000)	(36,000)		
	19,516,982	-	-	-	-	19,516,982	(36,000)	19,480,982		
	60,054,641	(5,185,000)	-	-	(19,441,069)	35,428,572	236,092	35,664,664		

The accompanying notes form an integral part of the financial statements.

Statement of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

	NOTE	Share Capital RM	Warrants Reserve RM	SIS Reserve RM	Retained Profits (Accumulated Losses) RM	Total Equity RM
2022						
Balance at beginning		60,054,641	-	-	(4,731,312)	55,323,329
Total comprehensive income for the financial year		-	-	-	6,498,076	6,498,076
<i>Transactions with owners:</i>						
Issuance of shares pursuant to:						
- rights issue	14	9,247,147	-	-	-	9,247,147
- warrant exercised	14	514,540	(123,255)	-	-	391,285
- settlement of multiple proposals	14	61,260,000	-	-	-	61,260,000
Recognition of warrants reserve	15	(4,372,492)	4,372,492	-	-	-
SIS reserve	15	-	-	7,644,478	-	7,644,478
Share issuance expenses	14	(505,432)	-	-	-	(505,432)
		66,143,763	4,249,237	7,644,478	-	78,037,478
Balance at end		126,198,404	4,249,237	7,644,478	1,766,764	139,858,883
2021						
Balance at beginning		40,537,659	-	-	(4,907,064)	35,630,595
Total comprehensive income for the financial year		-	-	-	175,752	175,752
<i>Transactions with owners:</i>						
Issuance of shares	14	19,570,816	-	-	-	19,570,816
Share issuance expenses	14	(53,834)	-	-	-	(53,834)
		19,516,982	-	-	-	19,516,982
Balance at end		60,054,641	-	-	(4,731,312)	55,323,329

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

	GROUP		COMPANY		
	Note	2022 RM	2021 RM	2022 RM	2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		14,846,751	(18,198,371)	6,484,604	185,509
Adjustments for:					
Accretion of interest on lease liabilities		301,946	185,410	-	-
Allowance for expected credit loss					
- current year		378,093	12,886,962	-	-
- reversal		(710,131)	(4,346,561)	-	-
Amortisation of intangible assets					
- trademarks		24,634	23,731	-	-
Depreciation of property, plant and equipment		3,658,262	5,950,210	72,422	78,624
Depreciation of right-of-use assets		2,039,210	1,489,500	-	-
Fair value adjustment on derivative of financial instruments		-	(7,736)	-	-
Effects on derecognition of right-of-use and lease liabilities		(9,088)	-	-	-
Effects on rent concession		(127,410)	-	-	-
Gain on disposal of property, plant and equipment		(67,626)	(167,671)	-	(11,886)
Gain on derecognition of right of use and lease liabilities		(9,088)	-	-	-
Gain on rent concession		(127,410)	-	-	-
Impairment loss on investment in subsidiaries		-	-	-	-
Impairment loss on non-current assets held for sale		-	968,735	-	-
Impairment loss on property, plant and equipment		1,180,357	11,174,872	-	-
Inventories written down					
- addition		274,278	557,612	-	-
- reversal		(353,326)	(1,300,011)	-	-
Inventories written off		140,309	-	-	-
Interest expense		602,530	1,840,803	102,825	165,804
Interest income		(40,838)	(33,940)	(87,831)	(358,361)
Property, plant and equipment written off		-	968,830	-	-
SIS expenses		7,644,478	-	3,181,256	-
Unrealised (gain)/loss on foreign exchange		(4,001)	14,273	-	-
Operating profit before working capital changes		29,778,428	12,006,648	9,753,276	59,690
(Increase)/Decrease in inventories		(8,515,666)	2,774,642	-	-
(Increase)/Decrease in receivables		(1,427,332)	1,240,214	(3,995,585)	(9,607,621)
Increase/(Decrease) in payables		6,492,585	(5,236,197)	(5,678,583)	15,860,821
Increase in contract liabilities		68,140	154,495	-	-
Cash generated from operations		26,396,155	10,939,802	79,108	6,312,890
Income tax paid		(889,022)	(1,635,534)	(10,928)	(2,157)
Income tax refunded		886,175	-	-	-
Net cash from operating activities carried forward		26,393,308	9,304,268	68,180	6,310,733

Statements of Cash Flows (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

	GROUP		COMPANY		
	Note	2022 RM	2021 RM	2022 RM	2021 RM
Net cash from operating activities brought forward		26,393,308	9,304,268	(42,830,252)	6,310,733
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in fixed deposits pledged with licensed banks		(9,563,790)	1,079,277	-	-
Interest received		40,838	33,940	87,831	358,361
Investment in subsidiaries		-	-	-	(3,704,200)
Net cash outflow on acquisition of subsidiaries	9	9,870,269	-	-	-
Purchase of intangibles assets		(1,351)	-	-	-
Purchase of investment properties		(3,557,286)	-	-	-
Purchase of property, plant and equipment	A	(1,483,251)	(4,404,790)	(4,791)	(6,680)
Proceeds from disposal of non-current assets held for sale		-	22,000,000	-	-
Proceeds from disposal of property, plant and equipment		488,906	823,547	-	25,800
Net cash (used in)/from investing activities		(4,205,665)	19,531,974	83,040	(3,326,719)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid to non-controlling interests		(12,000)	(36,000)	-	-
Interest paid		(602,530)	(1,840,803)	(102,825)	(165,804)
Proceeds from issuance of shares		9,638,432	1,120,581	-	1,120,581
Repayment of bankers' acceptance	B	(96,000)	(4,000,000)	-	-
Repayment of lease liabilities	B	(2,031,470)	(3,411,540)	-	-
Repayment of finance lease liabilities	B	(1,256,218)	(2,163,161)	(13,283)	(6,402)
Repayment of term loans	B	(3,079,433)	(7,215,418)	-	-
Share issuance expenses paid		(505,432)	(53,834)	(505,432)	(53,834)
Net cash from/(used in) financing activities		2,055,349	(17,600,175)	(621,540)	894,541
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		24,242,992	11,236,067	(470,320)	3,878,555
Effects of foreign exchange rate changes		3,135	(9,425)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING		(496,199)	(11,722,841)	3,912,988	34,433
CASH AND CASH EQUIVALENTS AT END		23,749,928	(496,199)	3,442,668	3,912,988
Represented by:					
Cash and bank balances		21,749,928	8,453,649	3,442,668	3,912,988
Short-term investment		2,000,000	-	-	-
Bank overdrafts		-	(8,949,848)	-	-
		23,749,928	(496,199)	3,442,668	3,912,988
Note A					
Purchase of property, plant and equipment					
Total purchases		15,755,481	4,404,790	4,791	6,680
Less: Acquired under finance lease		(1,012,230)	-	-	-
Less: Acquired under equity-settled share based payment		(13,260,000)	-	-	-
		1,483,251	4,404,790	4,791	6,680

Statements of Cash Flows (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

Note B**Reconciliation of liabilities arising from financing activities**

	Balance at beginning RM	Net Cash flows RM	Acquisition of subsidiaries RM	Others RM	Balance at end RM
GROUP					
2022					
Bankers' acceptance	96,000	(96,000)	3,141,000	-	3,141,000
Finance lease liabilities	2,133,724	(1,256,218)	198,025	1,012,230 ¹	2,087,761
Term loans	9,746,328	(3,079,433)	14,731,203	-	21,398,098
Lease liabilities	6,935,308	(2,031,470)	122,442	105,470 ²	5,131,750
	<u>18,911,360</u>	<u>(6,463,121)</u>	<u>18,192,670</u>	<u>1,117,700</u>	<u>31,758,609</u>
2021					
Bankers' acceptance	4,096,000	(4,000,000)	-	-	96,000
Finance lease liabilities	4,296,885	(2,163,161)	-	-	2,133,724
Term loans	16,961,746	(7,215,418)	-	-	9,746,328
Lease liabilities	888,760	(3,411,540)	-	9,458,088 ²	6,935,308
	<u>26,243,391</u>	<u>(16,790,119)</u>	<u>-</u>	<u>9,458,088</u>	<u>18,911,360</u>
COMPANY					
2022					
Finance lease liabilities	<u>30,758</u>	<u>(13,283)</u>	<u>-</u>	<u>-</u>	<u>17,475</u>
2021					
Finance lease liabilities	<u>37,160</u>	<u>(6,402)</u>	<u>-</u>	<u>-</u>	<u>30,758</u>

¹ The amount represents the additions of finance lease liabilities during the year.

² The amount consists of non-cash items represented by:

	GROUP	
	2022 RM	2021 RM
Accretion of interest	301,946	185,410
Additions during the year	39,907	9,272,678
Rent concession	(127,410)	-
Termination of lease contracts	(108,973)	-
	<u>105,470</u>	<u>9,458,088</u>

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

31 MARCH 2022

1. CORPORATE INFORMATION

General

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 51-8-A Menara BHL, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang.

The principal place of business of the Company is located at Lot 2945 (Plot A2), Jalan Sungai Baong, Kawasan Perindustrian Perabut, Mukim 5, Sungai Baong, 14200 Sungai Bakap, Seberang Perai Selatan, Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 July 2022.

Principal Activities

The principal activity of the Company in the course of the financial year remains unchanged and consist of investment holding. The principal activities of the subsidiaries are set out in Note 8 to the financial statements.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of accounting policies under Note 3 to the financial statements.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

2. BASIS OF PREPARATION (cont'd)

2.2 Basis of Measurement (cont'd)

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's and its subsidiaries' functional currency.

2.4 Adoption of Amendments to MFRSs

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 amendments to MFRSs that are mandatory for the current financial year:

Effective for annual periods beginning on or after 1 June 2020

Amendment to MFRS 16 Leases: Covid-19 - Related Rent Concession

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.

2.5 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.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

2. BASIS OF PREPARATION (cont'd)

2.5 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.

2.6 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.6.1 Judgements made in applying accounting policies

There are no significant areas of critical judgement in applying accounting policies that would have a significant effect on the amount recognised in the financial statements other than the following:

Determining the lease term of contracts with extension options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has lease contracts that include extension option. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to extend the leases. That is, it considers all relevant factors that create an economic incentive for it to exercise the extensions. After the commencement date, the Group reassesses the lease terms if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to extend (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group has included the extension option period as part of the lease term for leases of factory buildings as it is reasonably certain that the extension option will be exercised.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

2. BASIS OF PREPARATION (cont'd)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Useful lives of depreciable assets

Plant and machinery are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the plant and machinery to be within 10 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant and machinery. Therefore, future depreciation charges could be revised.

(ii) Impairment of property, plant and equipment and intangible assets

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying amount of the property, plant and equipment and intangible assets do not exceed their recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from the cash generating units to which the assets belong. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate, product life cycle and discount rate.

The provision for impairment loss on property, plant and equipment and intangible assets are disclosed in Notes 4 and 8 to the financial statements.

(iii) Inventories

The management reviews for slow-moving and obsolete inventories. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

The inventories written-down to their net realisable value are disclosed in Note 7 to the financial statements.

(iv) Provision for expected credit loss ("ECL") of receivables

The Group uses a provision matrix to calculate ECL for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The provision for expected credit loss is disclosed in Note 11 to the financial statements.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

2. BASIS OF PREPARATION (cont'd)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.2 Key sources of estimation uncertainty (cont'd)

(v) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay' which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain-entity specific estimates (such as the subsidiary's stand-alone credit rating).

3. ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial period unless otherwise indicated below.

3.1 Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in a subsidiary is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

Upon disposal of an investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

3. ACCOUNTING POLICIES (cont'd)

3.1 Basis of Consolidation (cont'd)

(ii) Business combination

Business combinations are accounted for using the acquisition method from the acquisition date which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against the Group's reserve.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

3. ACCOUNTING POLICIES (cont'd)

3.1 Basis of Consolidation (cont'd)

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.2 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Property, plant and equipment are depreciated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Leasehold land	Amortised over lease period of 36 - 99 years
* Buildings	2%
Machinery and equipment	10%
Office equipment, furniture and fittings	10% - 40%
Electrical installation	10%
Renovation	10%
Motor vehicles	10% - 20%

Freehold land is not depreciated as it has an infinite life.

Depreciation on capital expenditure in progress commences when the construction of the assets is completed and ready for their intended use.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Fully depreciated items of property, plant and equipment are retained in the accounts until the items are no longer in use.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

* Consists of factories, warehouses, offices and showroom constructed on the freehold land and leasehold land of the Group.

3.3 Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost. Initial cost comprises purchase price and any directly attributable expenditure for a purchased investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

3. ACCOUNTING POLICIES (cont'd)

3.3 Investment Properties (cont'd)

Investment properties are depreciated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

<u>Categories</u>	<u>Years</u>
Buildings	2%

Freehold land is not amortised as it has an infinite life.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

3.4 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.4.1 Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.4.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the leases and the estimated useful lives of the assets as follows:

Factory buildings	2 to 4 years
Land	21 years
Hostel	2 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

3. ACCOUNTING POLICIES (cont'd)

3.4.1 Group as lessee (cont'd)

3.4.1.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3.4.1.3 Short term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of hostel, premises, motor vehicle and machinery (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

3.4.2 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.5 Goodwill Arising on Consolidation

Goodwill arising from the acquisition of subsidiaries represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

3. ACCOUNTING POLICIES (cont'd)

3.6 Intangible Assets

Trademarks

Acquired trademarks have finite useful lives and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of ten (10) years.

Customer relationship

Customer relationship represents acquired intangible assets which was established based on long-term business relationship with the customer and is expected to bring in future economic benefits to the Group. Customer relationship is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of customer relationship over its estimated useful lives of ten (10) years.

3.7 Impairment of Non-Financial Assets

The Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired. For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss except for assets that were previously revalued where the revaluation surplus was taken to other comprehensive income. In this case the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation surplus.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.8 Financial Instruments

3.8.1 Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group or the Company become a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

3. ACCOUNTING POLICIES (cont'd)

3.8 Financial Instruments (cont'd)

3.8.2 Classification and subsequent measurement of financial assets

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- (i) amortised cost ("AC");
- (ii) fair value through profit or loss ("FVTPL"); or
- (iii) fair value through other comprehensive income ("FVOCI").

However, in the periods presented the Group and the Company do not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

After initial recognition, these assets are measured at AC using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

(i) **Financial assets at amortised cost ("AC")**

Financial assets are measured at AC if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these assets are measured at AC using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

(ii) **Financial assets at fair value through profit or loss ("FVTPL")**

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

3. ACCOUNTING POLICIES (cont'd)

3.8 Financial Instruments (cont'd)

3.8.3 Classification and subsequent measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at AC using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3.8.4 Impairment of financial assets

MFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss ("ECL") model'. Instruments within the scope included loans, trade and other receivables and other debt-type financial assets measured at amortised cost and financial assets at FVOCI.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month ECL' are recognised for the first category while 'lifetime ECL' are recognised for the second category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime ECL. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors such as external indicators surrounding the economic environment in which the debtor is operating.

For other receivables, the Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

3. ACCOUNTING POLICIES (cont'd)

3.8.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.8.6 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Fair value arising from the issuance of financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

3.9 Inventories

Inventory properties

Inventory properties consist of land held for development which are valued at the lower of cost and net realisable value.

Land held for development comprises of land where no significant development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any impairment losses.

Land held for development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Other inventories

Inventories other than inventory properties are stated at the lower of cost and net realisable value.

Cost is determined on the first-in, first-out basis.

The cost of raw materials, packing materials and spare parts comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition.

The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and attributable production overheads based on normal operating capacity of the production facilities.

Net realisable value represents estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

3. ACCOUNTING POLICIES (cont'd)

3.10 Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continued use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRS. Then, on initial classification as held for sale, non-current assets are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

3.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

3.12 Provision for Liabilities and Warranty Costs

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

Provision for warranty costs is made in respect of goods sold and still under warranty at the end of the reporting period based on the terms of warranty and historical claim experience.

The Group typically provides warranties for manufacturing defects on its furniture products sold. These assurance-type warranties are accounted for under MFRS 137 Provisions, Contingent Liabilities and Contingent Assets.

3.13 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

3. ACCOUNTING POLICIES (cont'd)

3.14 Revenue Recognition

Contract with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangement because it typically controls the goods or services before transferring them to the customer.

Sale of goods

Revenue from sales of biomass materials and value-added products and furniture products are recognised net of discount and sales and services tax at the point in time when control of the goods has been transferred to customer, generally upon delivery of the goods to location specified by customer and acceptance of the goods by the customer.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Contract balances

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group satisfies its performance obligation under the contract.

3.15 Employee Benefits

Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

3. ACCOUNTING POLICIES (cont'd)

3.15 Employee Benefits (cont'd)

Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred.

Employee share option scheme - Share Issuance Scheme ("SIS")

Employees of the Group received incentive in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the subsidiaries' best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon market or non-vesting condition, which are tested as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained profits/accumulated losses upon expiry of the share options.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

3.16 Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

3. ACCOUNTING POLICIES (cont'd)

3.17 Sales and Service Tax ("SST")

Revenue, expenses and assets are recognised net of SST except:

- when the SST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the SST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- when receivables and payables that are stated with SST inclusive.

The net amount of SST payable to the taxation authority is included as part of payables in the statements of financial position.

The rate for sales tax is fixed at 5% or 10%, while the rate for service tax is fixed at 6%.

3.18 Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income.

3.19 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Directors, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.20 Share Capital, Share Issuance Costs and Dividends

Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Share issuance costs

Incremental external costs directly attributable to the issuance of new shares are deducted against equity.

Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained profits and recognised as a liability in the period in which they are declared or approved.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

3. ACCOUNTING POLICIES (cont'd)

3.21 Related Parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) Has control or joint control over the Group;
 - (ii) Has significant influence over the Group; or
 - (iii) Is a member of the key management personnel of the Group.

- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group.
 - (ii) One entity is an associate or joint venture of the other entity.
 - (iii) Both the Group and the Company are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
 - (vii) A person identified in (a) (i) above has significant influence over the Group or is a member of the key management personnel of the entity.
 - (viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

4. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM	Leasehold land RM	Buildings RM	Machinery and equipment RM	Office equipment, furniture and fittings RM	Electrical installation RM	Renovation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
2022										
At cost										
Balance at beginning	4,400,165	4,882,538	16,075,083	54,061,922	1,537,825	2,694,519	1,947,983	8,590,667	49,380	94,240,082
Acquisition of subsidiaries	13,833,342	-	8,336,546	3,631,894	153,494	55,863	1	777,002	-	26,788,142
Additions	260,000	5,222,016	8,377,984	259,160	85,969	-	-	976,017	574,335	15,755,481
Disposals	-	-	-	(37,000)	(178,447)	-	-	(1,284,977)	-	(1,500,424)
Reclassified from non-current assets held for sale	-	-	-	17,217,398	612,594	-	-	3,003,697	-	20,833,689
Reclassified to investment properties	(573,202)	-	(2,472,990)	-	-	-	-	-	-	(3,046,192)
Balance at end	17,920,305	10,104,554	30,316,623	75,133,374	2,211,435	2,750,382	1,947,984	12,062,406	623,715	153,070,778
Accumulated depreciation										
Balance at beginning	-	676,887	1,479,870	26,115,491	825,633	2,070,513	1,560,992	5,680,666	-	38,410,052
Acquisition of subsidiaries	-	121,742	311,140	2,221,157	134,685	10,754	82,977	775,807	-	3,658,262
Current charge	-	-	-	(37,000)	(121,165)	-	-	(920,979)	-	(1,079,144)
Disposals	-	-	-	-	-	-	-	-	-	-
Reclassified from non-current assets held for sale	-	-	(448,499)	11,696,641	504,667	-	-	2,257,910	-	14,459,218
Reclassified to investment properties	-	-	-	-	-	-	-	-	-	(448,499)
Balance at end	-	798,629	1,342,511	39,996,289	1,343,820	2,081,267	1,643,969	7,793,404	-	54,999,889
Accumulated impairment										
Balance at beginning	-	-	320,134	17,454,784	-	545,844	8,957	-	-	18,329,719
Additions	-	-	55,749	905,056	-	-	-	219,552	-	1,180,357
Reclassified from non-current assets held for sale	-	-	-	2,785,165	23,933	-	-	165,373	-	2,974,471
Balance at end	-	-	375,883	21,145,005	23,933	545,844	8,957	384,925	-	22,484,547
Carrying amount										
Balance at beginning	17,920,305	9,305,925	28,598,229	13,992,080	843,682	123,271	295,058	3,884,077	623,715	75,586,342

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

2021	Freehold land RM	Leasehold land RM	Factory buildings RM	Leasehold buildings RM	Renovation RM	Office equipment, furniture and fittings RM	Electrical installation RM	Machinery and equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
At cost											
Balance at beginning	573,202	4,882,538	16,082,705	-	1,807,616	2,063,117	2,694,519	72,807,454	13,063,791	26,001	114,000,943
Additions	3,826,963	-	-	-	140,367	97,030	-	288,725	2,325	49,380	4,404,790
Disposals	-	-	-	-	-	-	-	(607,894)	(1,220,820)	-	(1,828,714)
Written off	-	-	(7,622)	-	-	(9,728)	-	(1,485,902)	-	-	(1,503,252)
Reclassified to non-current assets held for sale	-	-	-	-	-	(612,594)	-	(16,966,462)	(3,254,629)	-	(20,833,685)
Reclassifications	-	-	-	-	-	-	-	26,001	-	(26,001)	-
Balance at end	4,400,165	4,882,538	16,075,083	-	1,947,983	1,537,825	2,694,519	54,061,922	8,590,667	49,380	94,240,082
Accumulated depreciation											
Balance at beginning	-	561,147	1,168,730	-	1,406,634	1,140,396	1,910,080	34,655,483	7,774,936	-	48,617,406
Current charge	-	115,740	311,140	-	154,358	199,302	160,433	3,960,333	1,048,904	-	5,950,210
Disposals	-	-	-	-	-	-	-	(278,664)	(885,264)	-	(1,163,928)
Written off	-	-	-	-	-	(9,403)	-	(525,019)	-	-	(534,422)
Reclassified to non-current assets held for sale	-	-	-	-	-	(504,662)	-	(11,696,642)	(2,257,910)	-	(14,459,214)
Balance at end	-	676,887	1,479,870	-	1,560,992	825,633	2,070,513	26,115,491	5,680,666	-	38,410,052
Accumulated impairment											
Balance at beginning	-	-	320,134	-	8,957	-	40,565	8,799,837	-	-	9,169,493
Additions	-	-	-	-	-	-	505,279	10,669,593	-	-	11,174,872
Disposals	-	-	-	-	-	-	-	(8,910)	-	-	(8,910)
Reclassified to non-current assets held for sale	-	-	-	-	-	-	-	(2,005,736)	-	-	(2,005,736)
Balance at end	-	-	320,134	-	8,957	-	545,844	17,454,784	-	-	18,329,719
Carrying amount	4,400,165	4,205,651	14,275,079	-	378,034	712,192	78,162	10,491,647	2,910,001	49,380	37,500,311

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

COMPANY

	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
2022			
At cost			
Balance at beginning	16,959	604,300	621,259
Additions	4,791	-	4,791
Balance at end	<u>21,750</u>	<u>604,300</u>	<u>626,050</u>
Accumulated depreciation			
Balance at beginning	9,266	319,952	329,218
Current charge	4,124	68,298	72,422
Balance at end	<u>13,390</u>	<u>388,250</u>	<u>401,640</u>
Carrying amount	<u>8,360</u>	<u>216,050</u>	<u>224,410</u>
2021			
At cost			
Balance at beginning	10,279	651,996	662,275
Addition	6,680	-	6,680
Disposals	-	(47,696)	(47,696)
Balance at end	<u>16,959</u>	<u>604,300</u>	<u>621,259</u>
Accumulated depreciation			
Balance at beginning	6,533	277,843	284,376
Current charge	2,733	75,891	78,624
Disposals	-	(33,782)	(33,782)
Balance at end	<u>9,266</u>	<u>319,952</u>	<u>329,218</u>
Carrying amount	<u>7,693</u>	<u>284,348</u>	<u>292,041</u>

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

- (i) The carrying amount of property, plant and equipment which are pledged to licensed banks as securities for banking facilities granted to certain subsidiaries are as follows:

	GROUP	
	2022 RM	2021 RM
Freehold land	-	573,202
Leasehold land	4,089,909	4,205,651
Buildings	11,939,448	14,275,079
Machinery and equipment	2,051,496	1,438,967
	18,080,853	20,492,899

- (ii) The carrying amount of right-of-use assets are as follows:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Leasehold land	9,305,925	4,205,651	-	-
Buildings	8,377,984	-	-	-
Machinery and equipment	2,146,164	2,319,877	-	-
Motor vehicles	1,280,675	971,258	216,050	254,880
	21,110,748	7,496,786	216,050	254,880

The right-of-use assets are included in the same items as where the corresponding underlying assets would be presented as if they were owned.

The leased assets are pledged as securities for the finance lease liabilities as disclosed in Note 16 to the financial statements.

- (iii) An impairment loss is recognised in administrative expenses representing the write-down of certain property, plant and equipment within the following business segments due to technological obsolescence and the economic performance of these assets were not performing up to management's expectation.

	GROUP	
	2022 RM	2021 RM
Business segments:		
Biomass materials and value-added products	759,827	11,174,872
Furniture products	420,530	-
	1,180,357	11,174,872

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

5. INVESTMENT PROPERTIES

GROUP

	Freehold land RM	Freehold buildings RM	Total RM
2022			
At cost			
Acquisition of subsidiaries	5,075,700	187,943	5,263,643
Additions	3,557,286	-	3,557,286
Reclassified from property, plant and equipment	573,202	2,472,990	3,046,192
	<u>9,206,188</u>	<u>2,660,933</u>	<u>11,867,121</u>
Accumulated depreciation			
Reclassified from property, plant and equipment	-	448,499	448,499
	<u>9,206,188</u>	<u>2,212,434</u>	<u>11,418,622</u>

- (i) The carrying amount of investment properties which are pledged to licensed banks as securities for banking facilities granted to certain subsidiaries are as follows:

	GROUP	
	2022 RM	2021 RM
Freehold land	573,202	-
Buildings	2,024,491	-
	<u>2,597,693</u>	<u>-</u>

- (ii) **Group as lessor**

The Group has entered into operating leases on its investment properties. These leases have terms of between two to three years and are cancellable.

The followings are recognised in profit or loss in respect of investment properties:

	2022 RM	2021 RM
Rental income from investment properties	360,000	-
Direct operating expenses arising from:		
- income generating investment properties	<u>(34,927)</u>	<u>-</u>

- (iii) The fair value measurement of investment properties is disclosed in Note 28 to the financial statements.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Group as a lessee

The Group has lease contracts for the rental of land and factory buildings used in its operations and hostel. Lease of land has lease term of 21 years. Leases of factory buildings have lease terms of 2 to 3 years, with options to extend the leases for another 1 to 2 years while the lease of hostel has a lease term of 2 years with an option to renew the lease for 2 to 3 years. The Group expects that it is reasonably certain that it will exercise the options to extend the leases and has factored the extension options as part of the lease term for leases of factory buildings. The lease contracts restrict the Group from assigning and subleasing the leased assets.

The Group also has certain leases of premises, hostel, machinery and motor vehicles with lease terms of 12 months or less and leases of office equipment which are categorised as low value assets. Such lease payments are charged to profit or loss as lease rentals on the straight-line basis over the lease term.

Set out below are the carrying amount of right-of-use assets and lease liabilities and their movements during the financial year:

	Factory buildings RM	Land RM	Hostel RM	Total RM
Right-of-use assets				
2022				
Balance at beginning	6,855,454	1,785,714	-	8,641,168
Acquisition of subsidiaries	-	-	115,229	115,229
Additions	39,907	-	-	39,907
Depreciation	(1,953,496)	(85,714)	-	(2,039,210)
Derecognition	(99,885)	-	-	(99,885)
Balance at end	<u>4,841,980</u>	<u>1,700,000</u>	<u>115,229</u>	<u>6,657,209</u>
2021				
Balance at beginning	857,990	-	-	857,990
Additions	7,472,678	1,800,000	-	9,272,678
Depreciation	<u>(1,475,214)</u>	<u>(14,286)</u>	-	<u>(1,489,500)</u>
Balance at end	<u>6,855,454</u>	<u>1,785,714</u>	<u>-</u>	<u>8,641,168</u>

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (cont'd)

Lease liabilities

	2022 RM	2021 RM
Balance at beginning	6,935,308	888,760
Acquisition of subsidiaries	122,442	-
Additions	39,907	9,272,678
Accretion of interest	301,946	185,410
Payments	(2,031,470)	(3,411,540)
Rent concession ⁽²⁾	(127,410)	-
Derecognition ⁽¹⁾	(108,973)	-
Balance at end	<u>5,131,750</u>	<u>6,935,308</u>
Represented by:		
Non-current liabilities	3,216,191	5,108,104
Current liabilities	<u>1,915,559</u>	<u>1,827,204</u>
	<u>5,131,750</u>	<u>6,935,308</u>

⁽¹⁾ Derecognition during the financial year due to the acquisition of related factory building by the subsidiary of the Company.

⁽²⁾ Rent concession is in relation to the rental expenses waived by the landlord during the financial year.

The maturity analysis of lease liabilities is disclosed in Note 27.4 to the financial statements.

The following are the amounts recognised in profit or loss:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Depreciation of right-of-use assets	2,039,210	1,489,500	-	-
Accretion of interest on lease liabilities	301,946	185,410	-	-
Effects of derecognition of right-of-use assets and lease liabilities	(9,088)	-	-	-
Effects on rent concession	(127,410)	-	-	-
Expenses relating to short term leases	1,273,198	114,477	-	-
Expenses relating to lease of low value assets	10,836	9,436	1,258	-
Total amount recognised in profit or loss	<u>3,488,692</u>	<u>1,798,823</u>	<u>1,258</u>	<u>-</u>

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

7. INVENTORIES

	GROUP	
	2022	2021
	RM	RM
Non-current assets		
<u>Inventory properties</u>		
Land held for development	21,000,000	-
Current assets		
<u>Other inventories</u>		
Raw materials	6,229,292	1,993,204
Work-in-progress	777,403	12,686
Finished goods	7,643,649	2,085,286
Packing materials	370,604	268,814
Spare parts	215,609	161,298
	15,236,557	4,521,288
Total inventories	36,236,557	4,521,288
Recognised in profit or loss:		
Inventories recognised as cost of sales	65,914,374	61,641,364
Inventories written down recognised as administrative expenses:		
- Addition	274,278	557,612
- Reversal	(353,326)	(1,300,011)
- Written off	140,309	-

- (i) During the financial year, the subsidiary of the Company had acquired 133 lots of leasehold land in Kulim, Kedah ("Kulim Land") for a total consideration of RM27,000,000 satisfied via a combination of RM7,000,000 in cash and RM20,000,000 via the issuance of new ordinary shares of the Company.

The amount of RM6,000,000 included in the consideration is classified as prepayment, representing the consideration paid to the seller of Kulim Land for infrastructural works to be carried out on the said land as disclosed Note 11 to the financial statements. The development plan is not finalised as at the date of this report.

- (ii) The reversal of inventories written down was made during the year when the related inventories were sold above their carrying amounts.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

8. INTANGIBLE ASSETS

	GROUP	
	2022	2021
	RM	RM
Goodwill on consolidation (Note 8.1)	7,488,756	2,844
Trademarks (Note 8.2)	128,217	151,500
Customer relationship (Note 8.3)	12,903,994	-
	<u>20,520,967</u>	<u>154,344</u>

8.1 Goodwill on consolidation

	GROUP	
	2022	2021
	RM	RM
Balance at beginning	2,844	2,844
Arising from acquisition of a subsidiary (Note 9)	7,485,912	-
	<u>7,488,756</u>	<u>2,844</u>

The goodwill recognised during the year arose from the acquisition of MG Furniture Sdn. Bhd., an entity within the Group's furniture products business segment. The operations of MG Furniture Sdn. Bhd. is identified as the cash generating unit ("CGU") for the purpose of impairment testing. The recoverable amount of the CGU has been determined based on the fair value less cost to sell method since the acquisition of MG Furniture Sdn. Bhd. was completed near the financial year end i.e. on 30 March 2022. As such, the recoverable amount of the CGU is deemed to equal the carrying amount of the goodwill plus the identifiable assets and liabilities of the CGU.

8.2 Trademarks

	GROUP	
	2022	2021
	RM	RM
At cost		
Balance at beginning	191,858	191,858
Addition	1,351	-
Balance at end	<u>193,209</u>	<u>191,858</u>
Accumulated amortisation		
Balance at beginning	40,358	16,627
Current charge	24,634	23,731
Balance at end	<u>64,992</u>	<u>40,358</u>
Carrying amount	<u>128,217</u>	<u>151,500</u>

8.3 Customer relationship

	GROUP	
	2022	2021
	RM	RM
Arising from acquisition of a subsidiary (Note 9)	12,903,994	-

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

9. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2022 RM	2021 RM
Unquoted shares, at cost		
Balance at beginning	65,248,200	31,230,000
Additions	28,000,000	34,018,200
Allocation of SIS expenses in respect of share options granted to the employees of subsidiaries	4,463,222	-
	97,711,422	65,248,200
Less: Accumulated impairment losses	(11,499,999)	(11,499,999)
	86,211,423	53,748,201

The details of the subsidiaries, all of which were incorporated and their principal place of business are in Malaysia are as follows:

Name of Company	Effective Equity Interest		Principal Activities
	2022 %	2021 %	
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	100	Investment holding but has not commence operation.
HH Properties Kulim Sdn. Bhd. (formerly known as HH Ecometal Recycling Sdn. Bhd.)	100	100	Property development, management and construction, investment holding and wholesale of waste and scrap material but has not commence operation.
* MG Furniture Sdn. Bhd. ("MGF")	51	-	Manufacturing and sale of furniture.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

9. 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 Equity Interest		Principal Activities
	2022	2021	
	%	%	
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.	97	97	Manufacturing and trading of coconut biomass materials and value-added products.
Indirect - held through HHL D			
* KNG Resource Enterprise Sdn. Bhd.	51	-	Dormant

* Not audited by Grant Thornton Malaysia PLT.

2022

(i) Acquisition of subsidiaries

KNG Resource Enterprise Sdn. Bhd. ("KNG")

On 8 March 2022, the subsidiary of the Company, HHL D had acquired 312,250 ordinary shares, representing 51% equity interest in KNG for a total cash consideration of RM272,251.

MG Furniture Sdn. Bhd. ("MGF")

On 30 March 2022, the Company had acquired 1,020,000 ordinary shares, representing 51% equity interest in MG Furniture Sdn. Bhd. ("MGF") for a purchase consideration of RM28,000,000 satisfied via issuance of 65,116,279 new ordinary shares of the Company at an issue price of RM0.43 per ordinary shares.

In accordance with the Profit Guarantee Agreement and Supplemental Profit Guarantee Agreement ("Profit Guarantee Agreements") dated 25 October 2021 and 23 February 2022 respectively entered by the Company with the previous shareholders and the existing minority shareholder, CFamilie Holdings Sdn. Bhd. ("CFamilie") (collectively referred to as "Vendors"), the Vendors have guaranteed that the aggregate profit after tax of MGF attributable to the Company for the financial year ending 31 July 2022 and 31 July 2023 ("Guarantee Period") will be no less than RM5,999,640 ("Profit Guaranteed Amount"). The profit guarantee is secured against 13,952,651 ordinary shares of the Company ("Pledged Shares") belonging to the Vendors.

In the event the Vendors fail to achieve the Profit Guaranteed Amount within the Guarantee Period, the Vendors shall on demand pay and compensate the Company for the shortfall. If the Vendors fail to pay for the shortfall within the period provided, the Company has the right to sell or dispose the Pledge Shares in the open market as settlement.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

9. INVESTMENT IN SUBSIDIARIES (cont'd)

2022 (cont'd)

(ii) The financial information relevant to the acquisition of KNG and MGF are as follows:

Fair value of identifiable assets acquired and liabilities assumed

	KNG RM	MGF RM	Total RM
Property, plant and equipment	-	26,788,142	26,788,142
Investment properties	-	5,263,643	5,263,643
Right-of-use assets	-	115,229	115,229
Intangible assets	-	12,903,994	12,903,994
Inventories	-	9,260,864	9,260,864
Receivables	925,522	8,959,541	9,885,063
Cash and cash equivalents	125,335	10,017,185	10,142,520
Deferred taxation	(500)	(1,412,094)	(1,412,594)
Payables	(550,453)	(11,516,114)	(12,066,567)
Contract liabilities	-	(1,025,646)	(1,025,646)
Borrowings	-	(18,070,228)	(18,070,228)
Lease liabilities	-	(122,442)	(122,442)
Tax liabilities	(14,620)	(332,987)	(347,607)
	<u>485,284</u>	<u>40,829,087</u>	<u>41,314,371</u>
Net identifiable assets acquired	<u>485,284</u>	<u>40,829,087</u>	<u>41,314,371</u>

Goodwill arising from acquisitions

	KNG RM	MGF RM	Total RM
Fair value of net identifiable assets acquired	485,284	40,829,087	41,314,371
Less: Non-controlling interests	<u>(213,033)</u>	<u>(20,314,999)</u>	<u>(20,528,032)</u>
	272,251	20,514,088	20,786,339
Less: Total purchase considerations transferred	<u>(272,251)</u>	<u>(28,000,000)</u>	<u>(28,272,251)</u>
Goodwill	<u>-</u>	<u>(7,485,912)</u>	<u>(7,485,912)</u>

Net cash arising from acquisitions

	KNG RM	MGF RM	Total RM
Purchase consideration settled in cash	272,251	-	272,251
Less: Cash and cash equivalents of subsidiaries acquired	<u>(125,335)</u>	<u>(10,017,185)</u>	<u>(10,142,520)</u>
Net cash outflow/(inflow)	<u>146,916</u>	<u>(10,017,185)</u>	<u>(9,870,269)</u>

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

9. INVESTMENT IN SUBSIDIARIES (cont'd)

2021

(i) Incorporation of subsidiaries

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

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.

Subsidiary with material non-controlling interests

The Group's subsidiary, namely MGF has material non-controlling interests as set out below:

	MGF 2021
NCI percentage of ownership interest and voting interest (%)	<u>49%</u>
Carrying amount of NCI (RM)	<u>20,314,999</u>

Summarised financial information before intercompany elimination

	RM
As at 31 March 2022	
Non-current assets	45,661,386
Non-current liabilities	(12,718,248)
Current assets	27,647,212
Current liabilities	(19,131,169)
Net assets	<u>41,459,181</u>

10. KEYMAN INSURANCE CONTRACTS

Keyman insurance contracts relate to the insurance policies insured for the directors of a subsidiary of the Company. The keyman insurance contracts are denominated in Ringgit Malaysia.

The keyman insurance contracts represent the expected cash value from the life insurance policies which have been assigned to licensed banks as security for banking facilities granted to a subsidiary as disclosed in Note 16 to the financial statements.

Upon maturity of the life insurance policies (between 2024 to 2030), the expected cash value shall be withdrawn by the directors and returned to the subsidiary.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

11. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Trade receivables				
Third parties	14,840,738	30,872,236	-	-
Less: Allowance for expected credit loss	(1,061,674)	(21,372,272)	-	-
	13,779,064	9,499,964	-	-
Other receivables				
Third parties	4,503,751	483,796	11,669	-
Less: Allowance for expected credit loss	(18,318)	(28,318)	-	-
	4,485,433	455,478	11,669	-
Amount owing by subsidiaries	-	-	51,326,113	4,236,157
Refundable deposits	4,634,862	1,816,865	-	1,000
Prepayments	7,410,436	1,482,567	59,772	266,380
	30,309,795	13,254,874	51,397,554	4,503,537

- (i) The normal credit terms granted to trade receivables range from **30 to 120 days** (2021: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (ii) Amounts owing by subsidiaries are non-trade related, unsecured, bears interest at **4.16% to 5.30%** (2021: 4.56% to 6.14%) and classified based on the expected timing of realisation.
- (iii) Included in the Group's other receivables is an amount of **RM2,611,798** (2021: RM Nil) represents amount due from a company in which a close family member of a director of the subsidiaries has substantial financial interests.
- (iv) Included in the Group's prepayment is an amount of **RM6,000,000** (2021: RM Nil) representing consideration paid to the seller of Kulim Land for infrastructural works to be carried out on the said land.

The seller of the land will have 18 months from 30 March 2022 to fulfil its obligations or any extended period as may be mutually agreed by the seller and the Group. In the event if the seller fails to fulfil its obligations, the Group will have the right to claim the entire prepayment per the clause stated in the Sales and Purchase agreement.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

11. TRADE AND OTHER RECEIVABLES (cont'd)

(v) The currency profile of trade and other receivables are as follows:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Ringgit Malaysia	25,809,635	12,756,418	51,397,554	4,503,537
US Dollar	4,500,160	247,415	-	-
Chinese Renminbi	-	251,041	-	-
	<u>30,309,795</u>	<u>13,254,874</u>	<u>51,397,554</u>	<u>4,503,537</u>

(vi) The movements of allowance for expected credit loss are as follows:

	GROUP	
	2022 RM	2021 RM
Trade receivables		
Balance as at beginning	21,372,272	12,860,189
Current year	378,093	12,858,644
Written off	(19,978,560)	-
Reversal	(710,131)	(4,346,561)
Balance at end	<u>1,061,674</u>	<u>21,372,272</u>
Other receivables		
Balance at beginning	28,318	-
Current year	-	28,318
Written off	(10,000)	-
Balance at end	<u>18,318</u>	<u>28,318</u>

The current year and reversal of allowance for expected credit loss are recognised as administrative expenses in profit or loss.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

12. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash and bank balances	21,749,928	8,453,649	3,442,668	3,912,988
Fixed deposits with licensed banks	10,514,001	950,211	-	-
Short-term investment	2,000,000	-	-	-
	34,263,929	9,403,860	3,442,668	3,912,988

(i) The currency profile of cash and cash equivalents is as follows:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Ringgit Malaysia	34,055,356	9,352,111	3,442,668	3,912,988
US Dollar	87,351	50,958	-	-
Chinese Renminbi	111,196	791	-	-
Others	10,026	-	-	-
	34,263,929	9,403,860	3,442,668	3,912,988

(ii) The fixed deposits are pledged to licensed banks as security for banking facilities granted to the Group. The effective interest rates of fixed deposits at the end of the reporting period ranged from 1.00% to 3.70% (2021: 1.50% to 3.70%) per annum.

(iii) The short-term investment can be redeemed at any time upon notice being given to the financial institution. The short-term investment represents investment in unit trusts which invests in a mixture of money market instruments with different maturity periods.

13. NON-CURRENT ASSETS HELD FOR SALE

	GROUP	
	2022 RM	2021 RM
Balance at beginning	3,400,000	22,000,000
Reclassified (to)/from property, plant and equipment	(3,400,000)	4,368,735
Less: Impairment loss	-	(968,735)
Less: Disposed-off	-	(22,000,000)
	-	3,400,000

On 10 May 2021, an indirect wholly-owned subsidiary of the Company had received a Letter of Intent from a third party for the purchase of its machinery and equipment for a total cash consideration of RM3,400,000. The management having evaluated the proposal decided to proceed with the disposal. During the financial year, the management have decided to rescind the disposal in view that the economic benefits were greater through continued use rather than sale.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

14. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2022	2021	2022 RM	2021 RM
Issued and fully paid with no par value:				
Balance at beginning	92,471,601	33,957,001	60,054,641	40,537,659
Issuance of shares pursuant to:				
- private placement	-	3,395,700	-	1,120,581
- rights issue (Note 31 (a))	46,235,733	-	9,247,147	-
- settlement of multiple proposals (Note 31 (c))	142,465,115	-	61,260,000	-
- settlement of debts	-	46,094,600	-	14,750,272
- settlement for acquisition of properties	-	9,024,300	-	3,699,963
- warrant exercised	1,956,425	-	391,285	-
Recognition of warrant reserve	-	-	(4,372,492)	-
Reversal of warrant reserve upon conversion	-	-	123,255	-
Share issue expenses	-	-	(505,432)	(53,834)
	283,128,874	92,471,601	126,198,404	60,054,641

2022

During the financial year, the Company increased its issued and fully paid-up ordinary share capital from RM60,054,641 to RM126,198,404 through the following:

- (i) Rights issue of 46,235,733 ordinary shares amounting to RM9,247,147 at an issue price of RM0.20 per ordinary shares on the basis of 1 rights share for every 2 existing shares held, together with 69,353,589 free detachable warrants on the basis of 3 warrants for every 2 rights shares subscribed as disclosed in Note 31 (a) to the financial statements;
- (ii) Issuance of 1,956,425 ordinary shares amounting to RM391,285 at an issue price of RM0.20 per ordinary shares arising from the exercise of warrant as disclosed in Note 31 (a) to the financial statements;
- (iii) Issuance of 142,465,115 ordinary shares amounting to RM61,260,000 at an issue price of RM0.43 per ordinary shares as settlement for the multiple proposals as disclosed in Note 31 (c) to the financial statements; and
- (iv) Setting off RM4,249,237 to warrant reserve and RM505,432 from share issuance expenses.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

14. SHARE CAPITAL (cont'd)

2021

During the previous financial year, the Company increased its issued and fully paid-up share capital from RM40,537,659 to RM60,054,641 through the following:

(i) Private placement

Issuance of 3,395,700 new ordinary shares amounting to RM1,120,581, representing approximately 10% of the existing number of issued and paid-up shares of the Company at an issue price of RM0.33 per ordinary shares arising from a private placement exercise which was completed on 20 July 2020.

(ii) Directors' and creditors' settlement scheme

- Issuance of 21,875,000 new ordinary shares amounting to RM7,000,000 at an issue price of RM0.32 per ordinary shares as settlement of amount owing to certain directors of the Group which was completed on 10 December 2020; and

- Issuance of 24,219,600 new ordinary shares amounting to RM7,750,272 at an issue price of RM0.32 per ordinary shares as settlement of amount owing to selected creditors of the Group which was completed on 30 December 2020.

(iii) Purchase of land

Issuance of 9,024,300 ordinary shares amounting to RM3,699,963 at an issue price of RM0.41 per ordinary shares as settlement for the acquisition of two pieces of freehold land by a wholly-owned subsidiary which was completed on 15 December 2020.

15. OTHER RESERVES

	Note	GROUP		COMPANY	
		2022 RM	2021 RM	2022 RM	2021 RM
Non-distributable:					
Reorganisation reserve	15.1	(5,185,000)	(5,185,000)	-	-
Warrants reserve	15.2	4,249,237	-	4,249,237	-
SIS reserve	15.3	7,644,478	-	7,644,478	-
		6,708,715	(5,185,000)	11,893,715	-

15.1 Reorganisation reserve

The reorganisation reserve represents the difference between the consideration paid over share capital and capital reserves of HHIH and its subsidiaries pursuant to a business combination under common control.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

15. OTHER RESERVES (cont'd)

15.2 Warrants reserve

On 10 May 2021, the Company issued 69,353,589 5-year free detachable warrants 2021/2026 ("Warrants"). The Warrants are constituted by a deed poll dated 30 March 2021 and listed on the ACE Market of Bursa Malaysia Securities Berhad on 17 May 2021. The Warrants will expire on 6 May 2026.

The fair value of the Warrants are determined using the relative fair value method based on the 5 days volume-weighted average price and the theoretical ex-rights price of the Company's share on 17 May 2021.

The movement of warrants reserve during the financial year:

	GROUP AND COMPANY	
	Number of Warrants 2022	Amount 2022 RM
Fair value on issuance of Warrants	69,353,589	4,372,492
Reversal of fair value upon conversion	(1,956,425)	(123,255)
Balance at end	<u>67,397,164</u>	<u>4,249,237</u>

The main features of the Warrants are as follows:

- Each Warrant entitles the registered holder at any time during the exercise period to subscribe for one new ordinary share each in the Company at an exercise price of RM0.20 per ordinary share.
- The exercise price and the number of Warrants are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the provisions set out in the deed poll.
- The Warrants shall be exercisable at any time within the period commencing on and including the date of issue of the Warrants until the last market day prior to the fifth anniversary of the date of issue of the Warrants.
- Upon exercise of the Warrants into new ordinary shares, such shares shall rank pari passu in all respects with the ordinary shares of the Company in issue at the time of exercise except that they shall not be entitled to any dividends, rights, allotments and other distributions on or prior to the date of allotment of the new ordinary shares arising from the exercise of the Warrants.
- The Warrants holders are not entitled to any voting right or to participate in any form of distribution and/or offer of further securities in the Company until and unless such Warrants holders exercise their Warrants and new ordinary shares have been allotted and issued to the holders.
- At the expiry of the exercise period, any Warrants which have not been exercised will lapse and cease to be valid for any purpose.

15.3 SIS reserve

The SIS reserve represents the equity-settled share options granted to employees of certain subsidiaries and the Company's directors. The share option reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of the share options and is reduced by the expiry or exercise of the share options. Further details of the SIS are disclosed in the Note 30 to the financial statements.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

16. BORROWINGS

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Non-current liabilities				
Finance lease liabilities	1,032,061	941,287	3,555	17,475
Term loans	17,198,038	6,631,347	-	-
	18,230,099	7,572,634	3,555	17,475
Current liabilities				
Bank overdrafts	-	8,949,848	-	-
Bankers' acceptance	3,141,000	96,000	-	-
Finance lease liabilities	1,055,700	1,192,437	13,920	13,283
Term loans	4,200,060	3,114,981	-	-
	8,396,760	13,353,266	13,920	13,283
Total borrowings	26,626,859	20,925,900	17,475	30,758

The borrowings (except for finance lease liabilities) are secured by way of:

- (i) Legal charges over the freehold land and factory buildings of the Group as disclosed in Notes 4 and 5 to the financial statements;
- (ii) Legal charges over freehold land and buildings belonging to a director of the subsidiaries;
- (iii) First party specific debenture by way of fixed charge to be created over the Group's plant and machinery;
- (iv) Pledge of fixed deposits of the Group;
- (v) Pledge of keyman insurance contracts of the Group;
- (iv) Jointly and severally guarantee by the directors of the Group; and
- (v) Corporate guarantee of the Company.

The finance lease liabilities are secured over the leased assets as disclosed in Note 4 to the financial statements.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

16. BORROWINGS (cont'd)

Breach of loan covenant

2021

A subsidiary had secured term loans amounting to RM4,536,106 as at 31 March 2020. According to the terms of the agreement, these loans were repayable over the next 3 years. However, the loans contained a debt covenant stating that the subsidiary shall not without prior consent of the licensed bank, permit Tangible Net Worth ("TNW") of the Group to fall, at any time, below RM60 million.

As at 31 March 2020, the TNW of the Group was RM35,893,029. Consequently, these loans have been classified as current liabilities due to the breach in loan covenant. On 23 October 2020, the said subsidiary has received and accepted a revised facilities offer letter following the revision of the terms and conditions of the facilities granted to the subsidiary. The balance of the term loans has been fully settled on 27 December 2021.

A summary of the effective interest rates and the maturities of the borrowings are as follows:

	Effective interest rate per annum (%)	Total RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 years and less than 5 years RM	More than 5 years RM
GROUP						
2022						
Bankers' acceptance	2.53 to 3.86	3,141,000	3,141,000	-	-	-
Finance lease liabilities	2.06 to 4.94	2,087,761	1,055,700	561,007	471,054	-
Term loans	3.12 to 6.81	21,398,098	4,200,060	1,899,519	3,815,294	11,483,225
2021						
Bank overdrafts	6.08 to 9.50	8,949,848	8,949,848	-	-	-
Bankers' acceptance	3.89	96,000	96,000	-	-	-
Finance lease liabilities	2.53 to 4.05	2,133,724	1,192,437	685,905	255,382	-
Term loans	3.35 to 5.51	9,746,328	3,114,981	1,285,481	1,554,397	3,791,469

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

16. BORROWINGS (cont'd)

	Effective interest rate per annum (%)	Total RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 years and less than 5 years RM	More than 5 years RM
COMPANY						
2022						
Finance lease liabilities	2.53	17,475	13,920	3,555	-	-
2021						
Finance lease liabilities	2.53	30,758	13,283	13,920	3,555	-

17. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Balance at beginning	858,000	646,801	18,400	21,800
Acquisition of subsidiaries	1,412,594	-	-	-
Recognised in profit or loss	(220,800)	222,100	(2,000)	(4,800)
	2,049,794	868,901	16,400	17,000
(Over)/Under provision in prior year	(218,700)	(10,901)	(11,400)	1,400
Balance at end	1,831,094	858,000	5,000	18,400

Deferred tax assets and liabilities are attributable to the followings:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Property, plant and equipment	1,960,094	938,200	6,000	18,400
Unabsorbed capital allowances	(29,000)	-	(1,000)	-
Unabsorbed business losses	(37,000)	-	-	-
Others	(63,000)	(80,200)	-	-
	1,831,094	858,000	5,000	18,400

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

18. TRADE, OTHER PAYABLES AND PROVISION

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Trade payables				
Third parties	10,758,805	4,128,693	-	-
Other payables				
Amount due to subsidiaries	-	-	4,607	6,708,113
Amount due to directors	4,196,580	36,000	-	-
Other payables	3,868,583	4,273,909	629,469	296,763
Advance received	2,614,228	725,436	-	-
SST payable	206,302	272,355	-	-
Accruals	9,068,909	3,636,164	795,873	103,656
Provision for warranty	918,302	-	-	-
	20,872,904	8,943,864	1,429,949	7,108,532
	31,631,709	13,072,557	1,429,949	7,108,532

- (i) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from **30 to 120 days** (2021: 30 to 90 days) from the date of invoice.
- (ii) The amount due to directors is unsecured, non-interest bearing and repayable within 12 months from the date of advances.
- (iii) The amount due to subsidiaries is non-trade related, unsecured, bears interest ranging from **4.16% to 5.30%** (2021: 4.56% to 6.14%) and classified based on the expected timing of realisation.

19. CONTRACT LIABILITIES

GROUP

Contract liabilities comprised of deposits received from customers for sales orders.

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract. The deposit will be reversed and recognised as revenue upon satisfying the performance obligation within the contract.

All deposits received are expected to be settled within one year.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

20. REVENUE

Disaggregated revenue information

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Sale of goods	103,501,966	73,593,746	-	-
Dividend income	-	-	13,079,000	1,164,160
Total revenue from contracts with customers	103,501,966	73,593,746	13,079,000	1,164,160

Revenue information based on geographical location of customers and business segments are disclosed in Note 25 to the financial statements.

Time of revenue recognition

The revenue of the Group and of the Company are recognised at point in time.

Performance obligations

The performance obligations of the Group and of the Company for each type of goods/services have been disclosed in Note 3.14 to the financial statements.

21. PROFIT/(LOSS) BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
After charging:				
Allowance for expected credit losses				
- current year	378,093	12,886,962	-	-
- reversal	(710,131)	(4,346,561)	-	-
Amortisation of intangible assets	24,634	23,731	-	-
Audit fee				
- current year	156,000	133,000	32,000	23,000
- under provision in prior year	-	7,360	-	-
- other services	48,395	42,500	6,800	14,500
Depreciation of property, plant and equipment	3,658,262	5,950,210	72,422	78,624
Depreciation of right-of-use assets	2,039,210	1,489,500	-	-

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

21. PROFIT/(LOSS) BEFORE TAX (cont'd)

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Impairment loss on non-current assets held for sales	-	968,735	-	-
Impairment loss on property, plant and equipment	1,180,357	11,174,872	-	-
Interest expense:				
- bank overdraft	134,300	644,114	-	-
- bankers' acceptance	3,596	168,912	-	-
- finance lease liabilities	110,955	191,531	-	-
- lease liabilities	301,946	185,410	-	-
- term loan interest	353,679	836,246	-	-
- inter-company loan interest	-	-	102,825	165,804
Inventories written down				
- addition	274,428	557,612	-	-
- reversal	(353,326)	(1,300,011)	-	-
Inventories written off	140,309	-	-	-
Loss on disposal of property, plant and equipment	35,969	-	-	-
Property, plant and equipment written off	-	968,830	-	-
Realised loss on foreign exchange	8,841	12,838	-	30
Expenses relating to lease of low value assets	10,836	9,436	1,258	-
Expenses relating to short term leases	1,273,198	114,477	-	-
* Staff costs	29,675,908	16,101,603	5,047,629	607,155
Unrealised loss on foreign exchange	-	14,273	-	-

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

21. PROFIT/(LOSS) BEFORE TAX (cont'd)

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM	RM	RM	RM
And crediting:				
Fair value gain on derivative financial instruments	-	7,736	-	-
Gain on disposal of property, plant and equipment	103,595	167,671	-	11,886
Interest income	40,838	33,940	87,831	358,361
Realised gain on foreign exchange	16,449	113,890	-	-
Rental income	388,800	360,000	-	-
Unrealised gain on foreign exchange	4,001	-	-	-

* Staff costs

- Salaries, wages, allowance and bonus	20,181,931	14,821,402	1,735,928	552,262
- EPF	1,544,750	1,019,065	121,198	50,373
- SOCSO and EIS	179,691	185,964	9,247	4,520
- SIS expenses	7,644,478	-	3,181,256	-
- Other employee benefits	125,058	75,172	-	-
	29,675,908	16,101,603	5,047,629	607,155

Included in the Group's staff costs is directors' remuneration as shown below:

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM	RM	RM	RM
Directors of the Company:				
Executive:				
- Salaries, allowances and bonus	2,378,871	838,040	173,871	-
- EPF	279,690	100,575	20,865	-
- SOCSO and EIS	2,325	1,847	385	-
- SIS expenses	2,167,685	-	-	-
	4,828,571	940,462	195,121	-
- Benefits-in-kind	39,229	48,150	2,479	-
	4,867,800	988,612	197,600	-

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

21. PROFIT/(LOSS) BEFORE TAX (cont'd)

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Non-executive:				
- Allowance	21,800	2,700	21,800	2,700
- Fee	60,000	56,000	60,000	56,000
- SIS expenses	1,162,500	-	1,162,500	-
	1,244,300	58,700	1,244,300	58,700
Executive Director of subsidiaries:				
- Salaries and bonus	618,401	479,240	-	-
- EPF	69,400	58,283	-	-
- SOCSO and EIS	3,847	3,694	-	-
	691,648	541,217	-	-
- Benefits-in-kind	24,500	20,500	-	-
	716,148	561,717	-	-
Analysed by:				
Present directors	6,795,798	1,609,029	1,409,450	58,700
Former directors	32,450	-	32,450	-
	6,828,248	1,609,029	1,441,900	58,700

22. TAXATION

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Malaysia income tax				
Based on results for the financial year				
- Current tax	(769,700)	(1,147,000)	-	(11,000)
- Deferred tax relating to the origination and reversal of temporary differences	220,800	(222,100)	2,000	4,800
	(548,900)	(1,369,100)	2,000	(6,200)
Over/(under) provision in prior year/period				
- Current tax	239,633	(25,638)	72	(2,157)
- Deferred tax	218,700	10,901	11,400	(1,400)
	458,333	(14,737)	11,472	(3,557)
Real property gains tax	-	(510,179)	-	-
	(90,567)	(1,894,016)	13,472	(9,757)

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

22. TAXATION (cont'd)

The reconciliation of tax expense of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit/(Loss) before tax	14,846,751	(18,198,371)	6,484,604	185,509
Income tax at Malaysian statutory tax rate of 24%	(3,563,220)	4,367,609	(1,556,305)	(44,522)
Income not subject to tax	124,225	1,266,288	3,138,960	279,418
Expenses not deductible for tax purpose	(3,180,180)	(945,873)	(1,580,655)	(241,096)
Movement of deferred tax assets not recognised	3,522,366	(6,057,124)	-	-
Pioneer income not subject to tax	2,547,909	-	-	-
	(548,900)	(1,369,100)	2,000	(6,200)
Over/(Under) provision in prior year	458,333	(14,737)	11,472	(3,557)
Real property gains tax	-	(510,179)	-	-
	(90,567)	(1,894,016)	13,472	(9,757)

One of the Group's subsidiaries, HK Gua Musang Sdn. Bhd. has been granted pioneer status by the Ministry of International Trade and Industry ("MITI") for the exemption of 100% of the statutory income in relation to manufacturing and trading of oil palm biomass material.

The deferred tax assets which have not been recognised are represented by net temporary differences arising from:

	GROUP	
	2022 RM	2021 RM
Property, plant and equipment	9,448,708	5,595,738
Unabsorbed tax losses	(19,088,235)	(20,766,512)
Unabsorbed capital allowances	(19,011,720)	(30,939,224)
Provisions	(2,725,342)	-
Others	(96,016)	(39,131)
	(31,472,605)	(46,149,129)

Deferred tax assets have not been recognised on the above temporary differences as it is not probable that taxable profit will be available in the foreseeable future to the extent that the above deductible temporary differences can be utilised.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

22. TAXATION (cont'd)

The amount and future availability of unabsorbed tax losses and unabsorbed capital allowances for which the related tax effects have not been accounted for at the end of the reporting period is as follows:

	GROUP	
	2022	2021
	RM	RM
Unabsorbed tax losses	19,088,235	20,766,512
Unabsorbed capital allowances	19,011,720	<u>30,939,224</u>

The unabsorbed tax losses which was previously allowed to utilised for seven (7) consecutive years of assessment ("YAs") effective from YA 2019 was extended to ten (10) consecutive YAs during the financial year and the unabsorbed capital allowances can be carried forward indefinitely.

The unabsorbed tax losses of the Group will expire in the following YA:

	GROUP	
	2022	2021
	RM	RM
YA 2026	-	347,031
YA 2027	-	8,792,772
YA 2028	-	11,626,709
YA 2030	7,470,293	-
YA 2031	11,617,942	-
	19,088,235	<u>20,766,512</u>

23. EARNINGS/(LOSS) PER SHARE

GROUP

(a) Basic earnings/(loss) per share

The basic earnings/(loss) per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	GROUP	
	2022	2021
	RM	RM
Profit/(Loss) attributable to owners of the Company (RM)	14,724,915	<u>(20,159,514)</u>
Weighted average number of ordinary shares in issue	134,550,225	<u>53,052,292</u>
Basic earnings/(loss) per share (sen)	10.94	<u>(38.00)</u>

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

23. LOSS PER SHARE (cont'd)

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share of the Group is calculated by dividing the profit/(loss) for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year adjusted to assume conversion of all dilutive potential ordinary shares arising from the outstanding Warrants and SIS as follows:

	GROUP	
	2022	2021
	RM	RM
Profit/(Loss) attributable to owners of the Company (RM)	<u>14,724,915</u>	<u>(20,159,514)</u>
Weighted average number of ordinary shares in issue	<u>134,550,225</u>	<u>53,052,292</u>
Adjustment for dilutive effects of:		
- Warrants	48,320,236	-
- SIS	15,124,011	-
	<u>197,994,472</u>	<u>53,052,292</u>
Diluted earnings/(loss) per share (sen)	<u>7.44</u>	<u>(38.00)</u>

24. CAPITAL COMMITMENTS

	GROUP	
	2022	2021
	RM	RM
Contracted but not provided for:		
- Property, plant and equipment	10,366,000	540,000
Approved but not contracted for:		
- Property, plant and equipment	<u>106,980</u>	<u>-</u>

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

25. SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business and geographical segments. The primary format and business segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business Segments

The Group and its subsidiaries, are principally engaged in manufacturing and trading of biomass materials, manufacturing and trading of furniture products and investment holding.

The Group has arrived at three (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 Group had made changes to its reportable segments during the financial year to reflect a better overview of the business activities carried out by each reportable segment. The reportable segments are summarised as follows:

(i) Biomass materials and value-added products

Manufacturing and trading of coconut fibre and related products, bio-oil and oil palm EFB (empty fruit bunches) fibre and related products.

(ii) Furniture products

Manufacturing and trading of furniture products.

(iii) Investment holdings and others

Investment holdings and property investment.

The accounting policies of operating segments are the same as those described in the summary of accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax.

Inter-segment transactions have been accounted for on a basis that is consistent with the Group's accounting policies.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

25. SEGMENTAL INFORMATION (cont'd)

By business segments

	Biomass materials and value- added products RM	Furniture products RM	Investment holdings and others RM	Adjustment RM	Note	Total RM
2022						
Revenue						
External customers	80,984,937	22,517,029	-			103,501,966
Inter-segment revenue	11,721,084	-	14,191,000	(25,912,084)	A	-
Total revenue	92,706,021	22,517,029	14,191,000			103,501,966
Results						
Segment results	26,871,549	(3,639,204)	7,009,534	(14,530,648)		15,711,231
Interest income	204,613	18,230	87,922	(269,927)		40,838
Interest expense	(832,321)	(227,904)	(115,020)	269,927		(905,318)
Profit/(Loss) before taxation	26,243,841	(3,848,878)	6,982,436			14,846,751
Taxation	(511,401)	394,150	26,684			(90,567)
Profit/(Loss) for the financial year	25,732,440	(3,454,728)	7,009,120			14,756,184
Assets						
Segment assets	52,375,728	69,148,360	184,365,418	(124,569,636)		181,319,870
Current tax assets	518,994	260,806	98,439	(878,239)		-
Cash and cash equivalents	19,396,974	11,194,286	3,672,669			34,263,929
Total assets	72,291,696	80,603,452	188,136,526			215,583,799
Liabilities						
Segment liabilities	23,409,784	33,978,860	35,860,487	(55,237,391)		38,011,740
Borrowings	4,011,712	22,597,672	17,475			26,626,859
Current tax liabilities	685,000	332,987	-	(878,239)		139,748
Deferred tax liabilities	414,000	782,000	5,000	630,094		1,831,094
Total liabilities	28,520,496	57,691,519	35,882,962			66,609,441
Other information						
Additions to non-current assets	2,205,904	61,020,244	3,822,077	26,322,846	B	93,371,071
Depreciation and amortisation	5,133,910	544,126	72,422	(28,352)		5,722,106
Non-cash items other than depreciation and amortisation	2,790,116	2,445,005	3,181,256	368,000	C	8,784,377

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

25. SEGMENTAL INFORMATION (cont'd)

By business segments

	Biomass materials and value- added products RM	Furniture products RM	Investment holdings and others RM	Adjustment RM	Note	Total RM
2021						
Revenue						
External customers	49,586,409	24,007,337	-			73,593,746
Inter-segment revenue	8,582,405	419	2,328,000	(10,910,824)	A	-
Total revenue	58,168,814	24,007,756	2,328,000			73,593,746
Results						
Segment results	(16,657,180)	1,662,895	1,135,509	(2,347,322)		(16,206,098)
Interest income	220,123	28,800	407,355	(622,338)		33,940
Interest expense	(2,180,980)	(314,563)	(165,812)	635,142		(2,026,213)
(Loss)/Profit before taxation	(18,618,037)	1,377,132	1,377,052			(18,198,371)
Taxation	(1,319,716)	(552,878)	(21,422)			(1,894,016)
(Loss)/Profit for the financial year	(19,937,753)	824,254	1,355,630			(20,092,387)
Assets						
Segment assets	64,326,770	13,881,080	72,353,887	(83,089,752)		67,471,985
Current tax assets	607,861	45,715	81,503			735,079
Cash and cash equivalents	4,641,387	844,531	3,917,942			9,403,860
Total assets	69,576,018	14,771,326	76,353,332			77,610,924
Liabilities						
Segment liabilities	25,953,025	5,880,620	8,419,971	(20,091,256)		20,162,360
Borrowings	14,203,115	6,692,027	30,758			20,925,900
Deferred tax liabilities	578,600	261,000	18,400			858,000
Total liabilities	40,734,740	12,833,647	8,469,129			41,946,260
Other information						
Additions to non-current assets	404,064	167,083	3,833,643		B	4,404,790
Depreciation and amortisation	6,440,453	1,102,466	84,879	(164,357)		7,463,441
Non-cash items other than depreciation and amortisation	21,350,541	(391,398)	(11,624)	(12,804)	C	20,934,715

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

25. SEGMENTAL INFORMATION (cont'd)

Notes to segment information:

- A Inter-segment revenue are eliminated on consolidation.
- B Addition to non-current assets consist of property, plant and equipment, investment properties and intangible assets.
- C Other non-cash expenses/(income) consist of the following:

	GROUP	
	2022	2021
	RM	RM
Accretion of interest on lease liabilities	301,946	185,410
Expected credit losses - current year	378,093	12,886,962
- reversal	(710,131)	(4,346,561)
Fair value gain on derivative financial instruments	-	(7,736)
Gain on disposal of property, plant and equipment	(67,626)	(167,671)
Impairment loss on non-current assets held for sale	-	968,735
Impairment loss on property, plant and equipment	1,180,357	11,174,872
Inventories written down - addition	274,278	557,612
- reversal	(353,326)	(1,300,011)
Inventories written off	140,309	-
Property, plant and equipment written off	-	968,830
SIS expenses	7,644,478	-
Unrealised (gain)/loss on foreign exchange	(4,001)	14,273
	<u>8,784,377</u>	<u>20,934,715</u>

Geographical information

The manufacturing facilities and sales office of the Group are primarily based in Malaysia.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of the customers from which the sales transactions originated.

All the assets and liabilities of the Group are derived from Malaysia. Hence, no additional disclosure is made on the geographical breakdown of the segment assets of the Group.

	Revenue	
	2022	2021
	RM	RM
Malaysia	98,783,193	62,965,412
China	4,718,773	10,416,714
Others	-	211,620
	<u>103,501,966</u>	<u>73,593,746</u>

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

25. SEGMENTAL INFORMATION (cont'd)

Major customers

Total revenue from **2** (2021: Nil) major customers which individually contributed to 10% or more of Group revenue amounted to **RM29,962,302** (2021: RM Nil), arising from sales by the biomass material and value-added products segment.

26. RELATED PARTY DISCLOSURES

(i) Identity of related parties

The Group has related party relationship with its subsidiaries, related parties, key management personnel and the following party:

Related party	Relationship
Heng Huat Furniture Sdn. Bhd. ("HHFSB")	: A company in which a director of the Group, Dato' H'ng Choon Seng has substantial financial interests.
H'ng Jia Min ("HJM")	: A person connected to a director of the Group, Dato' H'ng Choon Seng.
Kulim Property Sdn. Bhd. ("KPSB")	: A company in which a director of the Group, Mr. Ho Whye Chong has substantial financial interests.

(ii) Related party transactions

Related party transactions have been entered into at terms agreed between the parties during the financial year.

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Rental expenses paid to HHFSB	602,244	629,200	-	-
Purchase of leasehold land and factory building from HHSFB	13,000,000	-	-	-
Purchase of leasehold land from HJM	260,000	-	-	-
Purchase of land held for development from KPSB	27,000,000	-	-	-
Transactions with subsidiaries:				
- Interest income	-	-	73,811	357,391
- Dividend income	-	-	13,079,000	1,164,160
- Interest expenses	-	-	(102,825)	(165,804)

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

26. RELATED PARTY DISCLOSURES (cont'd)

(iii) Compensation of key management personnel

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly. The remuneration of key management personnel during the financial year is as follows:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Short term employee benefits	6,237,112	3,338,020	947,014	506,318
SIS expenses	7,644,478	-	3,181,256	-
Contribution to defined contribution plan	701,395	396,501	95,050	53,369
Benefits-in-kind	63,729	68,680	2,479	-
	<u>14,646,714</u>	<u>3,803,171</u>	<u>4,225,799</u>	<u>559,687</u>
Analysed as:				
- Directors	6,828,248	1,609,029	1,441,900	58,700
- Other key management personnel	7,818,466	2,194,142	2,783,899	500,987
	<u>14,646,714</u>	<u>3,803,171</u>	<u>4,225,799</u>	<u>559,687</u>

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

27. FINANCIAL INSTRUMENTS

27.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC") and fair value through profit or loss ("FVTPL").

	Carrying amount RM	AC RM	FVTPL RM
2022			
GROUP			
Financial assets			
Keyman insurance contracts	590,378	-	590,378
Trade receivables	13,779,064	13,779,064	-
Other receivables and refundable deposits	9,120,295	9,120,295	-
Cash and cash equivalents	34,263,929	34,263,929	-
	57,753,666	57,163,288	590,378
Financial liabilities			
Trade payables	10,758,805	10,758,805	-
Other payables and accruals	18,300,282	18,300,282	-
Borrowings	26,626,859	26,626,859	-
	55,685,946	55,685,946	-
COMPANY			
Financial assets			
Other receivables	11,669	11,669	-
Inter-company balances	51,326,113	51,326,113	-
Cash and cash equivalents	3,442,668	3,442,668	-
	54,780,450	54,780,450	-
Financial liabilities			
Other payables and accruals	1,425,342	1,425,342	-
Inter-company balances	4,607	4,607	-
Borrowings	17,475	17,475	-
	1,447,424	1,447,424	-

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

27. FINANCIAL INSTRUMENTS (cont'd)

27.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as amortised cost ("AC") and fair value through profit or loss ("FVTPL"). (cont'd)

	Carrying amount RM	AC RM	FVTPL RM
2021			
GROUP			
Financial assets			
Trade receivables	9,499,964	9,499,964	-
Other receivables and refundable deposits	2,272,343	2,272,343	-
Cash and cash equivalents	9,403,860	9,403,860	-
	<u>21,176,167</u>	<u>21,176,167</u>	-
Financial liabilities			
Trade payables	4,128,693	4,128,693	-
Other payables and accruals	8,671,509	8,671,509	-
Borrowings	20,925,900	20,925,900	-
	<u>33,726,102</u>	<u>33,726,102</u>	-
COMPANY			
Financial assets			
Refundable deposits	1,000	1,000	-
Inter-company balances	4,236,157	4,236,157	-
Cash and cash equivalents	3,912,988	3,912,988	-
	<u>8,150,145</u>	<u>8,150,145</u>	-
Financial liabilities			
Other payables and accruals	400,419	400,419	-
Inter-company balances	6,708,113	6,708,113	-
Borrowings	30,758	30,758	-
	<u>7,139,290</u>	<u>7,139,290</u>	-

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

27. FINANCIAL INSTRUMENTS (cont'd)

27.2 Financial Risk Management

The Group and the Company are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency exchange risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative activities.

27.3 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and to the Company. The Group's exposure to credit risk arises principally from its trade and other receivables. The Company's exposure to credit risk arises principally from advances to its subsidiaries.

Trade receivables

The Group extends credit terms to customers that range between 30 to 120 days. Credit period extended to its customers is based on careful evaluation of the customers' financial condition and credit history. Receivables are monitored on an ongoing basis via Group's management reporting procedures and action will be taken for long outstanding debts.

The Group assesses ECL on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

The ageing of trade receivables of the Group is as follows:

	Expected loss rate %	Gross RM	Expected credit losses RM	Net RM
2022				
Not past due	0.17	9,027,278	(15,691)	9,011,587
More than 30 days past due	3.59	4,146,180	(148,938)	3,997,242
More than 60 days past due	3.07	617,178	(18,968)	598,210
More than 90 days past due	67.62	531,256	(359,231)	172,025
		5,294,614	(527,137)	4,767,477
Individually impaired	100	518,846	(518,846)	-
		<u>14,840,738</u>	<u>(1,061,674)</u>	<u>13,779,064</u>

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

27. FINANCIAL INSTRUMENTS (cont'd)

27.3 Credit Risk (cont'd)

Trade receivables (cont'd)

	Expected loss rate %	Gross RM	Expected credit losses RM	Net RM
2021				
Not past due	1.47	7,392,937	(108,548)	7,284,389
More than 30 days past due	5.88	1,979,523	(116,373)	1,863,150
More than 60 days past due	12.53	287,509	(36,033)	251,476
More than 90 days past due	66.58	302,106	(201,157)	100,949
		2,569,138	(353,563)	2,215,575
Individually impaired	100	20,910,161	(20,910,161)	-
		<u>30,872,236</u>	<u>(21,372,272)</u>	<u>9,499,964</u>

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that are neither past due nor impaired have been recognised during the financial year.

The Group has trade receivables amounting to **RM4,767,477** (2021: RM2,215,575) that are past due at the end of the reporting period but management is of the view that these past due amounts will be collected in due course and no impairment is necessary.

As at the end of the reporting period, the Group does not has any significant exposure to any individual customer.

The maximum exposure to credit risk of trade receivables is represented by their carrying amounts in the statement of financial position.

Intercompany balances

The Company provides advances to its subsidiaries. The Company monitors the results of the subsidiaries regularly.

The maximum exposure to credit risk is represented by their carrying amount of the advances in the statement of financial position.

As at the end of the reporting period, there was no indication that the advances to its subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to its subsidiaries.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

27. FINANCIAL INSTRUMENTS (cont'd)

27.3 Credit Risk (cont'd)

Financial guarantees

The Company provides unsecured financial guarantees to financial institutions in respect of banking facilities granted to certain subsidiaries up to a limit of **RM55,364,000** (2021: RM55,364,000) and the maximum exposure to credit risk is **RM6,666,895** (2021: RM15,950,541) representing the outstanding facilities utilised by the said subsidiaries as at the end of the reporting period.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

Financial guarantees have not been recognised as the fair value on initial recognition was not material since no consideration was paid.

27.4 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company actively manage its debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period and are based on undiscounted contractual payments:

	Carrying amount	Contractual cash flows	Within one year	More than one year and less than two years	More than two years and less than five years	More than five years
	RM	RM	RM	RM	RM	RM
2022						
GROUP						
<i>Non-derivative financial liabilities</i>						
Borrowings	26,626,859	33,504,812	10,151,099	3,204,673	6,029,710	14,119,330
Trade payables	10,758,805	10,758,805	10,758,805	-	-	-
Other payables and accruals	19,748,300	19,748,300	19,748,300	-	-	-
Lease liabilities	5,131,750	5,483,200	2,130,800	2,128,400	1,224,000	-
	62,265,714	69,495,117	42,789,004	5,333,073	7,253,710	14,119,330

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

27. FINANCIAL INSTRUMENTS (cont'd)

27.4 Liquidity risk (cont'd)

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
2022						
COMPANY						
<i>Non-derivative financial liabilities</i>						
Borrowings	17,475	18,006	14,424	3,582	-	-
Other payables and accruals	1,425,343	1,425,342	1,425,342	-	-	-
Intercompany balances	4,607	4,607	4,607	-	-	-
* Financial guarantee	-	6,666,895	6,666,895	-	-	-
	1,447,425	8,114,850	8,111,268	3,582	-	-
2021						
GROUP						
<i>Non-derivative financial liabilities</i>						
Borrowings	20,925,900	23,083,714	13,753,381	2,272,668	2,350,412	4,707,253
Trade payables	4,128,693	4,128,693	4,128,693	-	-	-
Other payables and accruals	8,671,509	8,671,509	8,671,509	-	-	-
Lease liabilities	6,935,308	7,584,000	2,154,440	2,103,840	3,325,720	-
	40,661,410	43,467,916	28,708,023	4,376,508	5,676,132	4,707,253

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

27. FINANCIAL INSTRUMENTS (cont'd)

27.4 Liquidity risk (cont'd)

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
COMPANY						
<i>Non-derivative financial liabilities</i>						
Borrowings	30,758	32,430	14,424	14,424	3,582	-
Other payables and accruals	400,419	400,419	400,419	-	-	-
Intercompany balances	6,708,113	6,708,113	6,708,113	-	-	-
* Financial guarantee	-	15,950,541	15,950,541	-	-	-
	<u>7,139,290</u>	<u>23,091,503</u>	<u>23,073,497</u>	<u>14,424</u>	<u>3,582</u>	<u>-</u>

* This has been included for illustration purpose only as the related financial guarantees have not crystallised as at the end of the reporting period.

27.5 Interest rate risk

The Group's and the Company's fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's floating rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on their carrying amount as at the end of the reporting period are as follows:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Fixed rate instruments				
Financial assets	10,514,001	950,211	-	-
Financial liabilities	2,087,761	2,133,724	17,475	30,758
Floating rate instruments				
Financial assets	-	-	51,326,113	4,236,157
Financial liabilities	24,539,098	18,792,176	4,607	6,708,113

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

27. FINANCIAL INSTRUMENTS (cont'd)

27.5 Interest rate risk (cont'd)

Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Sensitivity analysis for variable rate instruments

An increase of 25 basis point at the end of the reporting period would have increased profit/(loss) before tax of the Group and of the Company by **RM18,090** (2021: RM78,719) and **RM1,356** (2021: RM8,953) respectively, and a decrease would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

27.6 Foreign currency risk

The Group is exposed to foreign currency risk mainly as a result of its normal trading whereby sales that are principally transacted in US Dollar ("USD") and Chinese Renminbi ("RMB").

The Group mitigates the exposure to this risk by maintaining USD and RMB denominated bank accounts and entering into foreign currency forward contracts.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currencies exchange rates against Ringgit Malaysia, with all other variables held constant, of the Group's profit before tax. A 5% strengthening of the RM against the following currencies at the end of the reporting period would have decreased or increased profit before tax by the amount shown below and a corresponding weakening would have an equal but opposite effect.

	2022	2021
	RM	RM
USD	229,376	14,919
RMB	5,560	12,592
Others	501	-
	<hr/>	<hr/>
Decrease in profit before tax	235,437	27,511
	<hr/>	<hr/>

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

28. FAIR VALUE MEASUREMENT

28.1 Fair value measurement of financial instruments

The carrying amounts of financial assets and financial liabilities (other than those disclosed below) of the Group and of the Company as at the end of the reporting period approximate their fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the non-current portion of finance lease liabilities are reasonable approximation of fair values due to their insignificant impact of discounting.

28.2 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets for which fair value is disclosed as at the end of the reporting period:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
GROUP				
2022				
Investment properties	-	3,557,286	7,861,336	11,418,622

Fair value

The fair value for investment properties for disclosure purposes is categorised under Level 2 and Level 3 of the fair value hierarchy (refer to Note 2.2 to the financial statement for definition of fair value hierarchy).

The fair value is derived based on appraisal performed by independent professional valuers using the sales comparison approach. Selling prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size, age and condition of the building. The most significant input into this valuation approach is price per square foot of comparable properties.

When there is no valuation performed, the fair values of the Group's investment properties are arrived by reference to market indication of transaction prices of similar properties determined by the Group's Directors.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

28. FAIR VALUE MEASUREMENT (cont'd)

28.3 Financial assets that are measured at fair value on a recurring basis

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy:

	Fair value of financial instruments			Total RM	Carrying amount RM
	Level 1	Level 2	Level 3		
	RM	RM	RM		
GROUP					
2022					
Financial assets					
Long-term deposits with licensed banks	-	-	590,378	590,378	590,378

The fair value of the keyman insurance contracts is derived based on the cash surrender value in accordance with the keyman insurance contracts which are not an observable input. Management estimates the fair value based on the insurance policy of the keyman insurance contracts provided by the insurance company.

The unobservable input is the cash surrender value quoted by the insurance company according to the keyman insurance contracts. When the cash surrender value is higher, the fair value of the keyman insurance contract will be higher.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer. There were no transfers between all 3 levels during the financial year.

29. CAPITAL MANAGEMENT

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it, considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objective, policies or process during the financial year ended.

The Group monitors capital using net debts to equity ratio, which is net debt divided by total equity. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and cash equivalents. Total equity represents equity attributable to the owners of the Company.

Notes to the Financial Statements (Cont'd)

31 MARCH 2022

29. CAPITAL MANAGEMENT (cont'd)

Net debts to equity ratio

	GROUP	
	2022 RM	2021 RM
Borrowings	26,626,859	20,925,900
Trade and other payables	30,713,407	13,072,557
	57,340,266	33,998,457
Less: Cash and cash equivalents	(34,263,929)	(9,403,860)
Net debts	23,076,337	24,594,597
Total equity	128,190,965	35,428,572
Net debts to equity	0.18	0.69

30. SHARE ISSUANCE SCHEME ("SIS")

The Company's SIS is governed by the By-Laws which were approved by the shareholders at an Extraordinary General Meeting held on 2 December 2020. The SIS is in force for a period of five years commencing from 7 May 2021 to 6 May 2026.

The salient features of the SIS are as follows:

- (a) The total number of new ordinary shares pursuant to the exercise of the SIS options under the SIS shall not in aggregate exceed 30% of the total number of issued and paid-up capital of the Company (excluding any treasury shares) at any point in time during the duration of the SIS.
- (b) The number of new ordinary shares of the Company allocated to any employee or director ("Eligible Persons") of the Group, either singly or collectively through persons connected with such Eligible Persons who holds 20% or more of the issued and paid-up share capital of the Company (excluding any treasury shares) does not exceed 10% of the total number of new ordinary shares to be issued under the SIS.
- (c) The new ordinary shares of the Company allocated to the directors and senior management of the Company and of its subsidiaries (excluding dormant subsidiaries) shall not exceed 80% of the total number of new ordinary shares to be issued under the SIS.
- (d) The director and senior management of the Group shall not participate in the deliberation or discussion of their respective allocation.

Notes to the Financial Statements (Cont'd)

30. SHARE ISSUANCE SCHEME ("SIS") (cont'd)

- (e) Any employee or director of the Group shall be eligible to participate in the SIS if, as at the date of offer, the employee is at least eighteen (18) years of age or above; and is not an undischarged bankrupt or subject to any bankruptcy proceedings and is employed or a director of any company within the Group (excluding companies which are dormant).
- (f) The option price shall be determined at a discount of not more than 10% or such lower or higher limit in accordance with any prevailing guidelines issued by Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of the offer.
- (g) The new ordinary shares of the Company shall, upon allotment and issuance, rank *pari passu* in all respects with the existing shares of the Company, save and except that they will not be entitled to any dividends, rights, allotments and/or any other distributions prior to the date of allotment and issuance of new ordinary shares arising from the exercise of the SIS.

The details of the outstanding share options granted to the Group's employees and directors and its exercise price are as follows:

Grant date	Exercise price	← Number of share options over ordinary shares →			Balance at 31.3.2022
		Balance at 1.4.2021	Granted	Exercised	
25.10.2021	RM0.48	-	41,600,000	-	41,600,000

The fair value of the share options granted was estimated at the grant date using Trinomial Option Pricing model, taking into account the terms and conditions upon which the instruments were granted.

The following table are inputs relevant in deriving the fair value of the share options:

Fair value (RM)	0.1875
Expected volatility (%)	60 - 100
Risk-free interest rate (% p.a)	3.0379
Expected life of option (years)	5
Weighted average share price (RM)	0.5280

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Notes to the Financial Statements (Cont'd)

31. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

(a) Renounceable rights issue exercise

On 9 February 2021, the Company proposed to undertake a renounceable rights issue exercise of up to 46,235,800 new ordinary shares of the Company ("Rights Share") on the basis of 1 Rights Share for every 2 existing ordinary shares held together with up to 69,353,700 free detachable warrants ("Warrants") on the basis of 3 warrants for every 2 Rights Share subscribed.

The rights issue exercise was completed on 17 May 2021 with the listing of and quotation for 46,235,733 Rights Shares at RM0.20 per Rights Share together with 69,353,589 Warrants on the ACE Market of Bursa Malaysia Securities Berhad.

(b) SIS

On 25 October 2021, the Company granted share options to eligible employees of the Company and its subsidiaries. A total number of 41,600,000 of share options were offered at exercise price of RM0.48 per ordinary share. The market price of the Company's ordinary share at the time of offer was RM0.56 per share and SIS expense amounting to RM7,644,478 was recognised in the consolidated statement of comprehensive income with the corresponding entry to SIS reserve within equity based on the fair value of the SIS on grant date.

(c) Multiple proposals

The Shareholders of the Company had on 15 March 2022 approved the following proposals via an Extra General Meeting held:

- (i) Acquisition of 1,020,000 ordinary shares, representing 51% equity interest in MG Furniture Sdn. Bhd. for a purchase consideration of RM28,000,000 to be satisfied via the issuance of 65,116,279 new ordinary shares of the Company at an issue price of RM0.43 each.
- (ii) Acquisition of 2 parcels of leasehold land erected with a single storey detached warehouse, a double storey detached office annexed with a single storey showroom, a single storey detached officed annexed with a single storey showroom and a single store detached store together with ancillary buildings by Fibre Star (M) Sdn. Bhd., a wholly-owned subsidiary of the Company for a purchase consideration of RM13,000,000 to be satisfied via the issuance of 30,232,558 new ordinary shares of the Company at an issue price of RM0.43 each.
- (iii) Acquisition of 2 parcels of freehold land by HH Land and Development Sdn. Bhd., a wholly-owned subsidiary of the Company for a purchase consideration of RM260,000 to be satisfied via the issuance of 604,651 new ordinary shares of the Company at an issue price of RM0.43 each.
- (iv) Acquisition of 133 lots of leasehold land in Kulim, Kedah by HH Properties Kulim Sdn. Bhd. (formerly known as HH Ecometal Recycling Sdn. Bhd.), a wholly-owned subsidiary by the Company for a purchase consideration of RM27,000,000 to be satisfied via a combination of RM7,000,000 in cash and RM20,000,000 via the issuance of 46,511,627 new ordinary shares of the Company at an issue price of RM0.43 each.
- (v) Diversification of the businesses of the Group to include property development business.
- (vi) Bonus issue of up to 588,189,057 new ordinary shares in the Company on the basis of 3 bonus shares for every 2 existing ordinary shares held in the Company.

The total number of new ordinary shares arising from (i), (ii), (iii) and (iv) of 142,465,115 was issued on 30 March 2022 and quoted on the ACE Market of Bursa Malaysia Securities Berhad on even date.

The bonus issue was completed on 18 April 2022 with the listing of and quotation for 424,693,236 bonus shares on the on the ACE Market of Bursa Malaysia Securities Berhad.

Notes to the Financial Statements (Cont'd)

32. EVENTS AFTER THE REPORTING PERIOD

(a) **Acquisition of WPC Coatings Sdn. Bhd.**

On 13 June 2022, a wholly-owned subsidiary of the Company, HH Land and Development Sdn. Bhd. ("HHLD") had entered into a Share Sales Agreement with Yeow Ah Lim ("YAL") to acquire 1,880,001 ordinary shares, representing 100% equity interest in WPC Coatings Sdn. Bhd. ("WPCC") for a cash consideration of RM6,800,000.

The acquisition has not completed as at the date of this report.

(b) **Acquisition of VIP Dome Sdn. Bhd. ("VIPD")**

On 27 June 2022, HHLD had entered into a Share Sales Agreement with Ang Eng Hooi to acquire 100 ordinary shares, representing 100% equity interest in VIPD together with a piece of agricultural land located at district of Tawau, Sabah for a cash consideration of RM4,000,000.

The acquisition has not completed as at the date of this report.

(c) **MG Furniture Innovation Sdn. Bhd. ("MGFI")**

On 22 July 2022, the subsidiary of the Company, MGF had completed the acquisition of MGFI comprising of 2,500,000 ordinary shares, representing 100% equity interest in MGFI for a cash consideration of RM10. Arising from this, MGFI became an indirect wholly-owned subsidiary of the Company effective on even date. The intended principal activity of MGFI is manufacturing and sale of furniture.

Analysis of Shareholdings

AS AT 30 JUNE 2022

Total number of issued shares : 743,774,560
 Class of Shares : Ordinary shares
 Voting Rights : One vote per ordinary share

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	193	10.03	5,682	0.00
100 - 1,000	243	12.63	104,678	0.01
1,001 - 10,000	798	41.48	3,538,015	0.47
10,001 - 100,000	524	27.23	18,111,283	2.44
100,001 - 37,188,727 (*)	161	8.37	414,630,433	55.75
37,188,728 AND ABOVE (**)	5	0.26	307,384,469	41.33
TOTAL :	1,924	100.00	743,774,560	100.00

REMARKS :

* - LESS THAN 5% OF ISSUED SHARES

** - 5% AND ABOVE OF ISSUED SHARES

LIST OF LARGEST SHAREHOLDERS AS AT 30 JUNE 2022

NO.	NAME	HOLDINGS	%
1	CFAMILLIE HOLDINGS SDN. BHD.	127,909,070	17.20
2	H'NG CHOON SENG	61,060,427	8.21
3	HENG HUAT FURNITURE SDN BHD	34,883,720	4.69
4	PACIFIC TRUSTEES BERHAD EXEMPT AN FOR KULIM PROPERTY SDN.BHD.	34,883,720	4.69
5	PACIFIC TRUSTEES BERHAD EXEMPT AN FOR CFAMILLIE HOLDINGS SDN BHD	34,881,627	4.69
6	CHEAH AH HOCK	34,175,700	4.59
7	GOH VINCENT	32,558,137	4.38
8	KEE SWEE LAI	32,268,875	4.34
9	CH'NG BOON HOCK	26,640,500	3.58
10	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR HNG JIA MIN (E-BMM/TBM)	24,767,442	3.33

Analysis of Shareholdings (Cont'd)

AS AT 30 JUNE 2022

LIST OF LARGEST SHAREHOLDERS AS AT 30 JUNE 2022 (cont'd)

NO.	NAME	HOLDINGS	%
11	POLARGAS SDN. BHD.	24,519,000	3.30
12	GOH BOON LEONG	24,418,605	3.28
13	HO WHYE CHONG	24,418,605	3.28
14	SKYLITECH RESOURCES SDN. BHD.	22,257,500	2.99
15	H'NG JIA QI	17,545,735	2.36
16	GOH BOON LEONG	17,416,500	2.34
17	HO WHYE CHONG	14,293,000	1.92
18	OOI PHAIK SEE	12,968,625	1.74
19	KELVIN TAN CHUN KHAI	10,228,500	1.38
20	NG BACK TENG	9,624,800	1.29
21	CH'NG CHEN MONG	8,367,875	1.13
22	KOE GAIK TIANG	8,022,750	1.08
23	CHA HOO PENG	6,088,500	0.82
24	GOH VINCENT	5,310,125	0.71
25	HONG SENG HOUSING SDN. BHD.	4,839,000	0.65
26	OOI CHEE SENG	4,745,625	0.64
27	OOI CHIENG SIM	3,750,000	0.50
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD ANG CHIN YEOW	2,998,437	0.40
29	TEH CHAI LUANG	2,788,042	0.37
30	GOH PEI CHIEK	2,550,600	0.34
TOTAL		671,181,042	90.22

Analysis of Shareholdings (Cont'd)

AS AT 30 JUNE 2022

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 30 JUNE 2022

Name	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Dato' H'ng Choon Seng	61,060,427	8.21	116,939,141 ⁽¹⁾	15.72
Kee Swee Lai	32,268,875	4.34	-	-
Ho Whye Chong	38,711,605	5.20	34,883,720 ⁽²⁾	4.69
Ng Chin Nam	25,000	0.00	8,022,750 ⁽³⁾	1.08
Lee Yee Wooi	100,000	0.01	-	-

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 30 JUNE 2022

Name	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Cfamillie Holdings Sdn Bhd	162,790,697	21.89	-	-
Dato' H'ng Choon Seng	61,060,427	8.21	116,939,141 ⁽¹⁾	15.72
Ho Whye Chong	38,711,605	5.20	34,883,720 ⁽²⁾	4.69
Goh Vincent	37,868,262	5.09	34,883,720 ⁽²⁾	4.69
Goh Boon Leong	41,835,105	5.62	72,751,982 ⁽⁴⁾	9.78
H'ng Jia Min	24,767,442	3.33	34,883,720 ⁽⁵⁾	4.69
H'ng Jia Qi	17,545,735	2.36	34,883,720 ⁽⁵⁾	4.69
Ch'ng Chen Mong	8,367,875	1.13	162,790,697 ⁽⁶⁾	21.89
Tan Poh Cheng	-	-	162,790,697 ⁽⁶⁾	21.89

Notes:

(1) Deemed Interested pursuant to Section 59(11)(c) of the Companies Act 2016 via his spouse Datin Khor Mooi Kim, his daughter H'ng Jia Qi and his son H'ng Jia Min and pursuant to Section 8 of the Companies Act 2016 via his shareholding in Heng Huat Manufacturer Sdn Bhd.

(2) Deemed interested through Kulim Property Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

(3) Deemed interested through his spouse Koe Gaik Tiang pursuant to Section 59(11)(c) of the Companies Act 2016.

(4) Deemed interested through Kulim Property Sdn Bhd and shareholding of his son Goh Vincent in Heng Huat pursuant to Section 8 of the Companies Act 2016.

(5) Deemed interested through Heng Huat Furniture Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

(6) Deemed interested through Cfamillie Holdings Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

Analysis of Warrants Holdings

AS AT 30 JUNE 2022

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No. of Warrants Holders	%	No. of Warrants	%
1 - 99	15	4.86	606	0.00
100 - 1,000	42	13.59	13,785	0.01
1,001 - 10,000	138	44.66	601,630	0.44
10,001 - 100,000	75	24.27	2,779,659	2.05
100,001 - 6,789,332 (*)	34	11.00	44,091,168	32.47
6,789,333 AND ABOVE (**)	5	1.62	88,299,826	65.03
TOTAL :	309	100.00	135,786,674	100.00

REMARKS :

* - LESS THAN 5% OF ISSUED WARRANTS

** - 5% AND ABOVE OF ISSUED WARRANTS

LIST OF LARGEST SHAREHOLDERS AS AT 30 JUNE 2022

NO.	NAME	HOLDINGS	%
1	H'NG CHOON SENG	33,232,764	24.47
2	GOH BOON LEONG	23,956,500	17.64
3	POLARGAS SDN. BHD.	12,540,375	9.24
4	SKYLITECH RESOURCES SDN. BHD.	11,250,000	8.29
5	GOH VINCENT	7,320,187	5.39
6	OOI PHAIK SEE	5,833,812	4.30
7	KEE SWEE LAI	5,591,687	4.12
8	KELVIN TAN CHUN KHAI	4,296,500	3.16
9	CH'NG CHEN MONG	4,261,312	3.14
10	KOE GAIK TIANG	3,878,625	2.86

Analysis of Warrants Holdings (Cont'd)

AS AT 30 JUNE 2022

LIST OF LARGEST SHAREHOLDERS AS AT 30 JUNE 2022 (cont'd)

NO.	NAME	HOLDINGS	%
11	HO WHYE CHONG	3,846,375	2.83
12	HONG SENG HOUSING SDN. BHD.	2,514,750	1.85
13	OOI CHIENG SIM	1,875,000	1.38
14	TEH CHAI LUANG	1,394,020	1.03
15	KHOR MOOI KIM	1,269,105	0.93
16	HENG HUAT MANUFACTURER SDN BHD	1,160,155	0.85
17	LIM KEAN WAH	1,086,082	0.80
18	LIM YAU CHONG	1,025,000	0.75
19	MELVIN TAN CHUN CHYUAN	929,250	0.68
20	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM LEE HUANG (E-BMM)	741,937	0.55
21	SAMMI TAN PEI CHIN	705,250	0.52
22	YAP SHUE YEE	334,312	0.25
23	KHOR TEIK BOON	322,312	0.24
24	SONG AH LEK	317,262	0.23
25	LEE KOK HOONG	310,525	0.23
26	CHEANG KEAT PING	300,000	0.22
27	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO MAN KA (STA 8)	238,000	0.18
28	H'NG LEE MOOI	189,280	0.14
29	CHEW TAN JOO LEE @ CHEW JOO LEE	162,650	0.12
30	TAN KEAN AIK	159,375	0.12
TOTAL		131,042,402	96.51

Analysis of Warrants Holdings (Cont'd)

AS AT 30 JUNE 2022

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 30 JUNE 2022

Name	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Dato' H'ng Choon Seng	33,232,764	24.47	2,481,197 ⁽¹⁾	1.83
Kee Swee Lai	5,591,687	4.12	-	-
Ho Whye Chong	3,846,375	2.83	-	-
Ng Chin Nam	106,750	0.08	3,878,625 ⁽²⁾	2.86

Notes:

(1) Deemed Interested pursuant to Section 59(11)(c) of the Companies Act 2016 via his spouse Datin Khor Mooi Kim, his daughter H'ng Jia Qi and his son H'ng Jia Min and pursuant to Section 8 of the Companies Act 2016 via his shareholding in Heng Huat Manufacturer Sdn Bhd.

(2) Deemed interested through his spouse Koe Gaik Tiang pursuant to Section 59(11)(c) of the Companies Act 2016.

List of Properties

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure/ Approximate age of Building (Year)	Land Area/ Built-up Area (sq ft)	Audited NBV as at 31 March 2022 RM'000	Date of Acquisition
Fibre Star	Title: No. H.S.(D) 8763 Lot No. 2489, Mukim 5 Daerah Seberang Perai Selatan Pulau Pinang Address: Lot 2489, Lorong Bakau Kawasan Perindustrian Perabut Sungai Baong, Mukim 5, 14200 Sungai Bakap Seberang Perai Selatan Penang	Single storey factory building/ Temporarily used as warehouse	Freehold/ 9 years	69,696/ 30,000	2,598	11.05.2012
Fibre Star	Title: PM 705 Lot 1222 Mukim 11, District of Seberang Perai Selatan Pulau Pinang PM 513 Lot 1223 Mukim 11, District of Seberang Perai Selatan Pulau Pinang Address: No. 3843 (Lot 1223), Mukim 11, Luar Desa Jawi, 14200 Sungai Jawi, Seberang Perai, Pulau Pinang	2-storey office block with a single story detached factory warehouse / Used as factory warehouse	60 years, Expiring on 24.10.2051/ Less than 1 year 99 years, Expiring on 22.03.2069/ Less than 1 year	107,639/ 53,760	13,000	30.03.2022
HK Fibre	Title: HSM 2/97A, PT 345 Kg Kemayang, Mukim Senak Jajahan Bachok Kelantan Darul Naim Address: Lot 345, Kg. Kemayang Tawang 16020 Bachok Kelantan Darul Naim	Double storey office cum staff accommodation and a single storey detached factory/Used for coconut fibre, coconut peat and coconut fibre sheets manufacturing	99 years, Expiring on 18.08.2096/ 15 years	89,690/ 40,483	727	24.04.2012

List of Properties (Cont'd)

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure/ Approximate age of Building (Year)	Land Area/ Built-up Area (sq ft)	Audited NBV as at 31 March 2022 RM'000	Date of Acquisition
HK Fibre	Title: HSM 1/97A, PT 344 Kg Kemayang, Mukim Senak Jajahan Bachok Kelantan Darul Naim	Land / Vacant Industrial Land	99 years, Expiring on 18.08.2096/ Less than 1 year	104,593/ N/A	594	01.12.2021
HK Gua Musang	Title: PN 1828, Lot 551 Bandar Gua Musang Jajahan Gua Musang Negeri Kelantan Address: Lot 551, Kawasan Perindustrian Gua Musang Bandar Gua Musang, Jajahan Gua Musang, 18300 Gua Musang Kelantan Darul Naim	Double storey office annexed with a single storey detached factory/ Used for oil palm EFB fibre manufacturing	66 years, Expiring on 24.07.2051/ 6 years	478,574/ 152,460	14,871	19.08.2015
MG Furniture	Title: GM 1512 Lot 2780 Tempat Jalan Bukit Panchor Mukim 07 Daerah Seberang Perai Selatan, Pulau Pinang GM 1513 Lot 2781 Tempat Jalan Bukit Panchor Mukim 07, Daerah Seberang Perai, Pulau Pinang GRN 59066 Lot 2791 Mukim 07, Daerah Seberang Perai Selatan, Negeri Pulau Pinang	One unit of three storey office building with an annexed single storey factory building / Used for own factory	Freehold/ 10 years	131,707/ 100,922	7,828	28.04.2015
MG Furniture	Title: GRN 22533 Lot 2176 Mukim Parit Buntar Daerah Kerian, Perak	Land/ Vacant Agricultural Land	Freehold/ 5 years	280,959/ N/A	3,623	29.06.2016
MG Furniture	Title: GM 981 Lot 2651 Mukim 10, Daerah Seberang Perai Selatan, Pulau Pinang	Land/ Vacant Agricultural Land	Freehold/ 7 years	92,957/ N/A	380	05.09.2014

List of Properties (Cont'd)

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure/ Approximate age of Building (Year)	Land Area/ Built-up Area (sq ft)	Audited NBV as at 31 March 2022 RM'000	Date of Acquisition
MG Furniture	Title: GM 895 Lot 3960 Tali Air Parit Kasa Mukim 09, Daerah Seberang Perai Selatan, Negeri Pulau Pinang	Land/ Vacant Agricultural Land	Freehold/ 6 years	71,860/ N/A	600	27.07.2015
MG Furniture	Title: GRN 129553 Lot 7171 Mukim 11 Daerah Seberang Perai Selatan, Pulau Pinang.	Land/ Vacant Agricultural Land	Freehold/ 2 years	173,084/ N/A	4,719	12.09.2019
HH Land	Title: GM 1146 Lot 1712 Mukim 05 District of Seberang Perai Tengah, Pulau Pinang GM 1147 Lot 1713 Mukim 05 District of Seberang Perai Tengah, Pulau Pinang	Land/ Vacant land	Freehold/ 1 year	88,856/ N/A	1,443	13.08.2020
HH Land	Title: GRN 44188 Lot 471 Section 1 Town of Butterworth District of Seberang Perai Utara, Pulau Pinang Address: No. 11, Tingkat Melur 3 Taman Sin Tatt 12300 Butterworth, Pulau Pinang	A double storey intermediate terrace house / Used for investment property	Freehold/ Less than 1 year	1,300/ 1,822	500	23.03.2022
HH Land	Title: No.H.S.(D) 32795 Lot No 1617 Section 6 Town of Bukit Mertajam District of Seberang Perai Tengah, Pulau Pinang Address: No. 124F, Jalan Teratai Taman Jaya 14000 Bukit Mertajam Seberang Perai, Pulau Pinang	Double storey split-level semi-detached house with roof top / Used for investment property	Freehold/ Less than 1 year	6,044/ 8,160	1,200	23.03.2022

List of Properties (Cont'd)

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure/ Approximate age of Building (Year)	Land Area/ Built-up Area (sq ft)	Audited NBV as at 31 March 2022 RM'000	Date of Acquisition
HH Land	Title: Lot Nos 2343 & 2344 Town of Kulim District of Kulim, Kedah Address: No. 565, Jalan Waja 6 09000 Kulim Kedah	A single storey detached factory / Used for investment property	Freehold/ Less than 1 year	12,723/ 7,792	1,803	23.03.2022
HH Land	Title: Geran No 84626 Lot 2312 & Geran No 84651 Lot 2337 Mukim 06, District of Seberang Perai Selatan Pulau Pinang	Two parcels of vacant residential detached plot located within Bukit Jawi Golf & Country Villa, Sungai Jawi, Pulau Pinang / Used for investment property	Freehold/ Less than 1 year	8,611/ N/A	260	30.03.2022
HH Properties Kulim	Title: Note ⁽¹⁾	Land/ Vacant land	99 years, Expiring on 23.10.2095/ Less than 1 year	839,132/ N/A	27,000	30.03.2022

Note:

(1) : PM 251 Lot 7632, PM 252 Lot 7633, PM 253 Lot 7634, PM 254 Lot 7635, PM 255 Lot 7636, PM 256 Lot 7637, PM 257 Lot 7638, PM 258 Lot 7639, PM 259 Lot 7640, PM 260 Lot 7641, PM 261 Lot 7642, PM 262 Lot 7643, PM 263 Lot 7644, PM 264 Lot 7645, PM 282 Lot 7650, PM 283 Lot 7651, PM 286 Lot 7655, PM 287 Lot 7656, PM 288 Lot 7657, PM 289 Lot 7658, PM 290 Lot 7659, PM 291 Lot 7660, PM 292 Lot 7661, PM 293 Lot 7662, PM 294 Lot 7663, PM 295 Lot 7664, PM 296 Lot 7665, PM 297 Lot 7666, PM 298 Lot 7667, PM 299 Lot 7668, PM 300 Lot 7669, PM 301 Lot 7670, PM 302 Lot 7671, PM 303 Lot 7672, PM 304 Lot 7673, PM 305 Lot 7674, PM 306 Lot 7675, PM 307 Lot 7676, PM 308 Lot 7677, PM 309 Lot 7678, PM 310 Lot 7689, PM 311 Lot 7680, PM 357 Lot 7689, PM 358 Lot 7690, PM 359 Lot 7691, PM 360 Lot 7692, PM 361 Lot 7693, PM 362 Lot 7694, PM 369 Lot 7701, PM 370 Lot 7702, PM 371 Lot 7703, PM 372 Lot 7704, PM 373 Lot 7705, PM 374 Lot 7706, PM 342 Lot 7707, PM 344 Lot 7709, PM 345 Lot 7710, PM 346 Lot 7711, PM 347 Lot 7712, PM 348 Lot 7713, PM 350 Lot 7715, PM 351 Lot 7716, PM 352 Lot 7717, PM 353 Lot 7718, PM 354 Lot 7719, PM 355 Lot 7720, PM 356 Lot 7722, PM 375 Lot 7725, PM 376 Lot 7726, PM 382 Lot 7732, PM 269 Lot 7734, PM 270 Lot 7735, PM 271 Lot 7736, PM 272 Lot 7737, PM 273 Lot 7738, PM 274 Lot 7739, PM 274 Lot 7739, PM 275 Lot 7740, PM 276 Lot 7741, PM 277 Lot 7742, PM 278 Lot 7743, PM 279 Lot 7744, PM 280 Lot 7745, PM 281 Lot 7746, PM 319 Lot 7747, PM 320 Lot 7748, PM 321 Lot 7749, PM 322 Lot 7750, PM 332 Lot 7760, PM 333 Lot 7761, PM 334 Lot 7762, PM 335 Lot 7763, PM 336 Lot 7764, PM 337 Lot 7765, PM 338 Lot 7766, PM 339 Lot 7767, PM 340 Lot 7768, PM 341 Lot 7769, PM 384 Lot 7771, PM 385 Lot 7772, PM 396 Lot 7773, PM 397 Lot 7774, PM 398 Lot 7775, PM 399 Lot 7776, PM 400 Lot 7777, PM 401 Lot 7778, PM 402 Lot 7779, PM 403 Lot 7780, PM 404 Lot 7781, PM 405 Lot 7782, PM 406 Lot 7783, PM 407 Lot 7784, PM 386 Lot 7789, PM 387 Lot 7790, PM 410 Lot 7791, PM 411 Lot 7792, PM 412 Lot 7793, PM 413 Lot 7794, PM 414 Lot 7795, PM 415 Lot 7796, PM 416 Lot 7797, PM 417 Lot 7798, PM 418 Lot 7799, PM 419 Lot 7800, PM 420 Lot 7801, PM 421 Lot 7802, PM 424 Lot 7805, PM 388 Lot 7818, PM 390 Lot 7820, PM 391 Lot 7821, PM 392 Lot 7822, PM 393 Lot 7823, HS(M) 1936 PT 157 Bandar Kulim, Daerah Kulim, Kedah.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE ELEVENTH ANNUAL GENERAL MEETING OF HENG HUAT RESOURCES GROUP BERHAD (THE "COMPANY" OR "HENG HUAT") WILL BE HELD AT POOL VIEW HALL, 1ST FLOOR, BUKIT JAWI GOLF RESORT BERHAD, LOT 414, MK 6, JALAN PAYA KEMIAN SEMPAYI, 14200 SUNGAI JAWI, SEBERANG PERAI SELATAN, PULAU PINANG ON THURSDAY, 25 AUGUST 2022 AT 8.00 A.M. FOR THE FOLLOWING PURPOSES:-

AGENDA

- | | | |
|----|---|---------------------------------------|
| 1. | To receive the Audited Financial Statements of the Company for the year ended 31 March 2022 together with the Reports of the Directors and of the Auditors thereon. | Please refer to the Explanatory Notes |
| 2. | To approve the Directors' Fees and benefits up to an aggregate amount of RM500,000.00 for the financial year ending 31 March 2023. | Ordinary Resolution 1 |
| 3. | To re-elect Mr. Cheah Swi Chun who retires in accordance with the Company's Constitution pursuant to Article 18.3 of the Company's Constitution. | Ordinary Resolution 2 |
| 4. | To re-elect Mr. Lee Yee Wooi who retires in accordance with the Company's Constitution pursuant to Article 18.10 of the Company's Constitution. | Ordinary Resolution 3 |
| 5. | To re-appoint Messrs. Grant Thornton Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Ordinary Resolution 4 |

SPECIAL BUSINESS

To consider and if thought fit, to pass the following ordinary resolutions:

ORDINARY RESOLUTIONS

- | | | |
|----|--|-----------------------|
| 6. | Authority to Issue Shares
"That pursuant to Sections 75 and 76 of the Companies Act, 2016, and subject to the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at such time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." | Ordinary Resolution 5 |
|----|--|-----------------------|

Notice of Annual General Meeting (Cont'd)

7. **Authority to Purchase its own Shares**

"That subject to the Companies Act 2016, provisions of the Company's Constitution and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:-

Ordinary
Resolution 6

- i. The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total number of issued shares in the ordinary share capital of the Company at any point in time;
- ii. The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits of the Company. As at the latest financial year ended 31 March 2022, the audited retained profits of the Company stood at RM1,766,764 ;
- iii. The authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;
- iv. Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-
 - to cancel the shares so purchased; or
 - to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
 - retain part of the shares so purchased as treasury shares and cancel the remainder.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluation, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Companies Act 2016, provisions of the Company's Constitution, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals.

Notice of Annual General Meeting (Cont'd)

8. **Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Mandate")**

Ordinary
Resolution 7

"That subject to the provisions of the Company's Constitution and the ACE Market Listing Requirements of Bursa Securities, approval be hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related party as set out in Section 2.3 of the Circular to Shareholders dated 26 July 2022, provided that such transactions are necessary for the day-to-day operations; and undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company.

THAT such approval shall continue to be in force until:-

the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the AGM, the authority is renewed;

- a) the expiration of the period within which the next AGM of the Company after that date is required by law to be held pursuant to Section 340(2) of the Companies Act, 2016 ("Act") (but shall not extend to such extension as may be allowed by law pursuant to Section 340(4) of the Act); or
- b) revoked or varied by a resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Board be and is hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Mandate."

9. **Proposed Allocation of Share Issuance Scheme ("SIS") Options to the Interested Director and Major Shareholder as well as interested employees of the Group ("Proposed Allocations")**

"THAT the Board of the Company be and are hereby authorised, at any time and from time to time throughout the duration of the SIS, to offer and grant such number of SIS Options to subscribe for SIS Shares to be issued (as adjusted or modified from time to time pursuant to the By-Laws) to the following interested director and major shareholder as well as interested employees of the Group:

- (a) Lee Yee Wooi, interested director of the Company
- (b) H'ng Jia Min, interested employee of the Company
- (c) Ch'ng Chen Mong, major shareholder of the Company
- (d) Tan Poh Cheng, major shareholder of the Company
- (e) Ch'ng Boon Sin, interested employee of the Company

Ordinary
Resolution 8
Ordinary
Resolution 9
Ordinary
Resolution 10
Ordinary
Resolution 11
Ordinary
Resolution 12

Notice of Annual General Meeting (Cont'd)

9. **Proposed Allocation of Share Issuance Scheme ("SIS") Options to the Interested Director and Major Shareholder as well as interested employees of the Group ("Proposed Allocations") (Cont'd)**

provided always that:

- (i) he/she must not participate in the deliberation or discussion of his/her own allocation of SIS Options as well as allocation to persons connected to him/her;
- (ii) the allocation to him/her who, either singly or collectively through person connected with him/her, holds 20% or more of the total number of issued of the Company Shares (excluding any treasury shares), does not exceed 10% of the total number of the SIS Shares; and
- (iii) the number of new Shares allocated, in aggregate, to the Directors and senior management of the Company and its subsidiaries (excluding Heng Huat's subsidiaries which are dormant) shall not exceed 80% of the total number of new Heng Huat Shares to be issued under the SIS; and

subject always to such terms and conditions of the By-Laws and the ACE Market Listing Requirements of Bursa Securities, or any prevailing guidelines, rules and/or regulations issued by Bursa Securities and any other relevant authorities;

AND THAT the Board be and is hereby authorised to allot and issue such number of SIS Shares to the interested director and major shareholder as well as interested employees of the Company pursuant to the exercise of such SIS Options as well as to take such steps as are necessary or expedient to implement, finalise or give full effect to the Proposed Allocations with full power to assent to any terms, conditions, modifications, variations and/or amendments as may be imposed and/or permitted by the relevant authorities or otherwise thought fit by the Board to be in the best interest of the Company; to execute, sign and deliver on behalf of the Company all such agreements, arrangements and documents as may be necessary to give full effect to complete and implement the Proposed Allocations; and to deal with all matters relating thereto and/or to do all such acts and things as the Board may deem fit and expedient in the best interest of the Company."

10. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board,

WONG YEE LIN (MIA15898)
SSM PC NO. 201908001793
HING POE PYNG (MAICSA 7053526)
SSM PC NO. 202008001322
Secretaries

Penang
Date: 26 July 2022

Notice of Annual General Meeting (Cont'd)

Notes:

1. A member entitled to attend and vote at the meeting may appoint not more than two (2) proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy save that the proxy must be of full age.
2. When a member appoints more than one (1) proxy, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act. Where a member is a corporation, it may appoint a proxy or proxies under the Proxy Form, or appoint such person as its representative at the meeting in accordance with section 333 of the Companies Act 2016.
5. The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointer. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
6. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 51-8-A, Menara BHL, Jalan Sultan Ahmad Shah, 10050 Georgetown, Pulau Pinang or by fax at 04-373 6615 or email to enquiry@braxton.com.my, not less than twenty-four (24) hours before the time appointed for holding the AGM or any adjournment thereof.
7. For the purpose of determining a member who shall be entitled to attend the meeting, a Record of Depositors ("ROD") as at 16 August 2022 has been requested. Only a depositor whose name appears on the ROD shall be entitled to attend, speak and vote at this meeting or appoint proxies to attend and/or speak and/or vote in his/her behalf.
8. Pursuant to Paragraph 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by poll.

Explanatory Notes on Ordinary Business:

1. **Agenda 1 - To receive the Audited Financial Statements of the Company for the year ended 31 March 2022 together with the Reports of the Directors and of the Auditors thereon.**
This item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require shareholders' approval for the audited financial statements. Therefore, this item will not be put forward for voting.
2. **Ordinary Resolution 1 - To approve the Directors' Fees and benefits amounting to RM500,000.00 for the financial year ending 31 March 2023.**
The proposed Ordinary Resolution 1 is to facilitate payment of Directors' fees and Directors' benefits calculated based on the number of scheduled Board and Committee meetings for financial year ending 31 March 2023 and assuming that all Directors will hold office until the end of the financial year. In the event the Directors' fees and Directors' benefits proposed is insufficient (e.g. due to additional unscheduled Board/Committee meetings or enlarged Board size), approval will be sought at the next Annual General Meeting ("AGM") for additional fees and benefits to meet the shortfall.

Explanatory Notes on Special Business:

1. **Ordinary Resolution 5 - Authority to issue Shares**
The proposed ordinary resolution 5, if passed, will enable the Directors to allot and issue shares in the Company up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider will be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in a general meeting will expire at the conclusion of the next AGM. The proposed renewal of general mandate for issuance of shares will provide flexibility to the Company for any possible fund-raising activities, including but not limited to placing of shares for the purposes of funding future investment, working capital and/or acquisition. As at the date of this notice, the Directors have not issued any shares pursuant to the general mandate at the last AGM of the Company.

Notice of Annual General Meeting (Cont'd)

Explanatory Notes on Special Business:(Cont'd)

2. Ordinary Resolution 6 - Authority to Purchase its own Shares

The proposed Resolution 6, if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the total number of issued shares of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next AGM.

3. Resolution 7 - Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Mandate")

The proposed Resolution 7, if passed, will enable the Company and/or its subsidiaries ("Group") to enter into recurrent transactions involving the interest of related parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transaction being carried out in the ordinary course of business at arm's length basis and on normal commercial terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Shareholders' Mandate is set out in the Circular to shareholders dated 26 July 2022.

4. Resolution 8 to 12 - Proposed Allocation

The proposed Resolution 8 to 12 are made pursuant to the SIS which had been approved by the shareholders of the Company at the Extraordinary General Meeting ("EGM") held on 2 December 2020. The SIS is in force for a period of five (5) years from the effective date of implementation of the SIS. The Board now wishes to seek the approval of shareholders to allocate SIS Options up to 10% each as described in the Proposed Resolution 8 to 12 to the following person. The proposed Resolution 8 to 12 are to approve the Proposed Allocation of SIS to the following, subject always to such terms and conditions and/or any adjustments and/or variations which may be made in accordance with the provisions of the SIS By-Laws. The Proposed Allocation of SIS is part of the incentive scheme which the Heng Huat Group has implemented for all its employees. The following persons who are eligible to participate in the SIS and are therefore deemed interested to the extent of their proposed allocation under the SIS. Accordingly, they have declared their interests in the Proposed Allocation of SIS to them and have abstained and will continue to abstain from deliberating and voting on any subject matter pertaining to their entitlement under the SIS at the Board meeting(s) and will continue to abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolution pertaining to the Proposed Allocation of SIS to them to be tabled at this AGM. They shall also ensure that person connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolutions approving the Proposed Allocation of SIS to be tabled at this AGM. Save as disclosed below, none of the other Directors, major shareholders and/or persons connected to them has any interest, whether direct or indirect, in the Proposed Allocation of SIS.

Proposed Resolution	Proposed Allocation	Designation
8	Lee Yee Wooi	Independent Non-Executive Director of the Company
9	H'ng Jia Min	Senior Administrative Executive of the Company and person connected to Dato' H'ng Choon Seng
10	Ch'ng Chen Mong	Major Shareholder of the Company and Director of MG Furniture Sdn Bhd. ("MGF"), a 51% owned subsidiary of the Company
11	Tan Poh Cheng	Major Shareholder of the Company and Director of MGF, a 51% owned subsidiary of the Company
12	Ch'ng Boon Sin	Operations manager of MGF, person connected to Ch'ng Chen Mong

PERSONAL DATA POLICY

By submitting the duly executed Form of Proxy, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the AGM, and any adjournment thereof.

Statement Accompanying Notice of Annual General Meeting

(PURSUANT TO RULE 8.29(2) OF THE ACE MARKET LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD)

1. Details of individuals who are standing for election as Directors (excluding Directors standing for reelection)

No individual is standing for election as a Director at the forthcoming 11th Annual General Meeting ("AGM") of the Company.

2. Renewal of general mandate for issue of securities in accordance with Paragraph 6.04(3) of Listing Requirements

The Company is seeking for shareholders' approval on the general mandate for issue of securities. The details of the proposed authority for Directors to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note on Special Business (Resolution 6) of the Notice of AGM.

COVID-19 Outbreak Measure Notes

The health and safety of our members and staff who will attend the AGM are the top priority of the Company. Hence, the following precautionary measures will be taken for the conduct of the AGM:

1. Shareholders are strongly encouraged to appoint the Chairman of the AGM to act as proxy to attend and vote at the AGM on your behalf by submitting the proxy form with pre-casted voting instruction.
2. To attend the AGM, attendees are required to be full vaccinated (as defined by Majlis Keselamatan Negara);

For attendees that are not fully vaccinated, pre-event test via self-test kit (saliva) must be carried out at the AGM venue.

Only attendees with low risk status in the My Sejahtera profile are allowed to attend the AGM.

We encourage the non-fully vaccinated attendees to arrive at least 30 minutes prior to the start of the AGM. This will allow ample time for the organiser to carry out the pre-event test via self-test kit (saliva).
3. All attendees are required to wear face masks at all times and to practise social distancing of 1 meter throughout the AGM and only allowed to sit at the place arranged by the Company.
4. Attendees who show any symptom of COVID-19 for instances cough, sore throat, flu and shortness of breath, or who are under Investigation and/or Person under Surveillance of COVID-19, will not be allowed to attend the AGM.
5. There will be no door-gift provided to the attendees.
6. Shareholders are required to register ahead of the AGM to allow the Company to make the necessary arrangements in relation to the meeting i.e. infrastructure, logistics and meeting venue(s) to accommodate the meeting participants. Thus, kindly RSVP your intention to attend the AGM by email to ir@henghuat.com.my
7. Attendees are also reminded to monitor the Company's website and announcements from time to time for any changes to the AGM arrangement.

Share Buy-Back Statement

1. DISCLAIMER STATEMENT

This Share Buy-back Statement (Statement) is important and if you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad (Bursa Securities) has not perused this Statement prior to its issuance, takes no responsibility for the contents of the Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Statement.

2. RATIONALE FOR THE PROPOSED PURCHASE BY HENG HUAT RESOURCES GROUP BERHAD ("HENG HUAT" OR THE "COMPANY") OF ITS OWN ORDINARY SHARES (SHARES) REPRESENTING UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES AT ANY GIVEN POINT IN TIME (PROPOSED SHARE BUY-BACK)

The Proposed Share Buy-Back, if exercised, would potentially benefit the Company and its shareholders as follows:

- i) The Proposed Share Buy-Back would enable the Company to utilize its surplus financial resources to purchase Shares when appropriate, and at prices which the Board of Directors of the Company (the Board) view as favourable to the Company;
- ii) The Proposed Share Buy-Back would effectively reduce the number of Shares carrying voting and participation rights unless the Share brought back by the Company ("Purchased Shares") are resold on Bursa Securities or distributed as share dividends). Consequently, all else being equal, the Earnings Per Share (EPS) of the HENG HUAT Group (the Group) may be enhanced as the earnings of the Group would be divided by a reduced number of Shares; and
- iii) The Purchased Shares which will be retained as treasury shares may potentially be resold on Bursa Securities at a higher price and therefore realizing a potential gain in reserves without affecting the total number of issued shares of the Company. The treasury shares may also be distributed to shareholders as dividends and, if undertaken, would serve to reward the shareholders of the Company.

3. RETAINED PROFITS

Based on the audited financial statements of HENG HUAT as at 31 March 2022, the retained profits of the Company stood at RM1,766,764. The maximum fund to be allocated by the Company for the purpose of Proposed Share Buy-Back shall not exceed the retained profits of the Company.

4. SOURCE OF FUNDING

The Proposed Share Buy-Back will be funded from internally generated funds. The Company has adequate resources to undertake the Proposed Share Buy-Back in view that the Company has net cash and cash equivalent balance of approximately RM3,442,668 based on the audited financial statements of HENG HUAT as at 31 March 2022. Any funds utilized by HENG HUAT for the Proposed Share Buy-Back will consequentially reduce the resources available to HENG HUAT for its operations by a corresponding amount for shares bought back.

Share Buy-Back Statement (Cont'd)

5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER(S) AND PERSONS CONNECTED TO THEM

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors and Major Shareholders of HENG HUAT nor persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of the treasury shares.

Based on the Register of Directors and the Register of Substantial Shareholders of HENG HUAT as at 30 June 2022 and assuming that HENG HUAT implements the Proposed Share Buy-Back in full, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors, Substantial Shareholders and Person Connected to Director of HENG HUAT are as follows:

Directors

Name	Existing as at 30 June 2022				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%*	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Dato' H'ng Choon Seng	61,060,427	8.21	116,939,141 ⁽¹⁾	15.72	61,060,427	9.12	116,939,141 ⁽¹⁾	17.47
Kee Swee Lai	32,268,875	4.34	-	-	32,268,875	4.82	-	-
Ng Chin Nam	25,000	0.00	8,022,750 ⁽³⁾	1.08	25,000	0.00	8,022,750 ⁽³⁾	1.20
Cheah Swi Chun	-	-	-	-	-	-	-	-
Ho Whye Chong	38,711,605	5.20	34,883,720 ⁽²⁾	4.69	38,711,605	5.78	34,883,720 ⁽²⁾	5.21
Lee Yee Wooli	100,000	0.01	-	-	100,000	0.01	-	-

Substantial Shareholders

Name	Existing as at 30 June 2022				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%*	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Cfamillie Holdings Sdn Bhd	162,790,697	21.89	-	-	162,790,697	24.32	-	-
Ch'ng Chen Mong	8,367,875	1.13	162,790,697 ⁽⁶⁾	21.89	8,367,875	1.25	162,790,697 ⁽⁶⁾	24.32
Tan Poh Cheng	-	-	162,790,697 ⁽⁶⁾	21.89	-	-	162,790,697 ⁽⁶⁾	24.32
Dato' H'ng Choon Seng	61,060,427	8.21	116,939,141 ⁽¹⁾	15.72	61,060,427	9.12	116,939,141 ⁽¹⁾	17.47
H'ng Jia Min	24,767,442	3.33	34,883,720 ⁽⁵⁾	4.69	24,767,442	3.33	34,883,720 ⁽⁵⁾	4.69
H'ng Jia Qi	17,545,735	2.36	34,883,720 ⁽⁵⁾	4.69	17,545,735	23.59	34,883,720 ⁽⁵⁾	46.90
Goh Boon Leong	41,835,105	5.62	72,751,982 ⁽⁴⁾	9.78	41,835,105	6.25	72,751,982 ⁽⁴⁾	10.87
Ho Whye Chong	38,711,605	5.20	34,883,720 ⁽²⁾	4.69	38,711,605	5.78	34,883,720 ⁽²⁾	5.21
Goh Vincent	37,868,262	5.09	34,883,720 ⁽²⁾	4.69	37,868,262	5.66	34,883,720 ⁽²⁾	5.21

Notes:

- (1) Deemed Interested pursuant to Section 59(11)(c) of the Companies Act 2016 via his spouse Datin Khor Mooi Kim, his daughter H'ng Jia Qi and his son H'ng Jia Min and pursuant to Section 8 of the Companies Act 2016 via his shareholding in Heng Huat Manufacturer Sdn Bhd.
 - (2) Deemed interested by virtue of his interest in Kulim Property Sdn Bhd pursuant to Section 8 of the Companies Act 2016.
 - (3) Deemed interested through his spouse Koe Gaik Tiang pursuant to Section 59(11)(c) of the Companies Act 2016.
 - (4) Deemed interested through Kulim Property Sdn Bhd and shareholding of his son Goh Vincent In Heng Huat pursuant to Section 8 of the Companies Act 2016.
 - (5) Deemed interested through Heng Huat Furniture pursuant to Section 8 of the Companies Act 2016.
 - (6) Deemed interested through Cfamillie Holdings Sdn Bhd pursuant to Section 8 of the Companies Act 2016.
- * Percentage shareholding computed based on 743,774,560 HENG HUAT Shares in issue.
- ^ Percentage shareholding computed based on 669,397,104 HENG HUAT Shares assuming that the Proposed Share Buy-Back is carried out in full and all the shares so purchased are held as treasury shares

Share Buy-Back Statement (Cont'd)

6. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

6.1 Potential Advantages of the Proposed Share Buy-Back

The potential advantages of the Proposed Share-Buy Back are as set out in Section 2 of the Statement.

6.2 Potential disadvantages of the Proposed Share Buy-Back

The potential disadvantages of the Proposed Share Buy-Back are as follows:

- i) The Proposed Share Buy-Back, if implemented, would reduce the financial resources of the Group. This may result in the Group having to forego better future investment or business opportunities and/or any interest income that may be derived from the deposit of such funds in interest bearing instruments; and
- ii) The Proposed Share Buy-Back may also result in a reduction of financial resources available for distribution in the form of cash dividends to shareholders of HENG HUAT in the immediate future.

However, the financial resources of the Group may increase pursuant to the resale of the Purchased Shares held as treasury shares at prices higher than the purchase price. In this connection, the Board will be mindful of the interests of the Group and shareholders of HENG HUAT in implementing the Proposed Share Buy-Back and in subsequent resale of the treasury shares on Bursa Securities, if any.

7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

The material financial effects of the Proposed Share Buy-Back on the share capital, consolidated Net Tangible Assets (NTA), working capital, earnings, dividends and the substantial shareholders' shareholdings in HENG HUAT are set out below:

7.1 Share Capital

As at 30 June 2022, the total number of issued shares was 743,774,560 Shares. In the event that the 74,377,456 Shares representing 10% of the total number of issued shares of the Company are purchased and cancelled, the effect on the share capital of the Company are illustrated as follows:

	Number of Shares
Total number of issued shares as at 30 June 2022	743,774,560
Assumed the Shares purchased and cancelled	74,377,456
Resultant total number of issued shares	<u>699,397,104</u>

If the Shares so purchased are retained as treasury shares, the total number of issued shares of the Company will not be reduced but the rights attaching to the treasury shares as to voting, dividends and participation in other distributions or otherwise will be suspended. While these Shares remain as treasury shares, the Section 127 of the Act prohibits the taking into account of such Shares in calculating the number of percentage of Shares for a purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

Share Buy-Back Statement (Cont'd)

7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK (CONT'D)

7.2 NTA

The effects of the Proposed Share Buy-Back on the consolidated NTA of the Group would depend on the purchase price and number of purchased Shares, the effective funding cost to HENG HUAT to finance the purchased Shares or any loss in interest income to HENG HUAT.

The Proposed Share Buy-Back will reduce the consolidated NTA per Share at the time of purchase if the purchase price exceeds the consolidated NTA per Share and conversely will increase the consolidated NTA per Share at the time of purchase if the purchase price is less than the consolidated NTA per Share.

Should the Purchased Shares be resold, the consolidated NTA will increase if the Company realizes a capital gain from the resale, and vice-versa. However, the quantum of the increase in NTA will depend on the selling prices of the purchased Shares and the number of purchased Shares resold.

7.3 Working Capital

The Proposed Share Buy-Back is likely to reduce the working capital and cash flow of the Group, the quantum of which would depend on the purchase price of the purchased Shares, the number of purchased Shares and any associated costs incurred in making the purchase.

For the purchased Shares which are kept as treasury shares, upon their resale, the working capital and the cash flow of the Group will increase upon the receipt of the proceeds of the resale. The quantum of the increase in the working capital and cash flow will depend on the actual selling price(s) of the treasury shares and the number of treasury shares resold.

7.4 Earnings

The effects of the Proposed Share Buy-Back on the earnings of the Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to HENG HUAT to finance the Purchased Shares or any loss in interest income to HENG HUAT.

Assuming the purchased Shares would be retained as treasury shares, the reduction in the number of Shares applied in the computation of the EPS pursuant to the Proposed Share Buy-Back may generally, all else being equal, have a positive impact on the EPS for the financial year ending 31 March 2023.

Should the purchased Shares be resold, the extent of the impact to the EPS of the Group will depend on the actual selling price, the number of treasury shares resold, and any effective funding cost from the Proposed Share Buy-Back.

7.5 Dividends

Assuming the Proposed Share Buy-Back is implemented in full, dividends would be paid on the remaining total number of issued shares of HENG HUAT (excluding the Shares already purchased). The Proposed Share Buy-Back may have an impact on the Company's dividend policy for the financial year ending 31 March 2023 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by HENG HUAT in the future would depend on, *inter-alia*, the profitability and cash flow position of the Group.

7.6 Substantial Shareholders

Shares bought back by the Company under the Proposed Share Buy-Back that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the Substantial Shareholders in the Company. Please refer to Section 5 of this Statement for further details.

Share Buy-Back Statement (Cont'd)

8. IMPLICATIONS OF THE PROPOSED SHARE BUY-BACK RELATING TO THE RULES ON TAKE-OVERS, MERGER AND COMPULSORY ACQUISITIONS (THE RULES)

As it is not intended for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory offer under the Rules by any of the Company's shareholders and/or parties acting in concert with them, the Board will ensure that such number of Shares purchased, retained as treasury shares, cancelled or distributed pursuant to the Proposed Share Buy-Back would not result in triggering any mandatory offer obligation on the part of its shareholders and/or parties acting in concert with them.

In this connection, the Board will be mindful of the Rules when making any purchase of the Shares pursuant to the Proposed Share Buy-Back.

9. PURCHASES, RESOLD, TRANSFER AND CANCELLATION MADE BY THE COMPANY OF ITS OWN SHARES IN THE PRECEDING 12 MONTHS

There was no treasury share held and the Company had not purchased, resold, transferred or cancelled any shares in the preceding 12 months.

10. PROPOSED INTENTION OF THE DIRECTORS TO DEAL WITH THE SHARES SO PURCHASED

The Proposed Share Buy-Back, if exercised, the shares shall be dealt with in the following manner:

- to cancel the shares so purchased; or
- to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
- retain part of the shares so purchased as treasury shares and cancel the remainder.

11. PUBLIC SHAREHOLDING SPREAD

According to the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at 30 June 2022, approximately 274,191,265 Shares representing 36.86% of the total number of issued shares of the Company were held by the public shareholders. In this regard, the Board undertakes to purchase Shares only to the extent that the public shareholding spread of HENG HUAT shall not fall below 25% of the total number of issued shares of the Company (excluding treasury shares) at all times pursuant to the Proposed Share Buy-Back, in accordance with Rule 8.02(1) and 12.14 of the Bursa Securities ACE Market Listing Requirements.

12. DIRECTORS' STATEMENT

After taking into consideration all relevant factors, the Board is of the opinion that the Proposed Share Buy-Back described above is in the best interest of the Company.

13. DIRECTORS' RECOMMENDATION

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming 11th Annual General Meeting to give effect to the Proposed Share Buy-Back.

Share Buy-Back Statement (Cont'd)

14. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of HENG HUAT Shares traded on Bursa Securities for the preceding twelve (12) months are as follows:

	High RM	Low RM
2021		
April	0.314	0.182
May	0.420	0.228
June	0.374	0.244
July	0.380	0.296
August	0.322	0.244
September	0.286	0.200
October	0.240	0.204
November	0.364	0.228
December	0.340	0.266
2022		
January	0.338	0.280
February	0.312	0.260
March	0.294	0.268
Last transacted market price as at 30 June 2022 (being the latest practical date prior to the printing of this Statement) was RM0.305		
(Source: Bursa Malaysia)		

15. RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at 51-8-A, Menara BHL, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang during normal office hours from Monday to Friday (except for public holidays) from the date of this Statement up to and including the date of the forthcoming AGM :

- (i) Constitution of HENG HUAT; and
- (ii) The audited consolidated financial statements of HENG HUAT for the past two (2) financial years ended 31 March 2021 and 2022 respectively.

Share Buy-Back Statement (Cont'd)

17. FURTHER INFORMATION

There is no other information concerning the Proposed Share Buy-Back as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Share Buy-Back and the extent of the risks involved in doing so.

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Proxy Form

HENG HUAT RESOURCES GROUP BERHAD

Company No.: 201101041555 (969678-D)

(Incorporated in Malaysia)

No. of Ordinary Shares held		CDS Account No.	
Contact No.		Email Address	

I/We _____ (NRIC no./Passport No. _____)

of _____

being a member of Heng Huat Resources Group Berhad hereby appoint (Proxy 1) _____

(NRIC no./Passport No. _____) and *or failing him* (Proxy 2), _____

(NRIC no./Passport No. _____) of _____ and */or failing him*,

the Chairman of the Meeting, as my/our proxy(ies), to vote for me/us on my/our behalf at the Eleventh Annual General Meeting

of the Company to be held at Pool View Hall, 1st Floor, Bukit Jawi Golf Resort Berhad, Lot 414, Mk 6, Jalan Paya Kemian Sempayi,

14200 Sungai Jawi, Seberang Perai Selatan, Pulau Pinang on Thursday, 25 August 2022 at 8.00 a.m. and at any adjournment

thereof as indicated below:

The proportions of *my/our holdings to be represented by *my/our proxy(ies) are as follows:

Proxy 1	%	Proxy 2	%
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In case of a vote by show of hands, Proxy 1*/Proxy 2* shall vote on my/our behalf. *I/We hereby indicate with an "X" in the spaces provided how *I/we wish *my/our votes to be cast. (Unless otherwise instructed, the proxy may vote, as he thinks fit)

** Strike out whichever is inapplicable*

No.	Resolutions	For	Against
1.	To approve the Directors' Fees and benefits up to an aggregate amount of RM500,000.00 for the financial year ending 31 March 2023.		
2.	To re-elect Mr. Cheah Swi Chun as Director.		
3.	To re-elect Mr. Lee Yee Wooi as Director.		
4.	To re-appoint Messrs. Grant Thornton Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
5.	To authorise Directors to allot and issue shares pursuant to Sections 75 & 76 of the Companies Act, 2016.		
6.	To approve the authority to purchase company's own share.		
7.	To approve the proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
8.	To approve the proposed Allocation of SIS Options to Lee Yee Wooi.		
9.	To approve the proposed Allocation of SIS Options to H'ng Jia Min.		
10.	To approve the proposed Allocation of SIS Options to Ch'ng Chen Mong.		
11.	To approve the proposed Allocation of SIS Options to Tan Poh Cheng.		
12.	To approve the proposed Allocation of SIS Options to Ch'ng Boon Sin.		

Signed this _____ day of _____, 2022.

Signature / Common Seal of Shareholder _____

Notes:

- A member entitled to attend and vote at the meeting may appoint not more than two (2) proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy save that the proxy must be of full age.
- When a member appoints more than one (1) proxy, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act. Where a member is a corporation, it may appoint a proxy or proxies under the Proxy Form, or appoint such person as its representative at the meeting in accordance with section 333 of the Companies Act 2016.
- The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointer. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at 51-8-A, Menara BHL, Jalan Sultan Ahmad Shah, 10050 Georgetown, Pulau Pinang or by fax at 04-373 6615 or email to enquiry@braxton.com.my, not less than twenty-four (24) hours before the time appointed for holding the AGM or any adjournment thereof.
- For the purpose of determining a member who shall be entitled to attend the meeting, a Record of Depositors ("ROD") as at 16 August 2022 has been requested. Only a depositor whose name appears on the ROD shall be entitled to attend, speak and vote at this meeting or appoint proxies to attend and/or speak and/or vote in his/her behalf.
- Pursuant to Paragraph 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by poll.

Please fold across the line and close

stamp
here

To:
The Company Secretary
HENG HUAT RESOURCES GROUP BERHAD
Company No. 201101041555 (969678-D)
51-8-A Menara BHL
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia

Please fold across the line and close



Established Since 1986

HENG HUAT RESOURCES GROUP BERHAD
201101041555 (969678-D)

Lot 2945 (Plot A2), Jalan Sungai Baong,
Kawasan Perindustrian Perabut Sungai
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MK 5, 14200 Sungai Bakap, Seberang Perai
Selatan,
Pulau Pinang, Malaysia.

Tel : +604-582 5888
Fax : +604-582 1888 / +604-582 2689
Website : www.henghuat.com.my