興發

Established Since 1986

HENG HUAT RESOURCES GROUP BERHAD

201101041555 (969678-D)

Towards Continuous

GROWTH & EXCELLENCE

ANNUAL REPORT **2021**

CONTENTS

02 Vision Statement, Mission Statement, Philosophy And Corporate Culture

03 Company Profile

04 Corporate Information

05 Corporate Structure

06 Financial Highlights

07 Management Discussion And Analysis

15 Directors’ Profile

19 Key Senior Management Profile

20 Awards And Achievements

21 Corporate Governance Overview Statement

35 Sustainability Statement

37 Statement On Risk Management And Internal Control

41 Audit Committee Report

45 Additional Compliance Information

47 Financial Statements

128 Analysis Of Shareholdings

131 Analysis Of Warrants Holdings

134 List Of Properties

136 Notice Of Annual General Meeting

142 Statement Accompanying Notice Of Annual General Meeting

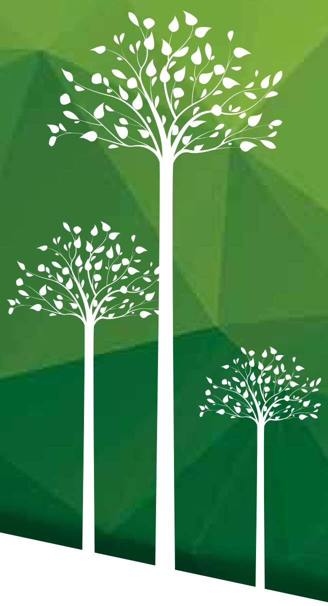
Proxy Form

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, HK Power Sdn Bhd and Sabut Kelapa Terengganu Sdn Bhd.

The Group, through its subsidiaries, invested approximately RM50 million in the production plant (which is attached with a power plant) built on a 10-acre land located at Gua Musang, Kelantan. At present, HK Gua Musang Sdn Bhd production focuses on the manufacturing of bio oil and oil palm EFB fibre. Our bio oil is mainly supplied to Company for manufacture 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. Currently, most of our oil palm EFB fibres are exported overseas directly and/or through agents. The oil palm EFB fibres are exported to China where it is mainly used as raw materials for the production of mattresses.

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.

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

Dr. Lo Liang Kheng
Independent Non-Executive Director

Ho Whye Chong
Independent Non-Executive Director

REMUNERATION COMMITTEE

Chairman
Dr. Lo Liang Kheng

Members
Cheah Swi Chun
Ho Whye Chong

SHARE REGISTRAR

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

RISK MANAGEMENT COMMITTEE

Chairman
Kee Swee Lai

Members
Dr. Lo Liang Kheng
Cheah Swi Chun
Ho Whye Chong
Ng Chin Nam

AUDITORS

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

AUDIT COMMITTEE

Chairman
Cheah Swi Chun

Members
Dr. Lo Liang Kheng
Ho Whye Chong

COMPANY SECRETARIES

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

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

PRINCIPAL BANKERS

CIMB Bank Berhad (13491-P)
OCBC Bank (Malaysia) Berhad (295400-W)
HSBC Bank Malaysia Berhad (127776-V)

NOMINATION COMMITTEE

Chairman
Ho Whye Chong

Members
Cheah Swi Chun
Dr. Lo Liang Kheng

REGISTERED OFFICE

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

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad
Stock Name : HHGroup
Stock Code : 0175

CORPORATE STRUCTURE

興發

Heng Huat Resources Group Berhad
201101041555
(969678-D)

100%
Fibre Star (M) Sdn Bhd
201101045176
(973296-M)

100%
Heng Huat Industries Holdings Sdn Bhd
200701021207
(779222-P)

- **100%**
  HK Kitaran Sdn Bhd
  200901038763
  (881898-X)

- **97%**
  HK Fibre Sdn Bhd
  200701007546
  (765548-H)

- **97%**
  Sabut Kelapa Terengganu Sdn Bhd
  201801003253
  (1265266-P)

100%
HK Gua Musang Sdn Bhd
201401033971
(1110062-W)

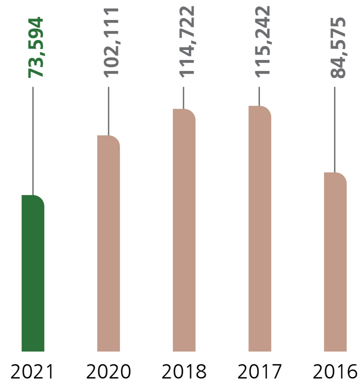
100%
HK Power Sdn Bhd
201401033972
(1110063-K)

100%
HH Land and Development Sdn Bhd
202001019541
(1375861-V)

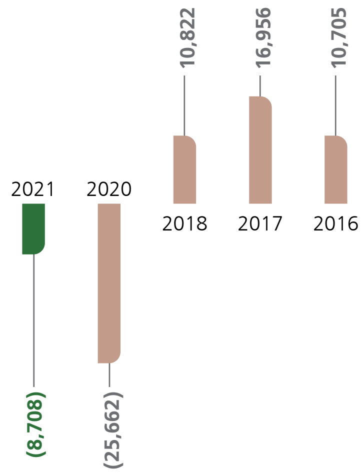
100%
HH Ecometal Recycling Sdn Bhd
202001033043
(1389364-T)

FINANCIAL HIGHLIGHTS

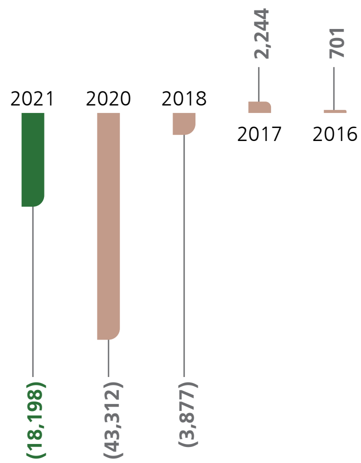
REVENUE
(RM'000)



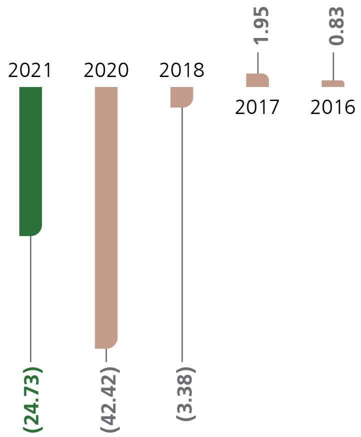
EBITDA
(RM'000)



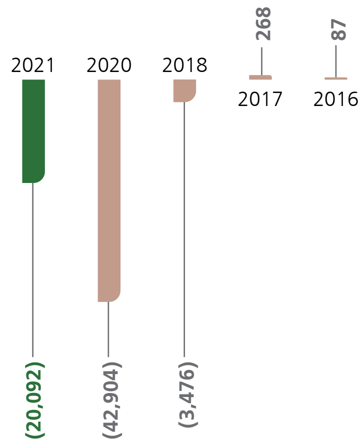
PBT
(RM'000)



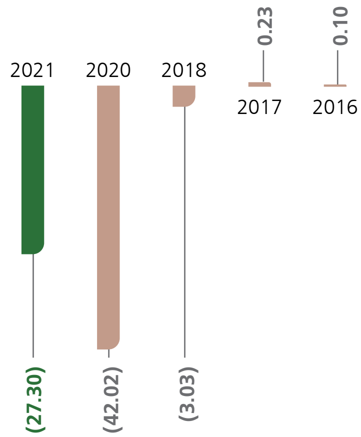
PBT MARGIN
(%)



PAT
(RM'000)



PAT MARGIN
(%)



	Audited 2016	Audited 2017	Audited 2018	Audited 2020	**Audited 2021**
Revenue	84,575	115,242	114,722	102,111	**73,594**
Earnings/(Loss) Before Interest, Tax, Depreciation & Amortisation	10,705	16,956	10,822	(25,662)	**(8,708)**
Profit/(Loss) Before Tax	701	2,244	(3,877)	(43,312)	**(18,198)**
Profit/(Loss) Before Tax Margin (%)	0.83	1.95	(3.38)	(42.42)	**(24.73)**
Profit/(Loss) After Tax	87	268	(3,476)	(42,904)	**(20,092)**
Profit/(Loss) After Tax Margin (%)	0.10	0.23	(3.03)	(42.02)	**(27.30)**
Gross Earnings/(Loss) Per Share (Sen)*	2.27	7.27	(12.52)	(127.55)	**(34.30)**
Net Earnings/(Loss) Per Share (Sen)*	0.15	1.19	(11.30)	(126.26)	**(38.00)**
Diluted Net Earnings/(Loss) Per Share (Sen)*	0.15	1.19	(11.30)	(126.26)	**(38.00)**

Notes:
* Computed based on the weighted average number of ordinary shares in issue (Restated to take into consideration the effect of share consolidation).

MANAGEMENT DISCUSSION AND ANALYSIS

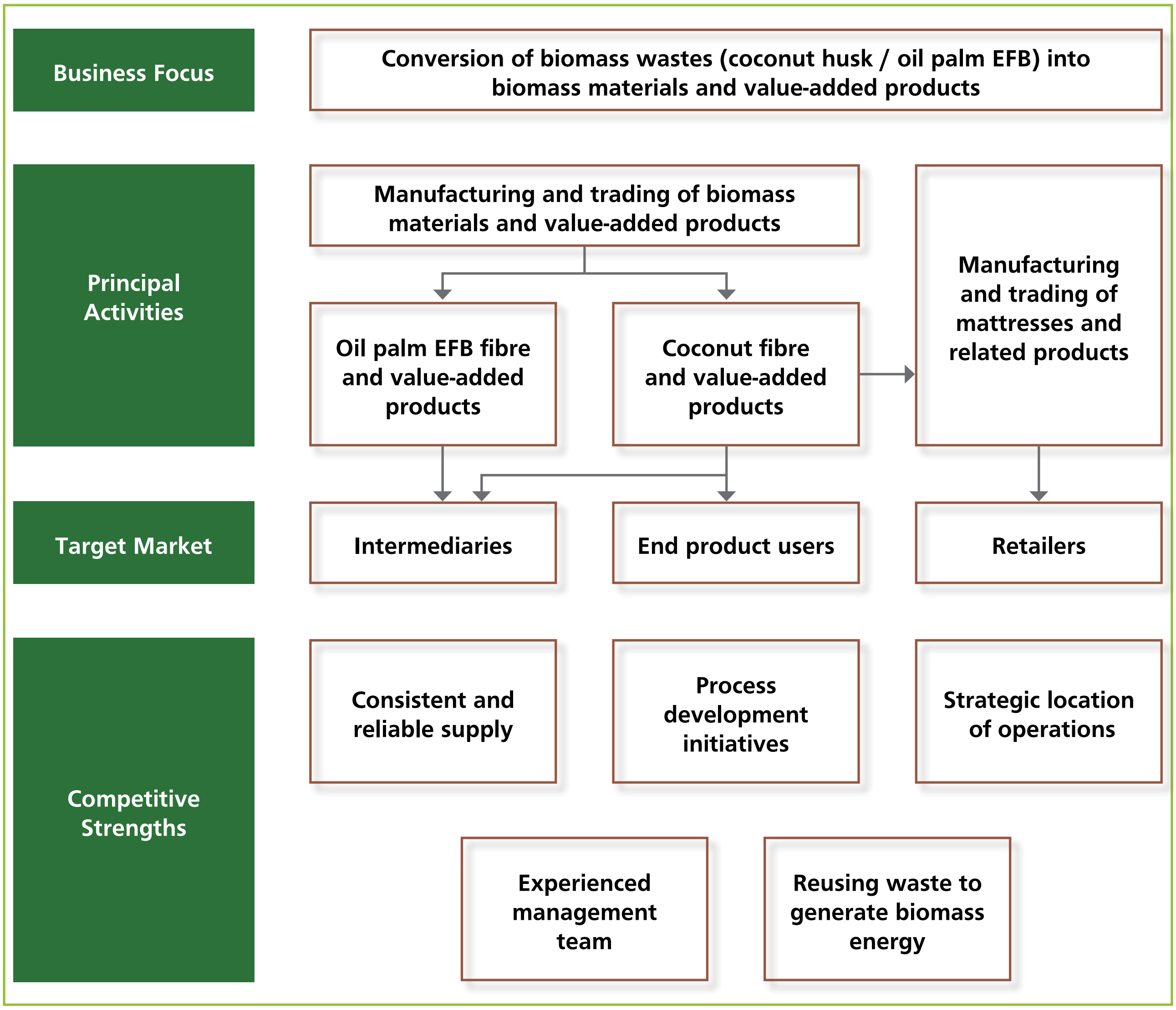
OVERVIEW OF THE GROUP'S OPERATIONS

Our Group is principally involved in the manufacturing, and trading of biomass materials and value-added products focusing on:

(i) Oil palm empty fruit bunch ("EFB") fibre and value-added products; and
(ii) Coconut fibre and value-added products.

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.

Our Group's business model is as depicted below:



During the financial year under review, our oil palm EFB fibres were primarily exported to China with other products primarily distributed within the domestic market in Malaysia.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL RESULTS & CONDITION

- ### Financial Performance

	2021 RM'000	2020 RM'000	Year-on-Year Variance (%)
Revenue			
Biomass materials and value-added products	49,586	77,229	-35.79
Mattresses and related products	24,008	24,882	-3.51
	73,594	**102,111**	**-27.93**
Profitability			
Gross profit ("GP")	12,695	1,755	623.36
GP margin	*17.25%*	*1.72%*	
Loss before tax ("LBT")	(18,198)	(43,312)	57.98
LBT margin	*-24.73%*	*-42.42%*	
Net loss for the year ("LAT")	(20,092)	(42,904)	53.17
LAT margin	*-27.30%*	*-42.02%*	

For Year Ended ("FYE") 31 March 2021 vs 15 Months ("15M") For Period Ended ("FPE") 31 March 2020

The Group's revenue for the FYE 31 March 2021 decreased by RM28.52 million (or 27.93%) to RM73.59 million (15M FPE 30 March 2020: RM102.11 million) (the annualised revenue for the 12M FYE 31 March 2020 was RM81.69 million) due to lower sales performance of the biomass division by RM27.64 million (or 35.79%) to RM49.59 million (FYE 31 March 2020: RM77.23 million) (the annualised revenue of the biomass division for the 12M FPE 31 March 2020 was RM61.78 million) arising from:

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

The Group's LAT for the FYE 31 March 2021 increased by RM22.81 million (or 53.17%) to RM20.09 million (15M FPE 31 March 2020: LAT of RM42.90 million) (the annualised LAT for the 12M FPE 31 March 2020 was RM34.32 million) mainly due to:

i. Lower revenue and increasing cost of sales which resulted in lower gross profit recorded;

ii. Lower gross profit margin achieved, as a result of higher average unit cost arising from lower production output. The Group, after taken into consideration the prevailing uncertainties in the market, has temporarily controlled the production volume to prevent the risk of overstocking which could lead to quality issue consequently; and

iii. Increase in administrative and other expenses as a result of provision of impairment on trade receivables, machineries from biomass division.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL RESULTS & CONDITION (CONT'D)

- **Financial Position**

	2021 RM'000	2020 RM'000	Year-on-Year Variance (%)
Total assets	77,611	117,564	-33.98
Total liabilities	41,946	81,289	-48.40
Shareholders' equity	35,429	36,071	-1.78
Net assets per share (sen)	**66.78**	**106.23**	

As at 31 March 2021, our Group's total assets and total liabilities stood at RM77.61 million and RM117.56 million respectively, representing decrease of 33.98% and decrease of 48.40% as compared to the preceding year.

As at 31 March 2021, our shareholders' equity remained at a positive level, stood at RM35.43 million (2020: RM36.07 million).

- **Liquidity**

	2021 Days	2020 Days	Changes Day
Trade receivables' turnover period(1)	47	71	- 24 days
Inventories' turnover period(2)	27	24	+ 3 days
Trade payables' turnover period(2)	25	22	+ 3 days
Cash conversion cycle	**49**	**73**	**- 24 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*

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL RESULTS & CONDITION (CONT'D)

- **Liquidity (cont'd)**

Our Group managed to improve the cash conversion cycle from 73 days in the FYE 2020 to 49 days in the FYE 2021.

	2021 RM'000	2020 RM'000
Cash flows from operating activities	9,304	11,413
Cash flow from/(used in) investing activities	19,532	(5,536)
Cash flow used in financing activities	(17,600)	(16,587)
Net movements in cash and cash equivalents	**11,236**	**(10,710)**
Cash and cash equivalents at end of financial year:		
Cash and bank balances	8,454	5,909
Deposits with licensed banks	950	2,029
	9,404	7,938
Less:		
Deposits pledges to licensed banks	(950)	(2,029)
Bank overdrafts included in borrowings	(8,950)	(17,632)
	(496)	**(11,723)**
Current ratio (times)	**1.10**	**0.88**

Our Group's current ratio had improve from 0.88 times in the preceding year to 1.10 times for the financial year under review, as a result of disposal of land in Mukim 4, Distric of Seberang Perai Selatan, Penang and buildings erected thereon, by Heng Huat's indirect wholly-owned subsidiaries by HK Kitaran Sdn Bhd to SBJ Property Sdn Bhd for a cash consideration of RM22,000,000.

- **Capital Expenditure Requirements, Capital Structure and Capital Resources**

Capital Commitment	2021 RM'000	2020 RM'000
Capital expenditure in respect of purchase of property, plant and equipment		
Contracted but not provided for	**540**	595

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL RESULTS & CONDITION (CONT'D)

- **Capital Expenditure Requirements, Capital Structure and Capital Resources (cont'd)**

As of 31 March 2021, our Group did not incur any new expansion or future project.

Borrowings	2021 RM'000	2020 RM'000
Short terms (repayable within 12 months)	13,353	30,712
Long terms (repayable within 12 months)	7,573	12,275
	20,926	**42,987**
Gearing ratio (times) ***Borrowing /Shareholders' Equity***	**0.59**	**1.19**

During the financial year under review, our Group's gearing ratio deceased to 0.59 time as compared to 1.19 time in prior year. Our borrowings decrease by RM22.06 million or 51.32% from RM42.99 million in the preceding year to RM20.93 million as at 31 March 2021.

The decrease in our Group's borrowings was primarily attributable to the following:
- Repayment of borrowing of bankers' acceptance, bank overdraft, hire-purchase and term loan.

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 Disposal of Land in Mukim 4, District of Seberang Perai Selatan Penang

On 14 May 2020, the Company announced that HK Kitaran Sdn. Bhd., an indirectly wholly-owned subsidiary had entered into a sale and purchase agreement with SBJ Property Sdn. Bhd. to dispose 5 parcels of adjoining lots of land together with factory-cum-office buildings and other ancillary structures erected on 2 lots of land with a total gross floor area measuring approximately 264,244 square feet ("Property") in Mukim 4, District of Seberang Perai Selatan, Penang for a cash consideration of RM22,000,000 ("Proposed Disposal")

On 30 July 2020, shareholders of the Company have approved the Proposed Disposal at the Extraordinary General Meeting ("EGM").

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF OPERATING ACTIVITIES (CONT'D)

Proposed Fund Raising: Private Placement 10% and 30%

On 15 June 2020, the Company announced to undertake the following:

(i) Proposed private placement of up to 3,395,700 new shares of the Company, representing approximately 10% of the existing number of issued and paid up shares of the Company ("Proposed 10% Placement"); and

(ii) Proposed private placement of up 10,187,100 new shares of the Company, representing approximately 30% of the existing number of issued and paid up shares of the Company ("Proposed 30% Placement").

The Proposed 10% Placement had been completed on 20 July 2020 following the listing of and quotation of the 3,395,700 placement shares at RM0.33 per placement share on the ACE Market of Bursa.

The Proposed 30% Placement is subject to and conditional upon the approvals from:

(i) Bursa Securities for the listing of and quotation for placement shares on the ACE Market of Bursa Securities; and
(ii) Shareholders of the Company at an extraordinary general meeting to be convened.

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

Propose Fund Raising: Multiple Exercise

On 13 August 2020, the Company announced to undertake the following:

(i) Proposed settlement of debt owing to selected creditors of the Group in aggregate sum of RM7,750,272 to be fully satisfied through the issuance of 24,219,600 new ordinary shares of the Company at an issue price of RM0.32 each ("Proposed Debt Settlement with Creditors");

(ii) Proposed settlement of debt owing to directors of the Company in the aggregate sum of RM7,000,000 to be fully satisfied through the issuance of 21,875,000 new ordinary shares of the Company at an issue price of RM0.32 each ("Proposed Debt Settlement with Directors");

(iii) Proposed issuance of 9,024,300 new ordinary shares at an issue price of RM0.41 each, to satisfy the total purchase consideration of RM3,699,963 for two separate acquisition of land by HH Land and Development Sdn. Bhd. ("HH Land"), a wholly-owned subsidiary of the Company ("Proposed Issuance of Consideration Shares"). HH Land was incorporated on 20 July 2020.

(iv) Proposed share issuance scheme of up to 30% of the total number of issued ordinary shares of the Company (excluding any treasury shares) at any one time during the duration of the share issuance scheme ("Proposed SIS"). The Proposed SIS will involve the granting of SIS options ("SIS Options") to the eligible directors and employees of the Company and its subsidiaries (excluding subsidiaries which are dormant), who meet the criteria of eligibility for participation in the Proposed SIS, to subscribe for new ordinary shares of the Company in accordance with the by-laws of the Proposed SIS.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF OPERATING ACTIVITIES (CONT'D)

Propose Fund Raising: Multiple Exercise (cont'd)

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

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

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

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

Proposed Fund Raising: Rights Issue of Shares with Warrants

On 9 February 2021, the Company announcement to undertaking the following:

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

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

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

ANTICIPATED OR KNOW RISK

Principal Risk	Description/Consequences	Strategies to Mitigate Risk
Dependent on single market	- 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.	- Exploring new market such as Australia, Japan and Korea. - Diversifying the product range. - Participating in roadshow and exhibition.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FORWARD LOOKING STATEMENT

Prospect

The global economy is recovering, and is expected to expand by 5.6 percent in 2021 and 4.3 percent in 2022. The strength of the near term recovery is, to a large extent, attributable to a few major economies, such as the United States and China. In many other economies, the pickup is projected to be less robust than previously envisioned, partly due to the continued spread of the virus and slow vaccine distribution of COVID-19.
(Source: Global Economic Prospects – June 2021, World Bank Group)

Notwithstanding that, our Group remain cautiously optimistic that orders for oil palm EFB fibre from China in the mid and long term will be promising backed by the rising population in China and increasing demand for raw material alternatives that are cheaper, natural and environmentally-friendly.

The Board will monitor the market development closely, and ensure that prompt actions are taken in response to the changes. Moreover, the Board will, from time to time, identify appropriate new business venture/ opportunity to enhance and expand the Group's revenue base and source.

Barring any unforeseen circumstances and adverse external economic factors, the Board of Directors is of the view that the Group's financial performance for the financial year ending 31 March 2022 will remain positive.

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 54

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 38 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 5 Board of Directors' Meeting held in the financial year ended 31 March 2021.

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 58

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 34 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 5 Board of Directors' Meeting held in the financial year ended 31 March 2021.

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 51

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 Chin Nam 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 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 48

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 started his career with Messrs. Ernst & Young as Junior of Corporate Advisory Services division in 1996 and was promoted to Senior in 1999. In 2000, he left Messrs. Ernst & Young and joined B. Braun Medical Industries Sdn Bhd as Corporate Controller Asia Pacific region. In 2002, he left B. Braun Medical Industries Sdn Bhd and joined Astino Berhad as an Accountant and Corporate Manager. Upon the successful listing of Astino Berhad onto the Bursa Malaysia in 2003, he left to join Cooldec Industries Sdn Bhd in 2004 as Corporate Manager and was subsequently appointed as Director among its group of companies to oversee the group corporate affairs and financial matters. In 2011, under a corporate restructuring exercise he left Cooldec Industries Sdn Bhd to set up Eco Modular Sdn Bhd and was appointed as Director among the group of companies. He does not hold any directorship in other public companies in Malaysia.

He attended all 5 Board of Directors' Meeting held in the financial year ended 31 March 2021.

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.

DR. LO LIANG KHENG

Independent Non-Executive Director
Malaysian, Male, aged 57

Dr. Lo Liang Kheng is our Independent Non-Executive Director and was appointed to our Board on 28 May 2012. 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.

Dr. Mr Lo graduated with a Bachelor of Business Administration from American City University, Cheyenne, Wyoming, USA in 2004 and obtained his Master in Business Administration from Universiti Sains Malaysia in 2008. He also obtained a Certified Credit Professional from Institut Bank-Bank Malaysia in 2005. He is the Internal Auditor of Old Frees Association since 2019.

He started his career with Public Bank Berhad as a Clerk in 1984 and was promoted to Operations Officer in 1992. He then left Public Bank Berhad in the same year and joined Pacific Bank Berhad as a Senior Operations Officer, and was subsequently promoted to Assistant Manager in 1996. In 1997, he left Pacific Bank Berhad and joined Dynamix Sound and Light Sdn Bhd as Financial Controller. In 2000, he left Dynamix Sound and Light Sdn Bhd and joined Kawyn Ornaments Sdn Bhd as Financial Controller. He then left Kawyn Ornaments Sdn Bhd in 2004 to set up his own business. Since 2005, he set up Kheng Consultancy Sdn Bhd, which specialises in the provision of management and financial consultancy services. He does not hold any directorship in other public companies in Malaysia.

He attended all 5 Board of Directors' Meeting held in the financial year ended 31 March 2021.

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)

HO WHYE CHONG

Independent Non-Executive Director
Malaysian, Male, aged 43

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 3 out of 5 Board of Directors' Meeting held in the financial year ended 31 March 2021.

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 42

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 financial reporting 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. 2. 3.

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. 6. 7. 8.

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

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

7. **Golden Eagle Award 2015**
   Malaysia 100 Excellent Enterprises
   Year : 2015

8. **Asia Honesty Product Award 2015**
   Year : 2015

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 Articles of Association, 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, 5 Board meetings have been called. The attendance of the individual Directors at the Board meetings are as follows:

	Attendance of Meeting
Executive Directors	
Dato' H'ng Choon Seng	5/5
Kee Swee Lai	5/5
Ng Chin Nam (Appointed on 2.8.2021)	[i]
Independent Non-Executive Directors	
Dr. Lo Liang Kheng	5/5
Cheah Swi Chun	5/5
Ho Whye Chong	3/3[ii]

Notes

(i) *No meeting was held subsequent to his appointment.*

(ii) *Three meetings were held subsequent to his appointment and up to 31 March 2021.*

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 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

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
Lo Liang Kheng
Ho Whye Chong

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.

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 Secretary, 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	HRDF: The Relevance & Significance of PSMB Act 2021
Kee Swee Lai	HRDF: The Relevance & Significance of PSMB Act 2021
Cheah Swi Chun	MIA Webinar Series: Overview of MFRS 15
Dr Lo Liang Kheng	Companies Act 2016, Practical Guide For Company Directors
Ho Whye Chong	Mandatory Accreditation Programme for Directors of Public Listed Companies

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Continuing Education Programme for Directors (cont'd)

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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

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.

The Board is mindful of the recommendation of the Code for the tenure of an Independent Director not exceed a cumulative or consecutive term of nine (9) years. However, an Independent Director who had exceeded the prescribed nine (9) years may continue to serve the Board subject to re-designation as Non-Independent Non-Executive Director.

Following a review of the tenure of Independent Non-Executive Director, Dr. Lo Liang Kheng has served as Independent Non-Executive Director of the Company for a cumulative term of more than 9 years as at the end of the financial year, Dr. Lo Liang Kheng has been recommended by the Board to continue to act as Independent Non-Executive Director subject to shareholders' approval at the forthcoming AGM of the Company. Key justifications for his recommended continuance as Independent Non-Executive Director is as follows:

- He fulfilled the criteria under the definition on Independent Director as stated in the ACE Market Listing;
- Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and, therefore, are able to bring independent and objective judgement to the Board;
- His experience in the relevant industries enable him to provide the Board and the Audit Committee, as the case may be, with pertinent expertise, skills and competence; and
- He has been with the Company long enough to understand the Company's business operations which enable him to contribute actively during deliberations or discussions at the Audit Committee and Board Meeting.

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;

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Sourcing of Director (cont'd)

- 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.

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 Articles of Association and made recommendation for their re-election.

The details of attendance are reflected below:

	Attendance of Meeting
<u>Chairman</u>	
Ho Whye Chong *(Independent Non-Executive Director)* (Appointed on 23.07.2020)	N/A[1]
<u>Members</u>	
Dr. Lo Liang Kheng *(Independent Non-Executive Director)*	1/1
Cheah Swi Chun *(Independent Non-Executive Director)*	1/1

Notes
(i) *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 Articles of Association, 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 sixth coming Annual General Meeting of the Company to be held in 2021 are 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 reschedule 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
<u>Chairman</u>	
Dr. Lo Liang Kheng *(Independent Non-Executive Director)*	1/1
<u>Members</u>	
Cheah Swi Chun *(Independent Non-Executive Director)*	1/1
Ho Whye Chong *(Independent Non-Executive Director)* (Appointed on 23.07.2020)	1/1

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 2021 are as follows:

Group	Fees	Meeting Allowance	Salary	Bonus	Other emoluments	Benefits-in-kind
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-Executive Director						
Cheah Swi Chun	24	1	-	-	-	-
Lo Liang Kheng	24	1	-	-	-	-
Ho Whye Chong	8	-	-	-	-	-
Executive Director						
Dato' H'ng Choon Seng	-	-	480	36	63	25
Kee Swee Lai	-	-	300	22	40	23
Ng Chin Nam	-	-	-	-	-	-

Company	Fees	Meeting Allowance	Salary	Bonus	Other emoluments	Benefits-in-kind
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-Executive Director						
Cheah Swi Chun	24	1	-	-	-	-
Lo Liang Kheng	24	1	-	-	-	-
Ho Whye Chong	8	-	-	-	-	-
Executive Director						
Dato' H'ng Choon Seng	-	-	-	-	-	-
Kee Swee Lai	-	-	-	-	-	-
Ng Chin Nam	-	-	-	-	-	-

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 2021 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 – INTERGRITY 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 18 August 2021.

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 2021.

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 18 August 2021.

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 alight 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.

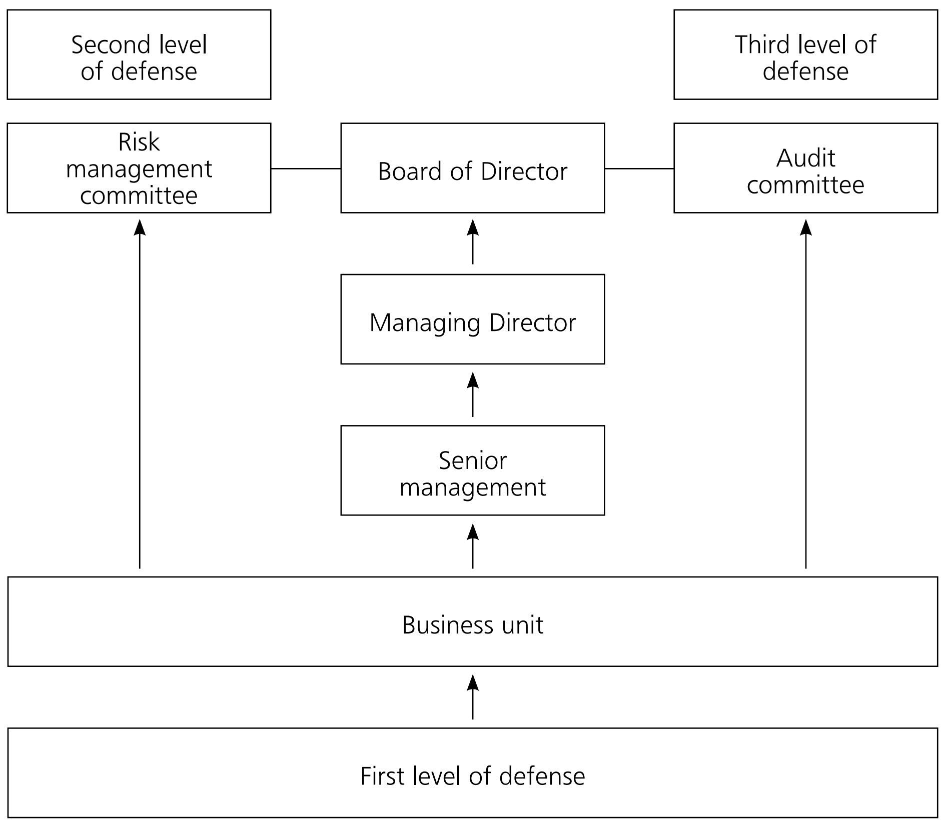
RISK STRUCTURE

Risk management cannot function in isolated silos. An appropriate framework has to be established within the Company 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 Director, 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 2021. 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 18 August 2021.

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
•	Dr. Lo Liang Kheng	Member/ Independent Non-Executive Director
•	Ho Whye Chong	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, 4 meetings were held and the details of attendance of each member are as follows:

Members	**Attendance of Meetings**
Cheah Swi Chun	4/4
Dr. Lo Liang Kheng	4/4
Ho Whye Chong (Appointed on 23.07.2020)	3/3[(i)]

Notes
(i) *Three meetings were held subsequent to his appointment and up to 31 March 2021.*

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 2021:

- 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 2020 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 2020 ("Annual Report 2020") 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 28 August 2020 before recommending them to the Board for consideration and approval.

- 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 2021;

AUDIT COMMITTEE REPORT (CONT'D)

Summary of Activities of the Committee (cont'd)

- External Auditors (cont'd)

  (c) Reviewed and discussed the audit findings in relation to the audited financial statements for the financial year ended 31 March 2020 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 2021. 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 2021; 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 2021;

- 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 2021;

- The RRPT Circular dated 19 August 2021; and

- The performance appraisal of the External Auditors for their re-appointment for the financial year ending 31 March 2022.

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 2021

The areas/departments reviewed include:

i) Purchasing.
ii) Human Resources;
iii) Account & Finance; and
iv) Sales.

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. All 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 10% Private Placement Fund

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

	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 12 months	997	997	-
General administrative and operating expenses	Within 12 months	124	124	-
Total		1,121	1,121	

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	2,348	6,899

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

AUDIT AND NON-AUDIT FEES

	Financial Year Ended 31 March 2021	
	Group	**Company**
	RM	**RM**
Audit fees paid and payable to the external auditors	133,000	23,000
Non-Audit fees paid and payable to the affiliated firm of the external auditor for advisory and corporate tax compliance services rendered	42,500	14,500
	175,500	37,500

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts (not being contracts entered into in the ordinary course of business) 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.

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 25 to the Financial Statements on page 113 to 114 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.

FINANCIAL STATEMENTS

48 Directors' Report

53 Directors' Statement/ Statutory Declaration

54 Independent Auditors' Report To The Members

59 Statements Of Financial Position

60 Statements Of Comprehensive Income

61 Consolidated Statements Of Changes In Equity

62 Statement Of Changes In Equity

63 Statements Of Cash Flows

65 Notes To The Financial Statements

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended **31 March 2021**.

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 7 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
(Loss)/Profit after taxation for the financial year	**(20,092,387)**	**175,752**
Attributable to:		
Owners of the Company	**(20,159,514)**	**175,752**
Non-controlling interests	**67,127**	**-**
	(20,092,387)	**175,752**

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 2021** have not been substantially affected by any item, transaction or event of a material and unusual nature other than the allowance for expected credit loss and impairment loss on property, plant and equipment amounting to RM12,886,962 and RM11,174,872 respectively recognised in profit or loss of the Group.

DIVIDEND

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

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.

DIRECTORS' REPORT (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

SHARE CAPITAL AND DEBENTURE

During the 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) the issuance of 3,395,700 ordinary shares at an issue price of RM0.33 per ordinary shares arising from a private placement exercise (Note 28 (b) to the financial statements);

(ii) the issuance of 46,094,600 ordinary shares at an issue price of RM0.32 per ordinary shares as settlement of amount owing to certain creditors and directors of the Group (Note 28 (c) to the financial statements);

(iii) the issuance of 9,024,300 ordinary shares 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 (Note 28 (d) to the financial statements).

Arising from the issuance of these new ordinary shares above, the number of ordinary shares of the Company increased from 33,957,001 to 92,471,601. 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.

DIRECTORS

The directors in office during the financial year and during the period from the end of financial year to the date of this report are as follows:

Directors of the Company:

Dato' H'ng Choon Seng
Kee Swee Lai
Dr. Lo Liang Kheng
Cheah Swi Chun
Ho Whye Chong
Ng Chin Nam (Appointed on 2.8.2021)

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 the Report are as follows:

Ruhani Binti Ismail
Datin Khor Mooi Kim
Khor Teik Boon
Teh Chai Luang

DIRECTORS' REPORT (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

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 1.4.20	**Bought**	**Sold**	**Issued pursuant to debt settlement**	**Balance at 31.3.21**
The Company					
Direct Interest:					
Dato' H'ng Choon Seng	-	-	-	15,312,500	15,312,500
Kee Swee Lai	-	686,400	-	6,562,500	7,248,900
Ho Whye Chong	-	1,335,000	-	-	1,335,000
Deemed Interest:					
Dato' H'ng Choon Seng[#]	1,323,307	1,077,300	(10,300)	-	2,390,307

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

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' 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	SUBSIDIARIES	GROUP
	RM	RM	RM
Salaries, allowance and bonus	**2,700**	**838,040**	**840,740**
Fees	**56,000**	**-**	**56,000**
EPF	**-**	**100,575**	**100,575**
SOCSO and EIS	**-**	**1,847**	**1,847**
Benefits-in-kind	**-**	**48,150**	**48,150**
	58,700	**988,612**	**1,047,312**

DIRECTORS' REPORT (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

DIRECTORS' REMUNERATION AND BENEFITS (CONT'D)

Since the end of the previous financial period, 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, OFFICERS AND AUDITORS

No indemnity has been given to or insurance effected for any of the directors, officers or auditors 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) that would render any amount stated in the financial statements of the Group and of the Company misleading, or

(iv) that 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.

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.

DIRECTORS' REPORT (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

OTHER STATUTORY INFORMATION (CONT'D)

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 significant events during the financial year are disclosed in Note 28 to the financial statements.

EVENT AFTER THE REPORTING PERIOD

The event after the reporting period is disclosed in Note 29 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 2021 is disclosed in Note 20 to the financial statements.

The auditors, **Grant Thornton Malaysia PLT**, have expressed their willingness to continue in office.

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

....	....
Dato' H'ng Choon Seng	**Kee Swee Lai**

Penang,

Date: 18 August 2021

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 59 to 127 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 2021** 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:

....	....
Dato' H'ng Choon Seng	**Kee Swee Lai**

Date: 18 August 2021

STATUTORY DECLARATION

I, **Dato' H'ng Choon Seng**, 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 59 to 127 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 **18th**)
day of **August 2021.**)

....
Dato' H'ng Choon Seng

Before me,

....
Commissioner for Oaths

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 2021** 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 59 to 127.

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 2021** 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
Provision for expected credit losses of trade receivables *(Note 8 to the financial statements)*	
The Group has significant exposure to credit risk arising from its trade receivables as at 31 March 2021. 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.	Our audit procedures in relation to management's impairment assessment included: - Obtaining an understanding of: (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.

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
Investment in subsidiaries *(Note 7 to the financial statements)* The Company holds approximately RM53.75 million in investment in subsidiaries, which comprise approximately 86% of the total assets of the Company. Judgement is required by the directors in assessing whether impairment is necessary in view of persistent under performance by the subsidiaries whose operations have been greatly affected by the ongoing COVID-19 pandemic. In assessing whether impairment is required, management have adopted the value-in-use method using discounted cash flows covering a five-year period for each cash generating unit. The assumptions with the most significant judgement in deriving the cash flow projections are growth rates, discount rate and timing of global recovery from the COVID-19 pandemic.	Our audit procedures included the following: • Testing the design and implementation of the key controls around the impairment review process. • Challenge management's key assumptions used in the cash flow projections which included impairment model for investment in subsidiaries with reference to historical performance. • Performing substantive procedures and challenging the key assumptions such as forecasted future cash flows, future growth rates, discount rate applied and timing of global recovery. • Comparing the projected cash flows against historical performance to test the reasonableness of the projections (pre COVID-19 pandemic).

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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

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

Directors' Responsibilities for the Financial Statements (cont'd)

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.

- 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.

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)

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.

Other Matters

(i) 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.

(ii) The financial statements for the preceding period ended 31 March 2020 were audited by **Grant Thornton** whose report dated 25 August 2020, expressed an unqualified opinion with emphasis of matter relating to the Group's ability to continue as a going concern. The practice of **Grant Thornton** has merged with **Grant Thornton Malaysia PLT** effective from 1 January 2021.

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

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

Penang

Date: 18 August 2021

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2021

		GROUP		COMPANY	
		2021	2020	**2021**	2020
	NOTE	**RM**	RM	**RM**	RM
ASSETS					
Non-current assets					
Property, plant and equipment	**4**	**37,500,311**	56,214,044	**292,041**	377,899
Right-of-use assets	**5**	**8,641,168**	857,990	**-**	-
Intangible assets	**6**	**154,344**	178,075	**-**	-
Investment in subsidiaries	**7**	**-**	-	**53,748,201**	19,730,001
Other receivables	**8**	**-**	-	**-**	23,113,353
		46,295,823	57,250,109	**54,040,242**	43,221,253
Current assets					
Inventories	**9**	**4,521,288**	6,553,531	**-**	-
Trade and other receivables	**8**	**13,254,874**	23,040,337	**4,503,537**	1,443,563
Current tax assets		**735,079**	782,362	**24,252**	35,252
Cash and bank balances	**10**	**9,403,860**	7,938,499	**3,912,988**	34,433
		27,915,101	38,314,729	**8,440,777**	1,513,248
Non-current assets held for sale	**11**	**3,400,000**	22,000,000	**-**	-
		31,315,101	60,314,729	**8,440,777**	1,513,248
TOTAL ASSETS		**77,610,924**	117,564,838	**62,481,019**	44,734,501
EQUITY AND LIABILITIES					
Share capital	**12**	**60,054,641**	40,537,659	**60,054,641**	40,537,659
Other reserves	**13**	**(5,185,000)**	(5,185,000)	**-**	-
(Accumulated losses)/Retained profits		**(19,441,069)**	718,445	**(4,731,312)**	(4,907,064)
		35,428,572	36,071,104	**55,323,329**	35,630,595
Non-controlling interests		**236,092**	204,965	**-**	-
Total equity		**35,664,664**	36,276,069	**55,323,329**	35,630,595
Non-current liabilities					
Lease liabilities	**5**	**5,108,104**	183,592	**-**	-
Borrowings	**14**	**7,572,634**	12,274,639	**17,475**	24,196
Deferred tax liabilities	**15**	**858,000**	646,801	**18,400**	21,800
		13,538,738	13,105,032	**35,875**	45,996
Current liabilities					
Trade and other payables	**16**	**13,072,557**	36,758,989	**7,108,532**	9,044,946
Contract liabilities	**17**	**154,495**	-	**-**	-
Derivative financial liabilities	**18**	**-**	7,736	**-**	-
Lease liabilities	**5**	**1,827,204**	705,168	**-**	-
Borrowings	**14**	**13,353,266**	30,711,844	**13,283**	12,964
		28,407,522	68,183,737	**7,121,815**	9,057,910
Total liabilities		**41,946,260**	81,288,769	**7,157,690**	9,103,906
TOTAL EQUITY AND LIABILITIES		**77,610,924**	117,564,838	**62,481,019**	44,734,501

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

		GROUP		COMPANY	
		1.4.20 to 31.3.21 (12 months)	1.1.19 to 31.3.20 (15 months)	**1.4.20 to 31.3.21 (12 months)**	1.1.19 to 31.3.20 (15 months)
	NOTE	**RM**	RM	**RM**	RM
Revenue	**19**	**73,593,746**	102,110,848	**1,164,160**	-
Cost of sales		**(60,898,965)**	(100,356,040)	**-**	-
Gross profit		**12,694,781**	1,754,808	**1,164,160**	-
Other income		**2,107,320**	1,147,577	**370,488**	1,731,645
Administrative expenses		**(28,521,206)**	(38,141,632)	**(1,183,335)**	(13,864,359)
Selling and distribution expenses		**(2,453,053)**	(4,228,151)	**-**	-
Operating (loss)/profit		**(16,172,158)**	(39,467,398)	**351,313**	(12,132,714)
Finance costs		**(2,026,213)**	(3,844,763)	**(165,804)**	(488,331)
(Loss)/Profit before tax	**20**	**(18,198,371)**	(43,312,161)	**185,509**	(12,621,045)
Taxation	**21**	**(1,894,016)**	408,033	**(9,757)**	3,086
(Loss)/Profit for the financial year/period representing total comprehensive (loss)/income for the financial year/period		**(20,092,387)**	(42,904,128)	**175,752**	(12,617,959)
(Loss)/Profit for the financial year/period representing total comprehensive (loss)/income attributable to:					
Owners of the Company		**(20,159,514)**	(42,875,748)	**175,752**	(12,617,959)
Non-controlling interests		**67,127**	(28,380)	**-**	-
		(20,092,387)	(42,904,128)	**175,752**	(12,617,959)
Loss per share attributable to owners of the Company (sen)					
- Basic/Diluted	**22**	**(38.00)**	(126.26)		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	NOTE	← Attributable to Owners of the Company				→	
		Share Capital RM	Non-distributable Reorganisation Reserve RM	(Accumulated Losses)/ Retained Profits RM	Total RM	Non-controlling Interests RM	Total Equity RM
31.3.21							
Balance at 1.4.20		**40,537,659**	**(5,185,000)**	**718,445**	**36,071,104**	**204,965**	**36,276,069**
Total comprehensive loss for the financial year		**-**	**-**	**(20,159,514)**	**(20,159,514)**	**67,127**	**(20,092,387)**
Transactions with owners:							
Issuance of shares	**12**	**19,570,816**	**-**	**-**	**19,570,816**	**-**	**19,570,816**
Share issuance expenses	**12**	**(53,834)**	**-**	**-**	**(53,834)**	**-**	**(53,834)**
Dividend paid to non-controlling interests		**-**	**-**	**-**	**-**	**(36,000)**	**(36,000)**
		19,516,982	**-**	**-**	**19,516,982**	**(36,000)**	**19,480,982**
Balance at 31.3.21		**60,054,641**	**(5,185,000)**	**(19,441,069)**	**35,428,572**	**236,092**	**35,664,664**
31.3.20							
Balance at 1.1.19		40,537,659	(5,185,000)	43,594,193	78,946,852	264,619	79,211,471
Acquisition of a subsidiary	7	-	-	-	-	(31,274)	(31,274)
Total comprehensive loss for the financial period		-	-	(42,875,748)	(42,875,748)	(28,380)	(42,904,128)
Balance at 31.3.20		40,537,659	(5,185,000)	718,445	36,071,104	204,965	36,276,069

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	NOTE	Share Capital RM	(Accumulated Losses)/ Retained Profits RM	Total Equity RM
31.3.21				
Balance at 1.4.20		**40,537,659**	**(4,907,064)**	**35,630,595**
Total comprehensive income for the financial year		**-**	**175,752**	**175,752**
Transactions with owners:				
Issuance of shares	**12**	**19,570,816**	**-**	**19,570,816**
Share issuance expenses	**12**	**(53,834)**	**-**	**(53,834)**
		19,516,982	**-**	**19,516,982**
Balance at 31.3.21		**60,054,641**	**(4,731,312)**	**55,323,329**
31.3.20				
Balance at 1.1.19		40,537,659	7,710,895	48,248,554
Total comprehensive loss for the financial period		-	(12,617,959)	(12,617,959)
Balance at 31.3.20		40,537,659	(4,907,064)	35,630,595

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	GROUP		COMPANY	
	1.4.20 to 31.3.21 (12 months) RM	1.1.19 to 31.3.20 (15 months) RM	**1.4.20 to 31.3.21 (12 months) RM**	1.1.19 to 31.3.20 (15 months) RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before tax	**(18,198,371)**	(43,312,161)	**185,509**	(12,621,045)
Adjustments for:				
Accretion of interest on lease liabilities	**185,410**	102,437	**-**	-
Allowance for expected credit loss				
- current year/period	**12,886,962**	11,882,452	**-**	-
- reversal	**(4,346,561)**	(153,890)	**-**	-
Amortisation of intangible assets				
- development costs	**-**	1,241,211	**-**	-
- trademarks	**23,731**	14,435	**-**	-
Bad debts written off	**-**	2,300	**-**	9,646
Depreciation of property, plant and equipment	**5,950,210**	11,670,169	**78,624**	106,045
Depreciation of right-of-use assets	**1,489,500**	879,633	**-**	-
Fair value adjustment on derivative of financial instruments	**(7,736)**	(17,652)	**-**	-
Gain on disposal of property, plant and equipment	**(167,671)**	(131,498)	**(11,886)**	(60,872)
Impairment loss on goodwill	**-**	1,211,251	**-**	-
Impairment loss on investment in subsidiaries	**-**	-	**-**	11,499,999
Impairment loss on non-current assets held for sale	**968,735**	1,001,457	**-**	-
Impairment loss on property, plant and equipment	**11,174,872**	9,169,493	**-**	-
Intangible assets written off				
- development costs	**-**	1,774,657	**-**	-
- goodwill	**-**	39,594	**-**	-
Inventories written down				
- addition	**557,612**	1,300,011	**-**	-
- reversal	**(1,300,011)**	-	**-**	-
Investment in subsidiaries written off	**-**	-	**-**	97
Interest expense	**1,840,803**	3,742,326	**165,804**	488,331
Interest income	**(33,940)**	(47,105)	**(358,361)**	(1,666,975)
Property, plant and equipment written off	**968,830**	10,911	**-**	-
Unrealised loss/(gain) on foreign exchange	**14,273**	(490,196)	**-**	-
Operating profit/(loss) before working capital changes	**12,006,648**	(110,165)	**59,690**	(2,244,774)
Decrease in inventories	**2,774,642**	5,273,800	**-**	-
Decrease/(Increase) in receivables	**1,240,214**	(1,173,906)	**(9,607,621)**	(4,982,610)
(Decrease)/Increase in payables	**(5,236,197)**	7,796,538	**15,860,821**	3,527,355
Increase in contract liabilities	**154,495**	-	**-**	-
Cash generated from/(used in) operations	**10,939,802**	11,786,267	**6,312,890**	(3,700,029)
Income tax paid	**(1,635,534)**	(882,232)	**(2,157)**	(63,779)
Income tax refunded	**-**	509,963	**-**	81,614
Net cash from/(used in) operating activities carried forward	**9,304,268**	11,413,998	**6,310,733**	(3,682,194)

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

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	GROUP		**COMPANY**	
	1.4.20 to 31.3.21 (12 months) RM	1.1.19 to 31.3.20 (15 months) RM	**1.4.20 to 31.3.21 (12 months) RM**	1.1.19 to 31.3.20 (15 months) RM
Net cash from/(used in) operating activities brought forward	**9,304,268**	11,413,998	**6,310,733**	(3,682,194)
CASH FLOWS FROM INVESTING ACTIVITIES				
Changes in fixed deposits pledged with licensed banks	**1,079,277**	(287,008)	**-**	-
Interest received	**33,940**	47,105	**358,361**	1,666,975
Investment in subsidiaries	**-**	-	**(3,704,200)**	-
Net cash outflow on acquisition of a subsidiary	**-**	(136,022)	**-**	-
Purchase of intangibles assets	**-**	(188,000)	**-**	-
Purchase of property, plant and equipment	**(4,404,790)**	(7,119,093)	**(6,680)**	-
Proceeds from disposal of non-current assets held for sale	**22,000,000**	-	**-**	-
Proceeds from disposal of property, plant and equipment	**823,547**	2,146,204	**25,800**	62,000
Net cash from/(used in) investing activities	**19,531,974**	(5,536,814)	**(3,326,719)**	1,728,975
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid to non-controlling interests	**(36,000)**	-	**-**	-
Drawdown of term loans	**-**	6,000,000	**-**	-
Interest paid	**(1,840,803)**	(3,742,326)	**(165,804)**	(488,331)
Proceeds from issuance of shares	**1,120,581**	-	**1,120,581**	-
Repayment of bankers' acceptance	**(4,000,000)**	(7,982,147)	**-**	-
Repayment of lease liabilities	**(3,411,540)**	(951,300)	**-**	-
Repayment of finance lease liabilities	**(2,163,161)**	(3,966,195)	**(6,402)**	(91,876)
Repayment of term loans	**(7,215,418)**	(5,945,213)	**-**	-
Share issuance expenses paid	**(53,834)**	-	**(53,834)**	-
Net cash (used in)/from financing activities	**(17,600,175)**	(16,587,181)	**894,541**	(580,207)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**11,236,067**	(10,709,997)	**3,878,555**	(2,533,426)
Effects of foreign exchange rate changes	**(9,425)**	44,731	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING	**(11,722,841)**	(1,057,575)	**34,433**	2,567,859
CASH AND CASH EQUIVALENTS AT END	**(496,199)**	(11,722,841)	**3,912,988**	34,433
Represented by:				
Cash and bank balances	**8,453,649**	5,909,011	**3,912,988**	34,433
Bank overdrafts	**(8,949,848)**	(17,631,852)	**-**	-
	(496,199)	(11,722,841)	**3,912,988**	34,433

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

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2021

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 18 August 2021.

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 7 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

2. **BASIS OF PREPARATION (cont'd)**

2.2 **Basis of Measurement (cont'd)**

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 New Standards/Amendments/Improvements 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 new standards/amendments/improvements to MFRSs that are mandatory for the current financial year:

Effective for annual periods beginning on or after 1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3 Business Combinations: Definition of a Business
Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures: Interest Rate Benchmark Reform

Initial application for the above new standards/amendments/improvements to MFRSs did not have any material impact to the financial statements of the Group and of the Company upon adoption.

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.

Effective for annual periods beginning on or after 1 June 2020
Amendments to MFRS 16 Leases: Covid-19 - Related Rent Concessions

Effective for annual periods beginning on or after 1 January 2021
Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases: Interest Rate Benchmark Reform - Phase 2

Effective for annual periods beginning on or after 1 April 2021
Amendments to MFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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 2021

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 6 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 9 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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)**

(iv) **Provision for expected credit loss ("ECL") of receivables (cont'd)**

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 8 to the financial statements.

(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 2021

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 2021

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 - 81 years
Factory buildings	2%
Renovation	10%
Office equipment, furniture and fittings	10% - 40%
Electrical installation	10%
Machinery and equipment	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 are 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.

3.3 **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.

3.3.1 **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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

3. **ACCOUNTING POLICIES (cont'd)**

3.3 **Leases (cont'd)**

3.3.1.1 **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

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.

3.3.1.2 **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.

3.3.1.3 **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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

3. **ACCOUNTING POLICIES (cont'd)**

3.3 **Leases (cont'd)**

3.3.2 **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.

3.4 **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.

3.5 **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.

3.6 **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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

3. **ACCOUNTING POLICIES (cont'd)**

3.6 **Impairment of Non-Financial Assets (cont'd)**

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.

3.7 **Financial Instruments**

3.7.1 **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.

3.7.2 **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.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of receivables which is presented within administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

3. **ACCOUNTING POLICIES (cont'd)**

3.7 **Financial Instruments (cont'd)**

3.7.2 **Classification and subsequent measurement of financial assets (cont'd)**

(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. The Group's and the Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

(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.

3.7.3 **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.

3.7.4 **Derivative financial instruments**

The Group enters into derivative financial instruments such as foreign currency forward contracts to manage its exposure to foreign currency risks.

Derivatives are initially recognised at fair value at the date the derivative contract is entered and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

3. **ACCOUNTING POLICIES (cont'd)**

3.7 **Financial Instruments (cont'd)**

3.7.4 **Derivative financial instruments (cont'd)**

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group has not designated any derivatives as hedging instruments.

3.7.5 **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.

<u>Trade and other receivables</u>

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 2021

3. **ACCOUNTING POLICIES (cont'd)**

3.7 **Financial Instruments (cont'd)**

3.7.6 **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.

3.7.7 **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.

3.8 **Inventories**

Inventories 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.

3.9 **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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 MARCH 2021

3. ACCOUNTING POLICIES (cont'd)

3.10 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.

3.11 Provisions

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.

3.12 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.

3.13 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, mattresses and related 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

3. ACCOUNTING POLICIES (cont'd)

3.13 Revenue Recognition (cont'd)

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.

3.14 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.

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.

3.15 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

3. **ACCOUNTING POLICIES (cont'd)**

3.15 **Income Tax (cont'd)**

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.

3.16 **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 recoverable from, or payable to, the taxation authority is included as part of receivables or 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%.

3.17 **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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

3. **ACCOUNTING POLICIES (cont'd)**

3.18 **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.

3.19 **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.

3.20 **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 2021

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Leasehold land RM	Factory 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
GROUP										
2021										
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 2021

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

	Freehold land	Leasehold land	Factory buildings	Renovation	Office equipment, furniture and fittings	Electrical installation	Machinery and equipment	Motor vehicles	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2020										
At cost										
Balance at beginning	9,030,682	4,882,538	26,768,464	1,800,816	1,801,704	2,601,123	68,341,224	14,182,290	4,105,222	133,514,063
Acquisition of a subsidiary	-	-	434,992	-	17,870	93,396	1,482,486	69,167	-	2,097,911
Additions	3,808,995	-	-	6,800	26,401	-	1,366,952	541,538	1,368,407	7,119,093
Disposals	-	-	-	-	-	-	(2,093,186)	(1,498,709)	(127)	(3,592,022)
Written off	-	-	-	-	-	-	-	(252,495)	-	(252,495)
Reclassified to non-current assets held for sale	(12,266,475)	-	(12,619,132)	-	-	-	-	-	-	(24,885,607)
Reclassifications	-	-	1,498,381	-	217,142	-	3,709,978	22,000	(5,447,501)	-
Balance at end	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
Accumulated depreciation										
Balance at beginning	-	416,472	2,373,432	1,185,115	887,765	1,600,865	26,981,622	7,205,016	-	40,650,287
Current charge	-	144,675	679,448	221,519	252,631	309,215	8,475,396	1,587,285	-	11,670,169
Disposals	-	-	-	-	-	-	(801,535)	(775,781)	-	(1,577,316)
Written off	-	-	-	-	-	-	-	(241,584)	-	(241,584)
Reclassified to non-current assets held for sale	-	-	(1,884,150)	-	-	-	-	-	-	(1,884,150)
Balance at end	-	561,147	1,168,730	1,406,634	1,140,396	1,910,080	34,655,483	7,774,936	-	48,617,406
Accumulated impairment										
Additions/Balance at end	-	-	320,134	8,957	-	40,565	8,799,837	-	-	9,169,493
Carrying amount	573,202	4,321,391	14,593,841	392,025	922,721	743,874	29,352,134	5,288,855	26,001	56,214,044

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 MARCH 2021

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

COMPANY

	Motor vehicles RM	Office equipment, furniture and fittings RM	Total RM
2021			
At cost			
Balance at beginning	**651,996**	**10,279**	**662,275**
Additions	**-**	**6,680**	**6,680**
Disposals	**(47,696)**	**-**	**(47,696)**
Balance at end	**604,300**	**16,959**	**621,259**
Accumulated depreciation			
Balance at beginning	**277,843**	**6,533**	**284,376**
Current charge	**75,891**	**2,733**	**78,624**
Disposals	**(33,782)**	**-**	**(33,782)**
Balance at end	**319,952**	**9,266**	**329,218**
Carrying amount	**284,348**	**7,693**	**292,041**
2020			
At cost			
Balance at beginning	810,108	10,279	820,387
Disposals	(158,112)	-	(158,112)
Balance at end	651,996	10,279	662,275
Accumulated depreciation			
Balance at beginning	332,412	2,903	335,315
Current charge	102,415	3,630	106,045
Disposals	(156,984)	-	(156,984)
Balance at end	277,843	6,533	284,376
Carrying amount	374,153	3,746	377,899

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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	
	2021	2020
	RM	RM
Freehold land	**573,202**	573,202
Leasehold land	**4,205,651**	4,321,391
Factory building	**14,275,079**	14,593,841
Machinery and equipment	**1,438,967**	12,191,631
	20,492,899	31,680,065

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	RM	RM	**RM**	RM
Leasehold land	**4,205,651**	4,321,391	**-**	-
Machinery and equipment	**2,319,877**	4,704,493	**-**	-
Motor vehicle	**971,258**	1,375,655	**254,880**	303,428
	7,496,786	10,401,539	**254,880**	303,428

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 14 to the financial statements.

(iii) **2021**

An impairment loss of RM11,174,872 representing the write-down of certain property, plant and equipment within the biomass and related products segment due to technological obsolescence and the economic performance of these assets were not performing up to management's expectation.
2020

An impairment loss of RM9,169,493 has been recognised in profit or loss to reduce the carrying amount of the property, plant and equipment as these assets were left idle and not in use following the decision of a subsidiary to cease its oil palm fibre production due to anticipated reduction in demand for the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

5. **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. 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. 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 vehicle with lease terms of 12 months or less and leases of office equipment with low value. 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/period:

	Factory buildings RM	Land RM	Total RM
Right-of-use assets			
2021			
Balance at beginning	**857,990**	**-**	**857,990**
Additions	**7,472,678**	**1,800,000**	**9,272,678**
Depreciation	**(1,475,214)**	**(14,286)**	**(1,489,500)**
Balance at end	**6,855,454**	**1,785,714**	**8,641,168**
2020			
Balance at beginning	1,737,623	-	1,737,623
Depreciation	(879,633)	-	(879,633)
Balance at end	857,990	-	857,990

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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

Group as a lessee (cont'd)

Lease liabilities

	2021	2020
	RM	RM
Balance at beginning	**888,760**	1,737,623
Additions	**9,272,678**	-
Accretion of interest	**185,410**	102,437
Payments	**(3,411,540)**	(951,300)
Balance at end	**6,935,308**	888,760
Represented by:		
Non-current liabilities	**5,108,104**	183,592
Current liabilities	**1,827,204**	705,168
	6,935,308	888,760

The maturity analysis of lease liabilities is disclosed in Note 26.4 to the financial statements.

The following are the amounts recognised in profit or loss:

	1.4.20 to 31.3.21 (12 months)	1.1.19 to 31.3.20 (15 months)
	RM	RM
Depreciation of right-of-use assets	**1,489,500**	879,633
Accretion of interest on lease liabilities	**185,410**	102,437
Expenses relating to short term leases	**114,477**	190,950
Expenses relating to lease of low value assets	**9,436**	-
Total amount recognised in profit or loss	**1,798,823**	1,173,020

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 MARCH 2021

6. **INTANGIBLE ASSETS**

	GROUP	
	2021	2020
	RM	RM
Goodwill on consolidation (Note 6.1)	**2,844**	2,844
Trademarks (Note 6.2)	**151,500**	175,231
	154,344	178,075

6.1 **Goodwill on Consolidation**

	GROUP	
	2021	2020
	RM	RM
Balance at beginning	**2,844**	42,438
Acquisition of a subsidiary (Note 7)	**-**	1,211,251
Written off	**-**	(39,594)
Impairment loss	**-**	(1,211,251)
	2,844	2,844

6.2 **Trademarks**

	GROUP	
	2021	2020
	RM	RM
At cost		
Balance at beginning	**191,858**	3,858
Addition	**-**	188,000
Balance at end	**191,858**	191,858
Accumulated amortisation		
Balance at beginning	**16,627**	2,192
Current charge	**23,731**	14,435
Balance at end	**40,358**	16,627
Carrying amount	**151,500**	175,231

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 MARCH 2021

7. INVESTMENT IN SUBSIDIARIES

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 MARCH 2021

7. **INVESTMENT IN SUBSIDIARIES (cont'd)**

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

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

(i) **Incorporation of subsidiaries**

2021

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

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

(ii) **Subscription of ordinary shares in subsidiaries**

2021

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

(iii) **Impairment loss on investment in a subsidiary**

2020

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

7. **INVESTMENT IN SUBSIDIARIES (cont'd)**

(iv) **Investment in subsidiaries written off**

2020

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

(v) **Acquisition of SKT**

2020

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

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

	RM
Property, plant and equipment (Note 4)	2,097,911
Trade and other receivables	511,469
Cash and bank balances	63,978
Trade and other payables	(3,715,883)
	(1,042,525)
NCI share of liabilities acquired (3%)	31,274
Net identifiable liabilities	(1,011,251)

Goodwill arising from acquisition:

	RM
Total fair value of consideration transferred	200,000
Fair value of net identifiable liabilities acquired	1,011,251
Goodwill (Note 6)	1,211,251

Net cash outflow on acquisition of a subsidiary:

	RM
Consideration paid in cash	(200,000)
Cash and bank balances acquired	63,978
	(136,022)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

8. **TRADE AND OTHER RECEIVABLES**

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	RM	RM	**RM**	RM
Trade receivables				
Third parties	**30,872,236**	32,737,184	**-**	-
Less: Allowance for expected credit loss	**(21,372,272)**	(12,860,189)	**-**	-
	9,499,964	19,876,995	**-**	-
Other receivables				
Third parties	**483,796**	327,564	**-**	48
Less: Allowance for expected credit loss	**(28,318)**	-	**-**	-
	455,478	327,564	**-**	48
GST claimable	**-**	17,744	**-**	-
Amount owing by subsidiaries	**-**	-	**4,236,157**	24,543,543
Refundable deposits	**1,816,865**	389,162	**1,000**	1,000
Non-refundable deposits	**-**	1,205,000	**-**	-
Prepayments	**1,482,567**	1,223,872	**266,380**	12,325
	13,254,874	23,040,337	**4,503,537**	24,556,916
Represented by:				
Non-current	**-**	-	**-**	23,113,353
Current	**13,254,874**	23,040,337	**4,503,537**	1,443,563
	13,254,874	23,040,337	**4,503,537**	24,556,916

(i) The normal credit terms granted to trade receivables range from **30 to 120 days** (2020: 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 **4.56% to 6.14%** (2020: 5.85% to 6.17%) and classified based on the expected timing of realisation.

(iii) The Group's non-refundable deposits represented down payment paid to vendors for purchase of leasehold land.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 MARCH 2021

8. **TRADE AND OTHER RECEIVABLES (cont'd)**

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	RM	RM	**RM**	RM
Ringgit Malaysia	**12,756,418**	12,042,382	**4,503,537**	24,556,916
US Dollar	**247,415**	2,100,656	**-**	-
Chinese Renminbi	**251,041**	8,897,299	**-**	-
	13,254,874	23,040,337	**4,503,537**	24,556,916

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

	GROUP	
	2021	2020
	RM	RM
Trade receivables		
Balance as at beginning	**12,860,189**	1,287,112
Current year/period	**12,858,644**	11,882,452
Written off	**-**	(155,485)
Reversal	**(4,346,561)**	(153,890)
Balance at end	**21,372,272**	12,860,189
Other receivables		
Balance at beginning	**-**	4,419
Current year/period	**28,318**	-
Written off	**-**	(4,419)
Balance at end	**28,318**	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 MARCH 2021

9. INVENTORIES

	GROUP	
	2021	2020
	RM	RM
Raw materials	**1,993,204**	1,475,366
Work-in-progress	**12,686**	20,238
Finished goods	**2,085,286**	4,534,583
Packing materials	**268,814**	262,570
Spare parts	**161,298**	260,774
At carrying amount	**4,521,288**	6,553,531

	1.4.20 to 31.3.21 (12 months)	1.1.19 to 31.3.20 (15 months)
	RM	RM
Recognised in profit or loss:		
Inventories recognised as cost of sales	**61,641,364**	99,056,029
Inventories written down		
- Addition	**557,612**	1,300,011
- Reversal	**(1,300,011)**	-

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

10. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	RM	RM	**RM**	RM
Cash and bank balances	**8,453,649**	5,909,011	**3,912,988**	34,433
Fixed deposits with licensed banks	**950,211**	2,029,488	**-**	-
	9,403,860	7,938,499	**3,912,988**	34,433

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 MARCH 2021

10. CASH AND BANK BALANCES (cont'd)

The currency profile of cash and bank balances is as follows:

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	RM	RM	**RM**	RM
Ringgit Malaysia	**9,352,111**	7,786,345	**3,912,988**	33,411
US Dollar	**50,958**	131,444	**-**	-
Chinese Renminbi	**791**	19,961	**-**	1,022
Others	**-**	749	**-**	-
	9,403,860	7,938,499	**3,912,988**	34,433

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 **1.50% to 3.70%** (2020: 2.45% to 3.70%) per annum.

11. NON-CURRENT ASSETS HELD FOR SALE

	GROUP	
	2021	2020
	RM	RM
Balance at beginning	**22,000,000**	-
Reclassified from property, plant and equipment	**4,368,735**	23,001,457
Less: Impairment loss	**(968,735)**	(1,001,457)
Less: Disposed-off	**(22,000,000)**	-
	3,400,000	22,000,000

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. The disposal is expected to complete in the next financial year.

On 14 May 2020, an indirect wholly-owned subsidiary of the Company entered into a Sale and Purchase Agreement with a third party for the sale of the freehold land and factory building for a total cash consideration of RM22,000,000. The disposal was completed on 30 October 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

12. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2021	2020	**2021**	2020
			RM	RM
Issued and fully paid with no par value:				
Balance at beginning	**33,957,001**	339,570,045	**40,537,659**	40,537,659
Share consolidation	**-**	(305,613,044)	**-**	-
Issuance of shares	**58,514,600**	-	**19,570,816**	-
Share issue expenses	**-**	-	**(53,834)**	-
	92,471,601	33,957,001	**60,054,641**	40,537,659

2021

During the 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) the issuance of 3,395,700 ordinary shares at an issue price of RM0.33 per ordinary shares arising from a private placement exercise (Note 28 (b) to the financial statements);

(ii) the issuance of 46,094,600 ordinary shares at an issue price of RM0.32 per ordinary shares as settlement of amount owing to certain creditors and directors of the Group (Note 28 (c) to the financial statements);

(iii) the issuance of 9,024,300 ordinary shares 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 (Note 28 (d) to the financial statements).

2020

On 31 January 2020, the Company completed its share consolidation exercise involving consolidation of every 10 existing ordinary shares into 1 consolidated share. Arising from this, the Company's ordinary shares of 339,570,045 have been consolidated into 33,957,001 ordinary shares pursuant to the share consolidation exercise.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

13. OTHER RESERVES

	GROUP	
	2021	2020
	RM	RM
Non-distributable:		
Reorganisation reserve	**(5,185,000)**	(5,185,000)

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.

14. BORROWINGS

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	RM	RM	**RM**	RM
Non-current liabilities				
Finance lease liabilities	**941,287**	2,008,799	**17,475**	24,196
Term loans	**6,631,347**	10,265,840	**-**	-
	7,572,634	12,274,639	**17,475**	24,196
Current liabilities				
Bank overdrafts	**8,949,848**	17,631,852	**-**	-
Bankers' acceptance	**96,000**	4,096,000	**-**	-
Finance lease liabilities	**1,192,437**	2,288,086	**13,283**	12,964
Term loans	**3,114,981**	6,695,906	**-**	-
	13,353,266	30,711,844	**13,283**	12,964
Total borrowings	**20,925,900**	42,986,483	**30,758**	37,160

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;
(ii) First party specific debenture by way of fixed charge to be created over the Group's plant and machinery;
(iii) Pledge of fixed deposits 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 (Note 4).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

14. **BORROWINGS (cont'd)**

Breach of loan covenant

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 as at 31 March 2021 is RM1,803,054 and will be settled in full in the next financial year.

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

	Effective interest rate per annum	Total	Within 1 year	More than 1 year and less than 2 years	More than 2 years and less than 5 years	More than 5 years
	(%)	RM	RM	RM	RM	RM
GROUP						
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**
2020						
Bank overdrafts	6.20 to 9.75	17,631,852	17,631,852	-	-	-
Bankers' acceptance	3.18 to 6.01	4,096,000	4,096,000	-	-	-
Finance lease liabilities	2.53 to 4.05	4,296,885	2,288,086	1,171,549	837,250	-
Term loans	3.60 to 7.00	16,961,746	6,695,906	2,017,920	3,358,479	4,889,441

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

14. **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
COMPANY					
2021					
Finance lease liabilities	**2.53**	**30,758**	**13,283**	**13,920**	**3,555**
2020					
Finance lease liabilities	2.53	37,160	12,964	13,601	10,595

15. **DEFERRED TAX LIABILITIES**

	GROUP		COMPANY	
	2021 RM	2020 RM	**2021 RM**	2020 RM
Balance at beginning	**646,801**	1,113,900	**21,800**	25,100
Recognised in profit or loss	**222,100**	(338,199)	**(4,800)**	(12,600)
	868,901	775,701	**17,000**	12,500
(Over)/Under provision in prior period/ year	**(10,901)**	(128,900)	**1,400**	9,300
Balance at end	**858,000**	646,801	**18,400**	21,800

Deferred tax assets and liabilities are attributable to the followings:

	GROUP		COMPANY	
	2021 RM	2020 RM	**2021 RM**	2020 RM
Property, plant and equipment	**938,200**	905,501	**18,400**	21,800
Others	**(80,200)**	(258,700)	**-**	-
	858,000	646,801	**18,400**	21,800

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

16. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	RM	RM	**RM**	RM
Trade payables				
Third parties	**4,128,693**	6,017,255	**-**	-
Other payables				
Amount due to subsidiaries	**-**	-	**6,708,113**	8,873,750
Amount due to directors	**36,000**	10,240,000	**-**	-
Other payables	**4,273,909**	13,312,930	**296,763**	57,037
Advance received	**725,436**	3,822,609	**-**	-
SST payable	**272,355**	485,990	**-**	-
Accruals	**3,636,164**	2,880,205	**103,656**	114,159
	8,943,864	30,741,734	**7,108,532**	9,044,946
	13,072,557	36,758,989	**7,108,532**	9,044,946

(i) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from **30 to 90 days** (2020: 30 to 120 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 **4.56% to 6.14%** (2020: 4.64% to 7.01%) and classified based on the expected timing of realisation.

(iv) Included in advance received is an amount of **RM Nil** (2020: RM3,000,000) representing deposit received from the purchaser of the assets classified as non-current assets held for sale.

17. 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 2021

18. DERIVATIVE FINANCIAL LIABILITIES

The Group entered into foreign currency forward contracts to manage its exposure to sales transactions that are denominated in foreign currencies. Foreign currency forward contracts were recognised as derivatives, categorised as fair value through profit or loss and were measured at their fair values with gains or losses recognised in the profit or loss. The foreign currency forward contracts were not designated as cash flow or fair value hedges and were entered into for periods consistent with currency transaction exposure. Such derivatives did not qualify for hedge accounting.

	GROUP	
	2021	2020
	RM	RM
Derivatives at fair value through profit or loss		
- Foreign currency forward contracts		
Notional value of contracts	**-**	323,550
Liabilities	**-**	7,736

19. REVENUE

Disaggregated revenue information

	GROUP		COMPANY	
	1.4.20 to 31.3.21 (12 months)	1.1.19 to 31.3.20 (15 months)	**1.4.20 to 31.3.21 (12 months)**	1.1.19 to 31.3.20 (15 months)
	RM	RM	**RM**	RM
Sale of goods	**73,593,746**	102,110,848	**-**	-
Dividend income	**-**	-	**1,164,160**	-
Total revenue from contracts with customers	**73,593,746**	102,110,848	**1,164,160**	-

Revenue information based on geographical location of customers are disclosed in Note 24 to the financial statements.

	GROUP		COMPANY	
	1.4.20 to 31.3.21 (12 months)	1.1.19 to 31.3.20 (15 months)	**1.4.20 to 31.3.21 (12 months)**	1.1.19 to 31.3.20 (15 months)
	RM	RM	**RM**	RM
At a point in time, representing total revenue from contracts with customers	**73,593,746**	102,110,848	**1,164,160**	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

19. **REVENUE (cont'd)**

Performance obligations

The performance obligations of the Group and of the Company for each type of goods/services have been disclosed in Note 3.13 to the financial statements.

20. **(LOSS)/PROFIT BEFORE TAX**

This is arrived at:

	GROUP		COMPANY	
	1.4.20 to 31.3.21 (12 months) RM	1.1.19 to 31.3.20 (15 months) RM	**1.4.20 to 31.3.21 (12 months) RM**	1.1.19 to 31.3.20 (15 months) RM
After charging:				
Amortisation of intangible assets	**23,731**	1,255,646	**-**	-
Audit fee				
- current year/period	**133,000**	117,500	**23,000**	21,200
- under provision in prior period/year	**7,360**	1,080	**-**	1,000
- other services	**42,500**	28,075	**14,500**	22,450
Bad debt written off	**-**	2,300	**-**	9,646
Deposit forfeited	**-**	130,735	**-**	-
Depreciation of property, plant and equipment	**5,950,210**	11,670,169	**78,624**	106,045
Depreciation of right-of-use assets	**1,489,500**	879,633	**-**	-
Expected credit losses				
- current year/period	**12,886,962**	11,882,452	**-**	-
- reversal	**(4,346,561)**	(153,890)	**-**	-
Impairment loss on goodwill	**-**	1,211,251	**-**	-
Impairment loss on investments in subsidiaries	**-**	-	**-**	11,499,999
Impairment loss on non-current assets held for sales	**968,735**	1,001,457	**-**	-
Impairment loss on property, plant and equipment	**11,174,872**	9,169,493	**-**	-
Intangible assets written off:				
- development costs	**-**	1,774,657	**-**	-
- goodwill	**-**	39,594	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

20. **(LOSS)/PROFIT BEFORE TAX (cont'd)**

This is arrived at (cont'd):

	GROUP		COMPANY	
	1.4.20 to 31.3.21 (12 months) RM	1.1.19 to 31.3.20 (15 months) RM	**1.4.20 to 31.3.21 (12 months) RM**	1.1.19 to 31.3.20 (15 months) RM
Interest expense:				
- bank overdraft	**644,114**	1,305,389	**-**	-
- bankers' acceptance	**168,912**	627,188	**-**	-
- finance lease liabilities	**191,531**	519,649	**-**	(1,633)
- lease liabilities	**185,410**	102,437	**-**	-
- term loan interest	**836,246**	1,290,100	**-**	-
- inter-company loan interest	**-**	-	**165,804**	489,964
Inventories written down				
- addition	**557,612**	1,300,011	**-**	-
- reversal	**(1,300,011)**	-	**-**	-
Investment in subsidiaries written off	**-**	-	**-**	97
Property, plant and equipment written off	**968,830**	10,911	**-**	-
Realised loss on foreign exchange	**12,838**	102,041	**30**	-
Rental of factory and premises	**16,780**	42,230	**-**	-
Rental of hostel	**1,500**	7,250	**-**	-
Rental of land	**(10,000)**	-	**-**	-
Rental of machinery	**20,550**	31,670	**-**	-
Rental of motor vehicle	**72,127**	65,800	**-**	-
Rental of office equipment	**2,956**	-	**-**	-
Rental of warehouse	**20,000**	44,000	**-**	-
* Staff costs	**16,101,603**	27,096,255	**607,155**	1,378,795
Unrealised loss on foreign exchange	**14,273**	-	**-**	-
And crediting:				
Fair value gain on derivative financial instruments	**7,736**	17,652	**-**	-
Gain on disposal of property, plant and equipment	**167,671**	131,498	**11,886**	60,872
Interest income	**33,940**	47,105	**358,361**	1,666,975
Realised gain on foreign exchange	**113,890**	-	**-**	-
Rental income	**360,000**	482,168	**-**	-
Unrealised gain on foreign exchange	**-**	490,196	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

20. **(LOSS)/PROFIT BEFORE TAX (cont'd)**

This is arrived at (cont'd):

	GROUP		COMPANY	
	1.4.20 to 31.3.21 (12 months) RM	1.1.19 to 31.3.20 (15 months) RM	**1.4.20 to 31.3.21 (12 months) RM**	1.1.19 to 31.3.20 (15 months) RM
* **Staff costs**				
- Salaries, wages, allowance and bonus	**14,821,402**	25,011,250	**552,262**	1,249,505
- EPF	**1,019,065**	1,689,775	**50,373**	119,789
- SOCSO and EIS	**185,964**	285,920	**4,520**	9,501
- Other employee benefits	**75,172**	109,310	**-**	-
	16,101,603	27,096,255	**607,155**	1,378,795

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

	GROUP		COMPANY	
	1.4.20 to 31.3.21 (12 months) RM	1.1.19 to 31.3.20 (15 months) RM	**1.4.20 to 31.3.21 (12 months) RM**	1.1.19 to 31.12.20 (15 months) RM
Directors of the Company:				
Executive:				
- Salaries, allowances and bonus	**838,040**	2,416,938	**-**	308,538
- Fee	**-**	272,000	**-**	80,000
- EPF	**100,575**	288,549	**-**	37,941
- SOCSO and EIS	**1,847**	11,714	**-**	2,757
	940,462	2,989,201	**-**	429,236
- Benefits-in-kind	**48,150**	100,275	**-**	37,275
	988,612	3,089,476	**-**	466,511
Non-executive:				
- Allowance	**2,700**	2,850	**2,700**	2,850
- Fee	**56,000**	136,306	**56,000**	136,306
	58,700	139,156	**58,700**	139,156

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 MARCH 2021

20. **(LOSS)/PROFIT BEFORE TAX (cont'd)**

Included in the Group's staff costs is directors' remuneration as shown below (cont'd):

	GROUP		COMPANY	
	1.4.20 to 31.3.21 (12 months) RM	1.1.19 to 31.3.20 (15 months) RM	**1.4.20 to 31.3.21 (12 months) RM**	1.1.19 to 31.12.20 (15 months) RM
Executive Director of subsidiaries:				
- Salaries and bonus	**479,240**	203,100	**-**	-
- EPF	**58,283**	25,242	**-**	-
- SOCSO and EIS	**3,694**	1,816	**-**	-
	541,217	230,158	**-**	-
- Benefits-in-kind	**20,500**	-	**-**	-
	561,717	230,158	**-**	-
Analysed by:				
Present directors	**1,609,029**	2,289,605	**58,700**	154,851
Former directors	**-**	1,169,185	**-**	450,816
	1,609,029	3,458,790	**58,700**	605,667

21. **TAXATION**

	GROUP		COMPANY	
	1.4.20 to 31.3.21 (12 months) RM	1.1.19 to 31.3.20 (15 months) RM	**1.4.20 to 31.3.21 (12 months) RM**	1.1.19 to 31.12.20 (15 months) RM
Malaysia income tax				
Based on results for the financial year/ period				
- Current tax	**(1,147,000)**	(135,830)	**(11,000)**	-
- Deferred tax relating to the origination and reversal of temporary differences	**(222,100)**	338,199	**4,800**	12,600
Balance carried forward	**(1,369,100)**	202,369	**(6,200)**	12,600

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 MARCH 2021

21. **TAXATION (cont'd)**

	GROUP		COMPANY	
	1.4.20 to 31.3.21 (12 months) RM	1.1.19 to 31.3.20 (15 months) RM	**1.4.20 to 31.3.21 (12 months) RM**	1.1.19 to 31.12.20 (15 months) RM
Balance brought forward	**(1,369,100)**	202,369	**(6,200)**	12,600
(Under)/Over provision in prior period/ year				
- Current tax	**(25,638)**	76,764	**(2,157)**	(214)
- Deferred tax	**10,901**	128,900	**(1,400)**	(9,300)
	(14,737)	205,664	**(3,557)**	(9,514)
Real property gains tax	**(510,179)**	-	**-**	-
	(1,894,016)	408,033	**(9,757)**	3,086

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

	GROUP		COMPANY	
	1.4.20 to 31.3.21 (12 months) RM	1.1.19 to 31.3.20 (15 months) RM	**1.4.20 to 31.3.21 (12 months) RM**	1.1.19 to 31.3.20 (15 months) RM
(Loss)/Profit before tax	**(18,198,371)**	(43,312,161)	**185,509**	(12,621,045)
Income tax at Malaysian statutory tax rate of 24%	**4,367,609**	10,394,918	**(44,522)**	3,029,051
Income not subject to tax	**1,266,288**	44,660	**279,418**	-
Expenses not deductible for tax purpose	**(945,873)**	(2,131,204)	**(241,096)**	(3,016,451)
Movement of deferred tax assets not recognised	**(6,057,124)**	(8,106,005)	**-**	-
	(1,369,100)	202,369	**(6,200)**	12,600
(Under)/Over provision in prior period/ year	**(14,737)**	205,664	**(3,557)**	(9,514)
Real property gains tax	**(510,179)**	-	**-**	-
	(1,894,016)	408,033	**(9,757)**	3,086

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

21. **TAXATION (cont'd)**

Two of the Group's subsidiaries have been granted pioneer status by the Ministry of International Trade and Industry ("MITI") as follows:

(a) On 8 September 2011, HK Fibre Sdn. Bhd. has been granted 70% deduction on normal corporate income tax for a period of 10 years.
(b) On 17 May 2010, HK Kitaran Sdn. Bhd. has been granted full tax exemption from corporate income tax on the net profit from the promoted business for a period of 10 years.

As at 31 March 2021, the pioneer status of the two subsidiaries have expired.

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

	GROUP	
	2021	2020
	RM	RM
Property, plant and equipment	**1,298,959**	5,271,114
Unused tax losses	**(3,506,254)**	(2,975,981)
Unabsorbed capital allowances	**(7,387,984)**	(6,829,100)
Others	**(2,999,753)**	(2,003,941)
	(12,595,032)	(6,537,908)

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.

The amount and future availability of unused 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	
	2021	2020
	RM	RM
Unused tax losses	**14,609,395**	12,399,922
Unabsorbed capital allowances	**30,783,269**	28,454,584

The unused tax losses can be carried forward for seven consecutive years of assessment immediately following that year of assessment (unused tax losses accumulated up to year of assessment 2018 can be carried forward until year of assessment 2025) and the unabsorbed capital allowances can be carried forward indefinitely pursuant to the gazetted Finance Act 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 MARCH 2021

21. **TAXATION (cont'd)**

The unused tax losses of the Group will expire in the following years of assessment ("YA"):

	GROUP	
	2021	2020
	RM	RM
YA 2028	**2,209,473**	-
YA 2027	**12,052,891**	12,052,891
YA 2026	**347,031**	347,031
	14,609,395	12,399,922

22. **LOSS PER SHARE**

GROUP

(a) **Basic loss per share**

The basic 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/period as follows:

	GROUP	
	1.4.20 to 31.3.21 (12 months)	1.1.19 to 31.3.20 (15 months)
	RM	RM
Loss attributable to owners of the Company (RM)	**(20,159,514)**	(42,875,748)
Weighted average number of ordinary shares in issue	**53,052,292**	33,957,001
Basic loss per share (sen)	**(38.00)**	(126.26)

(b) **Diluted loss per share**

There is no diluted loss per share as the Company does not have any dilutive potential ordinary shares at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 MARCH 2021

23. CAPITAL COMMITMENTS

	GROUP	
	2021	2020
	RM	RM
Contracted but not provided for:		
- Property, plant and equipment	**540,000**	595,000

24. 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 mattresses and related 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 reportable segments are summarised as follows:

(i) Biomass materials and related products

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

(ii) Mattresses and related products

Manufacturing and trading of mattresses and related 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 2021

24. **SEGMENTAL INFORMATION (cont'd)**

By business segments

	Biomass materials and value-added products RM	Mattresses and related products RM	Investment holdings and others RM	Adjustment RM	Note	Total RM
1.4.20 to 31.3.21						
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
Tax recoverable	607,861	45,715	81,503			735,079
Cash and bank balances	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 2021

24. SEGMENTAL INFORMATION (cont'd)

By business segments (cont'd)

	Biomass materials and value-added products RM	Mattresses and related products RM	Investment holdings and others RM	Adjustment RM	Note	Total RM
1.1.19 to 31.3.20						
Revenue						
External customers	77,228,640	24,882,208	-			102,110,848
Inter-segment revenue	9,120,235	-	-	(9,120,235)	A	-
Total revenue	86,348,875	24,882,208	-			102,110,848
Results						
Segment results	(36,131,259)	(1,007,961)	(1,209,356)	(1,165,927)		(39,514,503)
Interest income	198,340	26,545	1,975,783	(2,153,563)		47,105
Interest expense	(4,751,430)	(774,048)	(488,331)	2,169,046		(3,844,763)
(Loss)/Profit before taxation	(40,684,349)	(1,755,464)	278,096			(43,312,161)
Taxation	312,065	167,563	(71,595)			408,033
(Loss)/Profit for the financial period	(40,372,284)	(1,587,901)	206,501			(42,904,128)
Assets						
Segment assets	102,354,745	16,361,030	65,275,966	(75,147,764)		108,843,977
Current tax assets	659,205	67,799	55,358			782,362
Cash and bank balances	6,346,768	1,533,471	58,260			7,938,499
Total assets	109,360,718	17,962,300	65,389,584			117,564,838
Liabilities						
Segment liabilities	57,796,128	9,093,116	9,159,074	(38,392,833)		37,655,485
Borrowings	34,578,864	8,370,459	37,160			42,986,483
Deferred tax liabilities	586,701	38,300	21,800			646,801
Total liabilities	92,961,693	17,501,875	9,218,034			81,288,769
Other information						
Additions to non-current assets	9,210,204	194,800	-		B	9,405,004
Depreciation and amortisation	12,337,230	1,492,626	116,470	(140,878)		13,805,448
Non-cash items other than depreciation and amortisation	23,358,173	1,168,664	1,189,973	(15,483)	C	25,701,327

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 MARCH 2021

24. **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 and intangible assets.

C Other non-cash expenses/(income) consist of the following:

		GROUP	
		1.4.20 to 31.3.21 (12 months) RM	1.1.19 to 31.3.20 (15 months) RM
Accretion of interest on lease liabilities		**185,410**	102,437
Bad debts written off		**-**	2,300
Expected credit losses	- current year/period	**12,886,962**	11,882,452
	- reversal	**(4,346,561)**	(153,890)
Fair value gain on derivative financial instruments		**(7,736)**	(17,652)
Gain on disposal of property, plant and equipment		**(167,671)**	(131,498)
Impairment loss on goodwill		**-**	1,211,251
Impairment loss on non-current assets held for sales		**968,735**	1,001,457
Impairment loss on property, plant and equipment		**11,174,872**	9,169,493
Intangible assets written off	- development cost	**-**	1,774,657
	- goodwill	**-**	39,594
Inventories written down	- addition	**557,612**	1,300,011
	- reversal	**(1,300,011)**	-
Property, plant and equipment written off		**968,830**	10,911
Unrealised loss/(gain) on foreign exchange		**14,273**	(490,196)
		20,934,715	25,701,327

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

24. **SEGMENTAL INFORMATION (cont'd)**

Geographical information (cont'd)

	Revenue	
	1.4.20 to 31.3.21 (12 months) RM	1.1.19 to 31.3.20 (15 months) RM
Malaysia	**62,965,412**	58,532,441
China	**10,416,714**	42,522,059
Others	**211,620**	1,056,348
	73,593,746	102,110,848

Major customers

Total revenue from **Nil** (1.1.19 to 31.3.20: 1) major customer which individually contributed to 10% or more of Group revenue amounted to **RM Nil** (1.1.19 to 31.3.20: RM17,024,881), arising from sales by the biomass material and related products segment.

25. **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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 MARCH 2021

25. **RELATED PARTY DISCLOSURES (cont'd)**

(ii) **Related party transactions**

	GROUP		COMPANY	
	1.4.20 to 31.3.21 (12 months) RM	1.1.19 to 31.3.20 (15 months) RM	**1.4.20 to 31.3.21 (12 months) RM**	1.1.19 to 31.3.20 (15 months) RM
Rental expenses paid to HHFSB	**629,200**	759,000	**-**	-
Transactions with subsidiaries:				
- Interest income	**-**	-	**357,391**	1,662,233
- Dividend income	**-**	-	**1,164,160**	-
- Interest expenses	**-**	-	**165,804**	489,964
- Other income	**-**	-	**-**	3,798
Loan from directors:				
- Dato' H'ng Choon Seng	**-**	7,000,000	**-**	-
- Kee Swee Lai	**-**	3,000,000	**-**	-
- Ruhani Binti Ismail	**-**	240,000	**-**	-

(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/period is as follows:

	GROUP		COMPANY	
	1.4.20 to 31.3.21 (12 months) RM	1.1.19 to 31.3.20 (15 months) RM	**1.4.20 to 31.3.21 (12 months) RM**	1.1.19 to 31.3.20 (15 months) RM
Short term employee benefits	**3,338,020**	6,387,115	**506,318**	1,123,091
Contribution to defined contribution plan	**396,501**	707,534	**53,369**	108,525
	3,734,521	7,094,649	**559,687**	1,231,616
Analysed as:				
- Directors	**1,540,379**	3,358,515	**58,700**	568,392
- Other key management personnel	**2,194,142**	3,736,134	**500,987**	663,224
	3,734,521	7,094,649	**559,687**	1,231,616

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

26. **FINANCIAL INSTRUMENTS**

26.1 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
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 bank balances	**9,403,860**	**9,403,860**	**-**
	21,176,167	**21,176,167**	**-**
Financial liabilities			
Trade payables	**4,128,693**	**4,128,693**	**-**
Other payables and accruals	**8,635,509**	**8,635,509**	**-**
Amount due to directors	**36,000**	**36,000**	**-**
Borrowings	**20,925,900**	**20,925,900**	**-**
	33,726,102	**33,726,102**	**-**
COMPANY			
Financial assets			
Refundable deposits	**1,000**	**1,000**	**-**
Inter-company balances	**4,236,157**	**4,236,157**	**-**
Cash and bank balances	**3,912,988**	**3,912,988**	**-**
	8,150,145	**8,150,145**	**-**
Financial liabilities			
Other payables and accruals	**400,419**	**400,419**	**-**
Inter-company balances	**6,708,113**	**6,708,113**	**-**
Borrowings	**30,758**	**30,758**	**-**
	7,139,290	**7,139,290**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 MARCH 2021

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

26.1 **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	AC	FVTPL
	RM	RM	RM
2020			
GROUP			
Financial assets			
Trade receivables	19,876,995	19,876,995	-
Other receivables and refundable deposits	716,726	716,726	-
Cash and bank balances	7,938,499	7,938,499	-
	28,532,220	28,532,220	-
Financial liabilities			
Trade payables	6,017,255	6,017,255	-
Other payables and accruals	17,015,744	17,015,744	-
Amount due to directors	10,240,000	10,240,000	-
Derivative financial liabilities	7,736	-	7,736
Borrowings	42,986,483	42,986,483	-
	76,267,218	76,259,482	7,736
COMPANY			
Financial assets			
Other receivables and refundable deposits	1,048	1,048	-
Inter-company balances	24,543,543	24,543,543	-
Cash and bank balances	34,433	34,433	-
	24,579,024	24,579,024	-
Financial liabilities			
Other payables and accruals	171,196	171,196	-
Inter-company balances	8,873,750	8,873,750	-
Borrowings	37,160	37,160	-
	9,082,106	9,082,106	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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

26.2 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.

26.3 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. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

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

	Expected loss rate	Gross	Expected credit losses	Net
	%	RM	RM	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)**	**-**
		30,872,236	**(21,372,272)**	**9,499,964**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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

26.3 **Credit Risk (cont'd)**

Trade receivables

	Expected loss rate	Gross	Expected credit losses	Net
	%	RM	RM	RM
2020				
Not past due	8.75	8,204,477	(719,445)	7,485,032
More than 30 days past due	8.44	2,707,817	(228,560)	2,479,257
More than 60 days past due	26.86	1,796,038	(482,359)	1,313,679
More than 90 days past due	38.08	13,886,263	(5,287,236)	8,599,027
		18,390,118	(5,998,155)	12,391,963
Individually impaired	100	6,142,589	(6,142,589)	-
		32,737,184	(12,860,189)	19,876,995

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 **RM2,215,575** (2020: RM12,391,963) 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 has significant concentration of credit risk in the form of outstanding balance due from **Nil** (2020: 1) customer representing **Nil** (2020: 51%) of the total trade receivables.

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 2021

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

26.3 **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** (2020: RM70,016,000) and the maximum exposure to credit risk is **RM15,950,541** (2020: RM34,331,223) 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.

26.4 **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**
2021						
GROUP						
Non-derivative financial liabilities						
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	**8,635,509**	**8,635,509**	**8,635,509**	**-**	**-**	**-**
Amount due to directors	**36,000**	**36,000**	**36,000**	**-**	**-**	**-**
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 2021

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

26.4 **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
2021						
COMPANY						
Non-derivative financial liabilities						
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**	**-**	**-**	**-**
	7,139,290	**23,091,503**	**23,073,497**	**14,424**	**3,582**	**-**
2020						
GROUP						
Non-derivative financial liabilities						
Borrowings	42,986,483	46,997,078	31,577,971	3,798,776	5,242,296	6,378,035
Trade payables	6,017,255	6,017,255	6,017,255	-	-	-
Other payables and accruals	17,015,744	17,015,744	17,015,744	-	-	-
Amount due to directors	10,240,000	10,240,000	10,240,000	-	-	-
Lease liabilities	888,760	939,550	739,550	90,440	109,560	-
Foreign currency forward contracts:						
Outflow-Net	7,736	7,736	7,736	-	-	-
	77,155,978	81,217,363	65,598,256	3,889,216	5,351,856	6,378,035

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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

26.4 **Liquidity risk (cont'd)**

	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
COMPANY						
Non-derivative financial liabilities						
Borrowings	37,160	39,642	14,424	14,424	10,794	-
Other payables and accruals	171,196	171,196	171,196	-	-	-
Intercompany balances	8,873,750	8,873,750	8,873,750	-	-	-
* Financial guarantee	-	34,331,223	34,331,223	-	-	-
	9,082,106	43,415,811	43,390,593	14,424	10,794	-

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

26.5 **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	
	2021	2020	**2021**	2020
	RM	RM	**RM**	RM
Fixed rate instruments				
Financial assets	**950,211**	2,029,488	**-**	-
Financial liabilities	**2,133,724**	4,296,885	**30,758**	37,160

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 MARCH 2021

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

26.5 **Interest rate risk (cont'd)**

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	RM	RM	**RM**	RM
Floating rate instruments				
Financial assets	**-**	-	**4,236,157**	24,543,543
Financial liabilities	**18,792,176**	38,689,598	**6,708,113**	8,873,750

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 loss before tax of the Group by **RM78,719** (2020: RM135,898) and decreased profit/(loss) before tax of the Company by **RM8,953** (2020: RM48,116) 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.

26.6 **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 loss before tax. A 5% strengthening of the RM against the following currencies at the end of the reporting period would have increased or decreased loss before tax by the amount shown below and a corresponding weakening would have an equal but opposite effect.

	1.4.20 to 31.3.21 (12 months) RM	1.1.19 to 31.3.20 (15 months) RM
USD	**14,919**	111,605
RMB	**12,592**	445,863
Increase in loss before tax	**27,511**	557,468

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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

26.7 **Fair value information**

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.

Fair value hierarchy

The table below analyses financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable (refer to Note 2.2 to the financial statements for definition of Level 1 to 3 fair value hierarchy).

GROUP

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2020				
Forward contract *(liabilities)*	-	7,736	-	7,736

There were no transfers between Level 1 and Level 2 during the financial year ended 31 March 2021 and financial period ended 31 March 2020.

The derivative financial assets/liabilities arising from the fair value changes on the foreign currency forward contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the current contract using a risk-free interest rate.

26.8 **Reconciliation of liabilities arising from financing activities**

	1.4.20 RM	**Cash flows RM**	**Others RM**	**31.3.21 RM**
GROUP				
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#**	**6,935,308**
	26,243,391	**(16,790,119)**	**9,458,088**	**18,911,360**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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

26.8 **Reconciliation of liabilities arising from financing activities (cont'd)**

	1.1.19 RM	Cash flows RM	Others RM	31.3.20 RM
Bankers' acceptance	12,078,147	(7,982,147)	-	4,096,000
Finance lease liabilities	8,263,080	(3,966,195)	-	4,296,885
Term loans	16,906,959	54,787	-	16,961,746
Lease liabilities	1,737,623	(951,300)	102,437#	888,760
	38,985,809	(12,844,855)	102,437	26,243,391

	1.4.20 **RM**	**Cash flows** **RM**	**Others** **RM**	**31.3.21** **RM**
COMPANY				
Finance lease liabilities	**37,160**	**(6,402)**	**-**	**30,758**
	1.1.19 RM	Cash flows RM	Others RM	31.3.20 RM
Finance lease liabilities	129,036	(91,876)	-	37,160

Included herein are additions of lease liabilities and accretion of interest on lease liabilities.

27. **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. In order 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/period ended 31 March 2021 and 31 March 2020.

The Group monitors capital using gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital represents equity attributable to the owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

27. **CAPITAL MANAGEMENT (cont'd)**

Debt-to-Equity ratio

	GROUP	
	2021	2020
	RM	RM
Borrowings	**20,925,900**	42,986,483
Trade and other payables	**13,072,557**	36,758,989
	33,998,457	79,745,472
Less: Cash and bank balances	**(9,403,860)**	(7,938,499)
Net debts	**24,594,597**	71,806,973
Total capital	**35,428,572**	36,071,104
Net debts	**24,594,597**	71,806,973
Equity	**60,023,169**	107,878,077
Gearing ratio	**41%**	67%

28. **SIGNIFICANT EVENTS DURING THE REPORTING PERIOD**

(a) **Disposal of fixed assets**

The Group had via one of its wholly-owned subsidiary, entered into a sale and disposal agreement on 14 May 2020 to dispose of 5 parcels of adjoining lots of land measuring a total of approximately 53,354 square metres together with factory-cum-office buildings and other ancillary structures erected on 2 lots of land (Lot Nos. 2940 and 2945) with a total gross floor area measuring approximately 264,344 square feet in Mukim 4, District of Seberang Perai Selatan, Penang for a cash consideration of RM22,000,000. The disposal was completed on 30 October 2020.

(b) **Private placement**

On 15 June 2020, the Company proposed to undertake the following:

(i) Private placement of up to 3,395,700 new shares of the Company, representing approximately 10% of the existing number of issued and paid-up shares of the Company ("Proposed 10% Placement"); and

(ii) Private placement of up to 10,187,100 new shares of the Company, representing approximately 30% of the existing number of issued and paid-up shares of the Company ("Proposed 30% Placement").

The Proposed 10% Placement was completed on 20 July 2020 following the listing of and quotation for 3,395,700 placement shares at RM0.33 per placement share on the ACE Market of Bursa Malaysia Securities Berhad.

On 9 February 2021, the Company decided not to proceed with the Proposed 30% Placement. Instead, the Company choose to undertake a rights issue exercise as disclosed in Note 29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

28. **SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (cont'd)**

(c) **Creditors' and directors' settlement scheme**

On 13 August 2020, the Company announced to undertake the following:

(i) Proposed settlement of debt owing to selected creditors of the Group in aggregate sum of RM7,750,272 to be fully satisfied through the issuance of 24,219,600 new ordinary shares of the Company at an issue price of RM0.32; and

(ii) Proposed settlement of debt owing to certain directors of the Company in the aggregate sum of RM7,000,000 to be fully satisfied through the issuance of 21,875,000 new ordinary shares of the Company at an issue price of RM0.32 each.

The directors' settlement scheme was completed on 10 December 2020 following the listing of 21,875,000 new ordinary shares at RM0.32 per ordinary share on the ACE Market of Bursa Malaysia Securities Berhad.

The creditors' settlement scheme was completed on 30 December 2020 following the listing of 24,219,600 new ordinary shares at RM0.32 per ordinary share on the ACE Market of Bursa Malaysia Securities Berhad.

(d) **Purchase of land and share issuance scheme**

In addition to the creditors' and directors' settlement scheme, the Company had on 13 August 2020 announce to undertake the following:-

(i) Proposed issuance of 9,024,300 new ordinary shares at an issue price of RM0.41 each, to satisfy the total purchase consideration of RM3,699,963 for two separate acquisitions of land by HH Land and Development Sdn. Bhd. ("HH Land"), a wholly-owned subsidiary of the Company ("Proposed Issuance of Consideration Shares").

(ii) Proposed share issuance scheme of up to 30% of the total number of issued ordinary shares of the Company (excluding any treasury shares) at any one time during the duration of the share issuance scheme ("Proposed SIS"). The Proposed SIS will involve the granting of SIS options ("SIS Options") to eligible directors and employees of the Company and its subsidiaries (excluding subsidiaries which are dormant), who meet the criteria of eligibility for participation in the Proposed SIS, to subscribe for new ordinary shares of the Company in accordance with the by-laws of the Proposed SIS.

The Proposed Issuance of Consideration Shares was completed on 15 December 2020 following the listing of 9,024,300 new ordinary shares at RM0.41 per ordinary share on the ACE Market of Bursa Malaysia Securities Berhad. The effective date of the implementation of the Proposed SIS is 7 May 2021.

(e) **Coronavirus pandemic**

The Coronavirus pandemic ("COVID-19 pandemic") which was officially declared on 11 March 2020 by the World Health Organisation has continued to materially affect the world economy in 2021 mainly due to travel restriction, international border closures, lockdown and other precautionary measures imposed in various countries and Malaysia has not been spared. The emergence of the COVID-19 pandemic since early 2020 has brought significant economic uncertainties in Malaysia and the markets in which the Group operates.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

28. **SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (cont'd)**

(e) **Coronavirus pandemic (cont'd)**

The COVID-19 pandemic has impacted the revenue of the Group since the first quarter of the financial year ended 31 March 2021 mainly due to disruptions to the Group's business activities, in particular the Movement Control Order ("MCO") imposed to contained the COVID-19 outbreak has restricted the plantation workforce, which in turn affected the palm oil estate and its related industries' operations. Because of the MCO imposed and the slowdown in the global economy, the Group experienced a greater degree of volatility in orders coming from its customers for palm fibre products particularly in China.

As a consequence of the above, the management have assessed impairment on the Group's non-current tangible and intangible assets, expected credit loss ("ECL") position of its trade receivables for the financial period/year ended 31 March 2020 and 2021. The result of the assessment has led to impairment of non-performing tangible non-current assets and higher ECL rates incorporated in the current financial year and prior financial period as well as specific impairment on balances due from certain customers based in China. The effects of the impairment have been disclosed in the respective notes to the financial statements.

In order to prepare the Group for the economic uncertainties that lies ahead, the Group has taken the proactive step to implement a renounceable rights issue exercise to strengthen its cash flow position for the foreseeable future as disclosed in Note 29 to the financial statements. Notwithstanding the implementation of the renounceable rights issue exercise, the Group has sufficient working capital to continue its business as a going concern.

29. **EVENT AFTER THE REPORTING PERIOD**

Renounceable rights issue exercise

On 9 February 2021, the Company announced to undertake the proposed renounceable rights issue of up to 46,235,733 new ordinary shares of the Company on the basis of 1 rights share for every 2 existing shares held together with up to 69,353,700 free detachable warrants on the basis of 3 warrants for every 2 rights shares subscribed for ("Proposed Right Issue of Shares with Warrants").

The Proposed Right Issue of Shares with Warrants was fully subscribed and 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.

ANALYSIS OF SHAREHOLDINGS

AS AT 29 JULY 2021

Total number of issued shares	:	139,186,784
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	236	15.0799	5,757	0.00
100 - 1,000	487	31.1182	289,749	0.21
1,001 - 10,000	640	40.8946	2,427,575	1.74
10,001 - 100,000	154	9.8403	4,575,155	3.29
100,001 - 6,959,338 (*)	42	2.6837	49,709,577	35.71
6,959,339 AND ABOVE (**)	6	0.3834	82,178,971	59.04
TOTAL :	**1,565**	**100.00**	**139,186,784**	**100.00**

REMARKS :
*** - LESS THAN 5% OF ISSUED SHARES**
**** - 5% AND ABOVE OF ISSUED SHARES**

LIST OF LARGEST SHAREHOLDERS AS AT 29 JULY 2021

No	Name	Holdings	%
1	H'NG CHOON SENG	23,361,921	16.78
2	GOH BOON LEONG	20,078,700	14.43
3	KEE SWEE LAI	10,873,350	7.81
4	POLARGAS SDN. BHD.	9,865,400	7.09
5	CHEAH AH HOCK	9,096,600	6.54
6	SKYLITECH RESOURCES SDN. BHD.	8,903,000	6.40
7	GOH VINCENT	5,982,050	4.30
8	OOI PHAIK SEE	4,990,750	3.59
9	HO WHYE CHONG	4,418,700	3.17
10	CH’NG BOON HOCK	3,816,350	2.74

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 29 JULY 2021

LIST OF LARGEST SHAREHOLDERS AS AT 29 JULY 2021 (cont'd)

NO	NAME	HOLDINGS	%
11	KELVIN TAN CHUN KHAI	3,517,200	2.53
12	CH'NG CHEN MONG	3,347,150	2.40
13	KOE GAIK TIANG	3,209,100	2.31
14	KONSORTIUM ASAS SDN. BHD.	2,437,950	1.75
15	HONG SENG HOUSING SDN. BHD.	1,935,600	1.39
16	GOH PEI CHIEK	1,506,100	1.08
17	OOI CHIENG SIM	1,500,000	1.08
18	OOI CHEE SENG	1,254,100	0.90
19	TEH CHAI LUANG	1,115,217	0.80
20	PROGEREX SDN BHD	1,020,000	0.73
21	KHOR MOOI KIM	1,015,285	0.73
22	HENG HUAT MANUFACTURER SDN BHD	928,125	0.67
23	LIM KEAN WAH	850,000	0.61
24	NG BACK TENG	765,000	0.55
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD ANG CHIN YEOW	624,950	0.45
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM LEE HUANG (E-BMM)	593,550	0.43
27	CHA HOO PENG	576,700	0.41
28	LEE KOK HOONG	495,200	0.36
29	LEE PHAIK EI	444,600	0.32
30	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU ENG GUANG	375,000	0.27
	TOTAL	**128,897,648**	**92.61**

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 29 JULY 2021

DIRECTORS' SHAREHOLDINGS
AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 29 JULY 2021

	Direct Interest		Indirect Interest	
Name	**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**
Dato' H'ng Choon Seng	23,361,921	16.78	4,422,910*	3.18
Kee Swee Lai	10,873,350	7.81	-	-
Ho Whye Chong	4,418,700	3.17	-	-
Ng Chin Nam	10,000	0.01	3,209,100@	2.31

SUBSTANTIAL SHAREHOLDERS
AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 29 JULY 2021

	Direct Interest		Indirect Interest	
Name	**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**
Dato' H'ng Choon Seng	23,361,921	16.78	4,422,910*	3.18
Goh Boon Leong	20,078,700	14.42	-	-
Kee Swee Lai	10,873,350	7.81	-	-
Polargas Sdn Bhd	9,865,400	7.09	-	-
Cheah Ah Hock	9,096,600	6.54	-	-
Skylitech Resources Sdn Bhd	8,903,000	6.40	-	-
Ooi Chieng Sim	1,500,000	1.08	8,903,000^	6.40
Tang Ah Mooi	-	-	8,903,000^	6.40

Remark

* *Deemed interested by virtue of the interest of his spouse Datin Khor Mooi Kim and his daughter H'ng Jia Qi in Heng Huat, as well as his shareholdings in Heng Huat Manufacturer Sdn Bhd and Konsortium Asas Sdn Bhd (company not within Heng Huat Group) pursuant to Section 8 of CA 2016.*

@ *Deemed interested by virtue of the interest of his spouse Koe Gaik Tiang pursuant to Section 8 of CA 2016.*

^ *Deemed interested by virtue of their interests in Skylitech Resources Sdn Bhd pursuant to Section 8 of CA 2016.*

ANALYSIS OF WARRANTS HOLDINGS

AS AT 29 JULY 2021

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No. of Warrants Holders	%	No. of Warrants	%
1 - 99	25	7.89	1,090	0.00
100 - 1,000	69	21.77	37,176	0.05
1,001 - 10,000	129	40.69	411,191	0.60
10,001 - 100,000	56	17.67	1,737,726	2.52
100,001 - 3,443,705 (*)	32	10.09	23,803,200	34.56
3,443,706 AND ABOVE (**)	6	1.89	42,883,756	62.26
TOTAL :	**317**	**100.00**	**68,874,139**	**100.00**

REMARKS :
*** - LESS THAN 5% OF ISSUED WARRANTS**
**** - 5% AND ABOVE OF ISSUED WARRANTS**

LIST OF LARGEST SHAREHOLDERS AS AT 29 JULY 2021

No	Name	Holdings	%
1	H'NG CHOON SENG	12,074,131	17.53
2	GOH BOON LEONG	9,582,600	13.91
3	CHEAH AH HOCK	6,274,200	9.11
4	KEE SWEE LAI	5,436,675	7.89
5	POLARGAS SDN. BHD.	5,016,150	7.28
6	SKYLITECH RESOURCES SDN. BHD.	4,500,000	6.53
7	GOH VINCENT	2,928,075	4.25
8	OOI PHAIK SEE	2,493,525	3.62
9	CH'NG BOON HOCK	2,115,175	3.07
10	KELVIN TAN CHUN KHAI	1,758,600	2.55

ANALYSIS OF WARRANTS HOLDINGS (CONT'D)

AS AT 29 JULY 2021

LIST OF LARGEST SHAREHOLDERS AS AT 29 JULY 2021 (cont'd)

NO	NAME	HOLDINGS	%
11	CH'NG CHEN MONG	1,704,525	2.47
12	KOE GAIK TIANG	1,551,450	2.25
13	HO WHYE CHONG	1,538,550	2.23
14	KONSORTIUM ASAS SDN. BHD.	1,218,975	1.77
15	HONG SENG HOUSING SDN. BHD.	1,005,900	1.46
16	OOI CHIENG SIM	750,000	1.09
17	JASA DUNIA SDN. BHD.	735,300	1.07
18	OOI CHEE SENG	622,050	0.90
19	TEH CHAI LUANG	557,608	0.81
20	KHOR MOOI KIM	507,642	0.74
21	HENG HUAT MANUFACTURER SDN BHD	464,062	0.67
22	LIM KEAN WAH	434,433	0.63
23	MELVIN TAN CHUN CHYUAN	371,700	0.54
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD ANG CHIN YEOW	348,825	0.51
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM LEE HUANG (E-BMM)	296,775	0.43
26	CHEN BEE SIN	288,675	0.42
27	SAMMI TAN PEI CHIN	282,100	0.41
28	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU ENG GUANG	247,500	0.36
29	OLYMPIC CAPITAL SDN BHD	226,000	0.33
30	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHUN KAI (MP0454)	210,000	0.30
	TOTAL	**65,541,201**	**95.16**

ANALYSIS OF WARRANTS HOLDINGS (CONT'D)

AS AT 29 JULY 2021

DIRECTORS' SHAREHOLDINGS
AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 29 JULY 2021

	Direct Interest		Indirect Interest	
Name	**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**
Dato' H'ng Choon Seng	12,074,131	17.53	2,211,455*	3.21
Kee Swee Lai	5,436,675	7.89	-	-
Ho Whye Chong	1,538,550	2.23	-	-
Ng Chin Nam	42,700	0.06	1,551,450@	2.25

SUBSTANTIAL SHAREHOLDERS
AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 29 JULY 2021

	Direct Interest		Indirect Interest	
Name	**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**
Dato' H'ng Choon Seng	12,074,131	17.53	2,211,455*	3.21
Goh Boon Leong	9,582,600	13.91	-	-
Cheah Ah Hock	6,274,200	9.11		
Kee Swee Lai	5,436,675	7.89		
Polargas Sdn Bhd	5,016,150	7.28	-	-
Skylitech Resources Sdn Bhd	4,500,000	6.53	-	-
Ooi Chieng Sim	1,500,000	1.08	4,500,000^	6.53
Tang Ah Mooi	-	-	4,500,000^	6.53

Remark

* *Deemed interested by virtue of the interest of his spouse Datin Khor Mooi Kim and his daughter H'ng Jia Qi in Heng Huat, as well as his shareholdings in Heng Huat Manufacturer Sdn Bhd and Konsortium Asas Sdn Bhd (company not within Heng Huat Group) pursuant to Section 8 of CA 2016.*

@ *Deemed interested by virtue of the interest of his spouse Koe Gaik Tiang pursuant to Section 8 of CA 2016.*

^ *Deemed interested by virtue of their interests in Skylitech Resources Sdn Bhd pursuant to Section 8 of CA 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 2021 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/ 8 years	69,696/ 30,000	2,647	11.05.2012
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/ 14 years	89,690/ 40,483	881	24.04.2012
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 24.07.2051/5 year	478,574/ 152,460	15,239	19.08.2015

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 2021 RM'000	Date of Acquisition
HH Land	Title GM 214 Lot 288 Mukim 02 District of Seberang Perai Selatan, Pulau Pinang	Land/ Vacant land	Freehold/ Less than 1 year	198,470/ N/A	2,384	13.08.2020
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/ Less than 1 year	88,856/ N/A	1,443	13.08.2020

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE TENTH ANNUAL GENERAL MEETING OF HENG HUAT RESOURCES GROUP BERHAD (THE "COMPANY" OR "HENG HUAT") WILL BE CONDUCTED ON A FULLY VIRTUAL BASIS VIA ONLINE MEETING PLATFORM AT www.agriteum.com.my ON FRIDAY, 17 SEPTEMBER 2021 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 2021 together with the Reports of the Directors and of the Auditors thereon. (Please refer to Explanatory Note)

2. To approve the Directors' Fees and benefits amounting to RM500,000 for the financial year ended 31 March 2021 and year ending 31 March 2022. (Resolution 1)

3. To re-elect the following Directors retiring under the respective provision of the Constitution of the Company, and who being eligible, offered themselves for re-election:

(a)	Dato H'ng Choon Seng	Article 18.3	(Resolution 2)
(b)	Mr Kee Swee Lai	Article 18.3	(Resolution 3)
(c)	Mr Ng Chin Nam	Article 18.10	(Resolution 4)

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. (Resolution 5)

SPECIAL BUSINESS

To consider and if thought fit, to pass the following ordinary resolutions:

ORDINARY RESOLUTIONS

5. **Retention of Dr Lo Liang Kheng as an Independent Non-Executive Director** (Resolution 6)

"THAT approval be and is hereby given to Dr Lo Liang Kheng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of next Annual General Meeting."

6. **Authority to Issue Shares** (Resolution 7)

"That pursuant to Sections 75 & 76 of the Companies Act 2016, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")("ACE LR") and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert securities into shares in the Company, or allot shares under an agreement or option or offer ("New Shares") from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their discretion deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any right granted, to be issued from conversion of any securities, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 20% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 20% General Mandate")."

"THAT such approval on the Proposed 20% General Mandate shall continue to be in force until 31 December 2021."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

"That with effect from 1 January 2022, the general mandate shall be reinstated from a 20% limit to a 10% limit pursuant to Paragraph 6.04 of the ACE LR provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights grants, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer by the Company from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 10% of the total number issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 10% General Mandate")."

"That the Proposed 10% General Mandate shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company

(b) the expiration of the period within which the next AGM of the Company is required to be held after the approval was given; or

(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier."

(The Proposed 20% General Mandate and Proposed 10% General Mandate shall hereinafter refer to as "Proposed General Mandates")

"That the Directors of the Company be and are hereby empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the ACE Market of Bursa Securities."

"That authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandates with full powers to assent to any conditions, modifications, variations and/ or amendments as they may deem fit in the best interest of the Company and/ or as may be imposed by the relevant authorities."

"And further that the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandates."

7. **Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Mandate")** (Resolution 8)

"That subject to the provisions of the Company's Constitution and the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, 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 19 August 2021, 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.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

THAT such approval shall continue to be in force until:-

(a) 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;

(b) 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

(c) 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."

8. **Proposed Allocation of Share Issuance Scheme ("SIS") Options ("Proposed Allocation of SIS") to Ng Chin Nam** (Resolution 9)

THAT approval be hereby given to the Board to authorise the SIS Committee to offer to grant, from time to time throughout the duration of the SIS, such number of SIS options to subscribe for new Shares under the SIS to Ng Chin Nam, the Executive Director of the Company, provided always that not more than 10% of the total Heng Huat Shares available under the SIS and any other subsisting employee share scheme(s), individually and collectively, shall be allocated to him if he, either singly or collectively through persons connected with him, holds 20% or more of the issued share capital of the Company (excluding treasury shares, if any), subject always to such terms and conditions of the by-laws of the SIS and the Listing Requirements, or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time."

9. 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
Joint Company Secretaries

Penang

Date: 19 August 2021

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:

1. A member of the Company entitled to attend, speak and vote at the meeting is entitled to appoint up to two (2) proxies to attend and to vote in his/her place. If a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.

2. 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.

3. 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.

4. 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.

5. 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.

6. For the purpose of determining a member who shall be entitled to attend the meeting, a Record of Depositors ("ROD") as at 7 September 2021 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.

7. 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.

8. The online meeting platform is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the AGM to be present at the main venue of the AGM. Shareholders/ proxies from the public WILL NOT BE ALLOWED to be physically present. Shareholders who wish to participate in the AGM will have to register online and attend remotely. Kindly read and follow the procedures in the Administrative Guide for the AGM in order to participate remotely.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes on Ordinary Business:

1. **Agenda 1 - To receive the Audited Financial Statements of the Company for the year ended 31 March 2021 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 for the financial year ended 31 March 2021 and year ending 31 March 2022.**

   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 year 2021 and 2022 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. **Resolution 6 – Retention of Dr Lo Liang Kheng as Independent Non-Executive Director**
   The proposed Resolution 6, if passed, will allow Dr Lo Liang Kheng to be retained as Independent Non-Executive Director ('INED') of the Company. The Board of Directors had, vide the Nominating Committee, conducted an annual performance evaluation and assessment of Dr Lo Liang Kheng, who will serve as INED of the Company for a cumulative term of more than nine (9) years and recommended his to continue acting as INED of the Company based on the justifications as set out in Corporate Governance Overview Statement in the Annual Report 2021.

2. **Resolution 7 - Authority to issue Shares**

   The proposed Resolution 7, if passed, will empower the Directors of the Company to issue and allot ordinary shares of the Company from time to time and to grant rights to subscribe for shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company for the time being ("Proposed 20% General Mandate") up to 31 December 2021. With effect from 1 January 2022, the Proposed 20% General Mandate will be reinstated to a 10% limit ("Proposed 10% General Mandate") according to Paragraph 6.04 of the ACE Market Listing Requirements ("ACE LR").

   The authority for the Proposed 10% General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

   This proposed Resolution 7 is a renewal of the previous year's mandate. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval as to avoid incurring additional costs and time.

   This authority if granted will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital, acquisition(s) and/or settlement of banking facility(ies).

   As at the date of this Notice, the Directors have not issued any shares pursuant to the general mandate granted at the last AGM of the Company.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

3. **Resolution 8 - Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Mandate")**

   The proposed Resolution 8, 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 19 August 2021

4. **Resolution 9 - Proposed Allocation of SIS Options to Ng Chin Nam**

   The proposed Resolutions 9 is 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 9 to Ng Chin Nam. The proposed Resolution 9 is to approve the Proposed Allocation of SIS, 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. Ng Chin Nam is eligible to participate in the SIS and is therefore deemed interested to the extent of his proposed allocation under the SIS. Accordingly, they have declared their interests in the Proposed Allocation of SIS 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 be tabled at this AGM. Ng Chin Nam shall also ensure that person connected with him 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 above, none of the other Directors, major shareholders and/or persons connected to him has any interest, whether direct or indirect, in the Proposed Allocation of SIS.

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 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 7) of the Notice of AGM.

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

Name of Proxy (Full Name)	NRIC No./Passport No.	% of Shareholding to be represented (refer to Note 2 set out below)
Address	Email Address	Contact No.

or failing him/her

Name of Proxy (Full Name)	NRIC No./Passport No.	% of Shareholding to be represented (refer to Note 2 set out below)
Address	Email Address	Contact No.

or failing him*, the Chairman of the Meeting, as my/our proxy(ies), to attend, participate and to vote for me/us on my/our behalf at the TENTH ANNUAL GENERAL MEETING of the Company to be held on a fully virtual basis via online meeting platform at www.agriteum.com.my on Friday, 17 September 2021 at 8.00 a.m. and at any adjournment thereof as indicated below:

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 amounting to RM500,000 for the financial year ended 31 March 2021 and year ending 31 March 2022.		
2.	To re-elect Dato' H'ng Choon Seng as Director.		
3.	To re-elect Mr Kee Swee Lai as Director.		
4.	To re-elect Mr Ng Chin Nam as Director.		
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.		
6.	Retention of Dr Lo Liang Kheng as an Independent Non-Executive Director		
7.	To authorise Directors to allot and issue shares pursuant to Sections 75 & 76 of the Companies Act, 2016.		
8.	To approve the proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
9.	To approve the proposed Allocation of Share Issuance Scheme ("SIS") Options to Ng Chin Nam		

Signed this ______ day of __________, 2021.   Signature / Common Seal of Shareholder ____________________

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 7 September 2021 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.*
9. *The online meeting platform is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the AGM to be present at the main venue of the AGM. Shareholders/ proxies from the public WILL NOT BE ALLOWED to be physically present. Shareholders who wish to participate in the AGM will have to register online and attend remotely. Kindly read and follow the procedures in the Administrative Guide for the AGM in order to participate remotely.*

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

2010 2011 2013 2015 2015 2015

Established Since 1986

興發

HENG HUAT RESOURCES GROUP BERHAD
201101041555 (969678-D)

Lot 2945 (Plot A2), Jalan Sungai Baong,
Kawasan Perindustrian Perabut Sungai Baong,
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