

All terms and abbreviations used herein shall have the same meanings as those defined in the “Definitions” section of this Abridged Prospectus unless stated otherwise.

No securities will be allotted or issued based on this Abridged Prospectus after 6 months from the date of this Abridged Prospectus.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS ABRIDGED PROSPECTUS. IF IN DOUBT AS TO THE ACTION YOU SHOULD TAKE, PLEASE CONSULT A PROFESSIONAL ADVISER IMMEDIATELY. FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO “RISK FACTORS” AS SET OUT IN SECTION 5 HEREIN. If you have sold or transferred all your shares in our Company, you should immediately hand this Abridged Prospectus together with the NPA and RSF (collectively referred to as “Documents”) to the purchaser or transferee or agent/broker through whom you have effected the sale or transfer for onward transmission to the purchaser or transferee. You should address all enquiries concerning the Rights Issue to our Share Registrar, *AGRITEUM* Share Registration Services Sdn Bhd, at 2nd Floor, Wisma Penang Garden, 42 Jalan Sultan Ahmad Shah, 10050 Penang.

The Documents are only despatched to our Entitled Shareholders whose names appear in our Record of Depositors as at 5.00 p.m. on 13 April 2021 at their registered addresses in Malaysia or who have provided our Share Registrar with their Malaysian addresses in writing by 5.00 p.m. on 13 April 2021. The Documents are not intended to be (and will not be) issued, circulated or distributed in any countries or jurisdictions other than Malaysia. No action has been or will be taken to ensure that the Rights Issue or the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue in any jurisdiction other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. It shall be the sole responsibility of the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia to consult their legal and/or other professional adviser as to whether their acceptance and/or renunciation (as the case may be) of their entitlement to the Rights Issue would result in the contravention of any laws of such countries or jurisdictions. Such Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) should note the additional terms and restrictions as set out in Section 9 of this Abridged Prospectus. Neither our Company, Principal Adviser nor any other professional advisers to the Rights Issue shall accept any responsibility or liability whatsoever to any party in the event that any acceptance and/or sale/renunciation made by the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any such countries or jurisdictions in which the said Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) are residents.

This Abridged Prospectus has been registered by the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Abridged Prospectus. The SC has not, in any way, considered the merits of the Rights Issue. The Documents have also been lodged with the Registrar of Companies who takes no responsibility for the contents of the Documents.

Our shareholders have approved the Rights Issue at our EGM held on 23 March 2021. Approval has also been obtained from Bursa Securities vide its letter dated 25 February 2021 for the admission of Warrants to the Official List of Bursa Securities as well as the listing of and quotation for the Rights Shares, Warrants, and new Heng Huat Shares to be issued upon the exercise of the Warrants on the ACE Market of Bursa Securities. Admission to the Official List of Bursa Securities and quotation of the new securities are not to be taken as an indication of the merits of the Rights Issue. Bursa Securities takes no responsibility for the correctness of any statement made or opinion expressed in the Documents. The listing of and quotation for the Rights Shares and Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS accounts of the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) have been duly credited with the relevant securities allotted to them and notices of allotment have been despatched to the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable).

The SC is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Abridged Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Abridged Prospectus.



HENG HUAT RESOURCES GROUP BERHAD

(Registration No. 201101041555 (969678-D))
(Incorporated in Malaysia)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 46,235,800 NEW ORDINARY SHARES IN HENG HUAT RESOURCES GROUP BERHAD (“HENG HUAT”) (“HENG HUAT SHARES”) (“RIGHTS SHARES”) ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 2 EXISTING HENG HUAT SHARES HELD AS AT 5.00 PM ON 13 APRIL 2021 AT AN ISSUE PRICE OF RM0.20 PER RIGHTS SHARE, TOGETHER WITH UP TO 69,353,700 FREE DETACHABLE WARRANTS (“WARRANTS”) ON THE BASIS OF 3 WARRANTS FOR EVERY 2 RIGHTS SHARES SUBSCRIBED FOR

Principal Adviser

TA SECURITIES

AN UNWAVERING COMMITMENT

TA SECURITIES HOLDINGS BERHAD (14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIMES

Entitlement date	: Tuesday, 13 April 2021 at 5.00 p.m.
Last date and time for:	
Sale of provisional allotment of rights	: Tuesday, 20 April 2021 at 5.00 p.m.
Transfer of provisional allotment of rights	: Thursday, 22 April 2021 at 4.30 p.m.
Acceptance and payment	: Wednesday, 28 April 2021 at 5.00 p.m.
Excess application and payment	: Wednesday, 28 April 2021 at 5.00 p.m.

This Abridged Prospectus is dated 13 April 2021

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

OUR BOARD HAS SEEN AND APPROVED ALL THE DOCUMENTATION RELATING TO THE RIGHTS ISSUE. OUR BOARD COLLECTIVELY AND INDIVIDUALLY ACCEPTS FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, OUR BOARD CONFIRMS THAT THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS WHICH IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS ABRIDGED PROSPECTUS FALSE OR MISLEADING.

TA SECURITIES, BEING THE PRINCIPAL ADVISER FOR THE RIGHTS ISSUE, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS ABRIDGED PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE RIGHTS ISSUE.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

YOU SHOULD NOTE THAT YOU MAY SEEK RECOURSE UNDER SECTIONS 248, 249 AND 357 OF THE CMSA FOR BREACHES OF SECURITIES LAWS INCLUDING ANY STATEMENT IN THE ABRIDGED PROSPECTUS THAT IS FALSE, MISLEADING, OR FROM WHICH THERE IS A MATERIAL OMISSION, OR FOR ANY MISLEADING OR DECEPTIVE ACT IN RELATION TO THIS ABRIDGED PROSPECTUS OR THE CONDUCT OF ANY OTHER PERSON IN RELATION TO OUR COMPANY.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC ON THE PREMISE OF FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE, FOR WHICH ANY PERSON SET OUT IN SECTION 236 OF THE CMSA, IS RESPONSIBLE.

THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO LAWS OF MALAYSIA. WE AND OUR ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. WE AND OUR ADVISERS REQUIRE YOU TO BE INFORMED AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus and the accompanying appendices:

COMPANIES:

“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd
“Bursa Securities”	: Bursa Malaysia Securities Berhad
“Fibre Star”	: Fibre Star (M) Sdn Bhd, a wholly-owned subsidiary of our Company
“Heng Huat” or “Company”	: Heng Huat Resources Group Berhad
“Heng Huat Group” or “Group”	: Our Company and its subsidiaries, collectively
“HH Land”	: HH Land and Development Sdn Bhd, a wholly-owned subsidiary of our Company
“HK Gua Musang”	: HK Gua Musang Sdn Bhd, a wholly-owned subsidiary of our Company
“HK Kitaran”	: HK Kitaran Sdn Bhd, a wholly-owned subsidiary of Heng Huat Industries Holdings Sdn Bhd which in turn is a wholly-owned subsidiary of our Company
“Protégé Associates”	: Protégé Associates Sdn Bhd, an independent market researcher
“SBJ”	: SBJ Property Sdn Bhd
“SC”	: Securities Commission Malaysia
“Share Registrar”	: <i>AGRITEUM</i> Share Registration Services Sdn Bhd
“TA Securities” or “Principal Adviser”	: TA Securities Holdings Berhad

GENERAL:

“5D-VWAP”	: 5-day volume weighted average market price
“9M FPE”	: 9-month financial period ended 31 December
“10% Placement”	: Private placement of 3,395,700 Heng Huat Shares issued at RM0.33 each, completed on 20 July 2020
“15M FPE”	: 15-month financial period ended/ending, as the case may be
“Abridged Prospectus”	: This Abridged Prospectus dated 13 April 2021 issued by our Company in relation to the Rights Issue
“Act”	: Companies Act 2016, as amended from time to time and any re-enactment thereof
“ <i>AGRITEUM</i> Portal”	: Share Registrar’s website at www.agriteum.com.my to facilitate our Entitled Shareholders in subscribing for the Provisional Rights Shares with Warrants and applying for excess Rights Shares with Warrants electronically

DEFINITIONS (CONT'D)

“Announcement”	: Announcement by our Company dated 9 February 2021 in relation to the Rights Issue
“Announcement LPD”	: 8 February 2021, being the latest practicable date prior to the Announcement
“Board”	: Board of Directors of our Company
“CDS”	: Central Depository System
“China”	: People’s Republic of China
“Closing Date”	: 28 April 2021 at 5.00 p.m., being the last date and time for the acceptance of and payment for the Provisional Rights Shares with Warrants, as well as excess Rights Shares
“CMSA”	: Capital Markets and Services Act 2007
“Constitution”	: Constitution of our Company
“Deed Poll”	: Deed poll of Heng Huat dated 30 March 2021 constituting the Warrants
“Director”	: A natural person who holds a directorship in our Company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the CMSA
“Documents”	: This Abridged Prospectus and accompanying NPA and RSF, collectively
“EFB”	: Empty fruit bunch
“EGM”	: Extraordinary general meeting of our Company held on 23 March 2021
“Entitled Shareholders”	: Our shareholders whose names appear in our Company’s Record of Depositors on the Entitlement Date
“Entitlement Date”	: 13 April 2021 at 5.00 p.m., being the date and time on which our shareholders must be registered in the Record of Depositors of our Company in order to be entitled to the Rights Issue
“EPS”	: Earnings per Heng Huat Share
“e-RSF”	: Electronic RSF
“e-Subscription”	: Electronic subscription of Rights Shares with Warrants via <i>AGRITEUM</i> Portal
“Foreign Addressed Shareholders”	: Entitled Shareholders who have not provided an address in Malaysia for the service of the Documents
“FYE”	: Financial year ended
“Heng Huat Shares” or “Shares”	: Ordinary shares in our Company
“IMR Letter”	: Letter on the overview and outlook of the Malaysian biomass materials market for coconut and oil palm empty fruit bunch fibres in Malaysia and China, as prepared by Protégé Associates

DEFINITIONS (CONT'D)

“LAT”	: Loss after taxation attributable to the owners of our Company
“LBT”	: Loss before taxation
“Listing Requirements”	: ACE Market Listing Requirements of Bursa Securities
“LPD”	: 15 March 2021, being the latest practicable date prior to the registration of this Abridged Prospectus
“LPS”	: Loss per Heng Huat Share
“Market Day”	: Any day between Monday to Friday (inclusive of both days) (excluding Saturday, Sunday and public holiday) and a day on which Bursa Securities is open for trading in securities
“Maximum Scenario”	: Scenario whereby up to 46,235,800 Rights Shares and up to 69,353,700 Warrants will be issued, assuming all Entitled Shareholders subscribe in full for their entitlements under the Rights Issue
“MCO”	: Movement control order issued by the Malaysian government under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967
“Minimum Scenario”	: Scenario whereby 10,656,250 Rights Shares and 15,984,375 Warrants will be issued pursuant to the Undertakings with minimum gross proceeds of RM2,131,250 to be raised, and no other Entitled Shareholders subscribe for their entitlements under the Rights Issue
“NA”	: Net assets attributable to the owners of our Company
“NPA”	: Notice of provisional allotment in relation to the Rights Issue
“Official List”	: A list specifying all securities listed on the ACE Market of Bursa Securities
“PAT”	: Profit after taxation attributable to the owners of our Company
“PBT”	: Profit before taxation
“Provisional Rights Shares with Warrants”	: Rights Shares with Warrants provisionally allotted to the Entitled Shareholders pursuant to the Rights Issue
“Record of Depositors”	: A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
“Rights Issue”	: Renounceable rights issue of up to 46,235,800 Rights Shares on the basis of 1 Rights Share for every 2 existing Heng Huat Shares held on the Entitlement Date at an issue price of RM0.20 per Rights Share, together with up to 69,353,700 Warrants on the basis of 3 Warrants for every 2 Rights Shares subscribed for
“Rights Shares”	: Up to 46,235,800 new Heng Huat Shares to be issued pursuant to the Rights Issue
“RM” and “sen”	: Ringgit Malaysia and sen, respectively
“RMB”	: Renminbi

DEFINITIONS (CONT'D)

“RSF”	:	Rights subscription form in relation to the Rights Issue
“Rules of Bursa Depository”	:	Rules of Bursa Depository as issued pursuant to SICDA
“SICDA”	:	Securities Industry (Central Depositories) Act 1991
“SIS”	:	Share issuance scheme of up to 30% of the total number of issued Heng Huat Shares (excluding any treasury shares) at any one time during the duration of the share issuance scheme, which has yet to be implemented as at the LPD
“TEAP”	:	Theoretical ex-all price of Heng Huat Shares
“Undertakings”	:	Unconditional and irrevocable separate written undertakings dated 9 February 2021 from the Undertaking Shareholders that they: <ul style="list-style-type: none">(i) will subscribe in full for their entitlement of the Rights Shares with Warrants;(ii) will subscribe for additional Rights Shares with Warrants which are not subscribed by other Entitled Shareholders, by way of excess application, to such extent that their aggregate subscription of Rights Shares with Warrants will raise proceeds of RM2,131,250;(iii) have sufficient financial resources to fulfil their respective Undertakings; and(iv) will not transfer, dispose of or reduce their existing shareholding of Heng Huat Shares from the date of the announcement and up to the Entitlement Date
“Undertaking Shareholders”	:	Dato’ H’ng Choon Seng and Ho Whye Chong, collectively
“Warrants”	:	Up to 69,353,700 free detachable warrants in Heng Huat to be issued pursuant to the Rights Issue
“Warrant Holders”	:	Holder(s) of the Warrants

All references to “our Company” and/or “Heng Huat” in this Abridged Prospectus are to Heng Huat. References to “our Group” and/or “Heng Huat Group” are to Heng Huat and our subsidiaries and references to “we”, “us” “our” and “ourselves” are to Heng Huat and where the context does require, shall include our subsidiaries.

All references to “you” or “your” in this Abridged Prospectus are to Entitled Shareholders and/or, where the context requires otherwise, their renounee(s) and/or transferee(s).

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Abridged Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this Abridged Prospectus shall be reference to Malaysian time, unless otherwise specified.

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ADVISERS' DIRECTORY

- PRINCIPAL ADVISER** : TA Securities Holdings Berhad
32nd Floor, Menara TA One
22, Jalan P. Ramlee
50250 Kuala Lumpur
Tel. no.: 03-2072 1277
Fax. no.: 03-2026 0127
- DUE DILIGENCE SOLICITORS** : Olivia Lim & Co
41-3 Plaza Damansara
Jalan Medan Setia 1
Bukit Damansara
50490 Kuala Lumpur
Tel. no.: 03-2011 1386
Fax. no.: 03-2011 6386
- SHARE REGISTRAR** : *AGRITEUM* Share Registration Services Sdn Bhd
2nd Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang
Tel. no.: 04-228 2321
Fax. no.: 04-227 2391
- COMPANY SECRETARIES** : Hing Poe Pyng (MAICSA 7053526)
SSM PC NO. 202008001322
Wong Yee Lin (MIA 15898)
SSM PC NO. 201908001793
- Braxton Consulting Sdn Bhd
51-8-A Menara BHL
Jalan Sultan Ahmad Shah
10050 Penang
Tel. no.: 04-373 6616
Fax. no.: 04-373 6615
- INDEPENDENT MARKET RESEARCHER** : Protégé Associates Sdn Bhd
Suite C-09-12, Plaza Mont' Kiara
2 Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur
Tel. no.: 03-6201 9301
Fax. no.: 03-6201 7302
- STOCK EXCHANGE LISTING** : ACE Market of Bursa Securities

SUMMARY OF RIGHTS ISSUE

THIS SUMMARY OF RIGHTS ISSUE ONLY HIGHLIGHTS THE KEY INFORMATION FROM OTHER PARTS OF THIS ABRIDGED PROSPECTUS. AS THIS SUMMARY DOES NOT CONTAIN ALL INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE ENTIRE ABRIDGED PROSPECTUS.

RIGHTS ISSUE						
Issue size	: Up to 46,235,800 Rights Shares together with up to 69,353,700 Warrants.					
Basis of allotment	: 1 Rights Share for every 2 existing Shares held on the Entitlement Date together with 3 Warrants for every 2 Rights Shares subscribed for.					
Issue price of Rights Shares with Warrants	: RM0.20 per Rights Share, payable in full upon acceptance and/or application. Refer to Section 2.1(i) of this Abridged Prospectus for the basis of determining the issue price of the Rights Shares. The Warrants will be issued at no cost to the Entitled Shareholders who successfully subscribe for the Rights Shares.					
Exercise price of Warrants	: RM0.20 per Warrant. Refer to Section 2.1(ii) of this Abridged Prospectus for the basis of determining the exercise price of the Warrants. Each Warrant entitles the registered holder to subscribe for 1 new Heng Huat Share at any time during the exercise period (subject to adjustments set out in the Deed Poll). Refer to Section 2.4 of this Abridged Prospectus for further details.					
Minimum Scenario and Undertaking	: 10,656,250 Rights Shares with 15,984,375 Warrants to raise minimum gross proceeds of RM2,131,250. For the Minimum Scenario to be met, our Company has procured Undertakings from Dato' H'ng Choon Seng (for 7,656,250 Rights Shares) and Ho Whye Chong (for 3,000,000 Rights Shares) for the subscription of 10,656,250 Rights Shares together with 15,984,375 Warrants.					
	Undertaking Shareholders		As at the LPD		After the Rights Issue (Minimum Scenario)	
		No. of Shares	%	No. of Shares	%	
	Dato' H'ng Choon Seng	15,312,500	16.56	22,968,750	22.27	
	Ho Whye Chong	1,335,000	1.44	4,335,000	4.20	
	Total	16,645,500	18.00	27,303,750	26.47	
	Refer to Section 2.2 of this Abridged Prospectus for further details on the Undertakings.					
Rationale	: The Rights Issue is intended to raise funds primarily for our Group's repayment of bank borrowings and working capital. Refer to Section 3 of this Abridged Prospectus for further details.					
Utilisation of proceeds	: The total gross proceeds to be raised from the Rights Issue of up to approximately RM9.25 million will be mainly used to fund the repayment of bank borrowings and working capital requirements for our Group's business in the following manner:					
		Minimum Scenario		Maximum Scenario		Expected time frame for the usage (from the listing date of the Rights Shares)
		(RM'000)	%	(RM'000)	%	
	Repayment of bank borrowings	1,609	75.50	6,899	74.61	Within 3 months
	Working capital	-	-	1,826	19.75	Within 6 months
	Expenses in relation to the Rights Issue	522	24.50	522	5.64	Within 1 month
	Total	2,131	100.00	9,247	100.00	
	Refer to Section 4 of this Abridged Prospectus for further details.					

SUMMARY OF RIGHTS ISSUE (CONT'D)

RIGHTS ISSUE

Risk factors : You should consider the following key risk factors before subscribing for the Rights Issue:

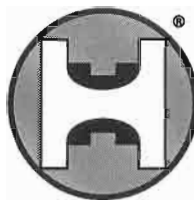
- (i) The COVID-19 pandemic and the measures taken to contain the pandemic have a continuing adverse effect on our Group's business and operations, by way of reduced demand, movement restrictions and raw material shortages;
- (ii) Our Group's external auditors had on 2 December 2020 expressed a material uncertainty related to going concern of our Group in respect of our Group's audited financial statements for the 15M FPE 31 March 2020. Our Group had since taken certain steps as set out in **Section 5.1(b)** of this Abridged Prospectus;
- (iii) Our Group faces price fluctuations for the raw materials which it depends on for its manufacturing, whereby high prices may adversely affect our Group's profitability and future earnings;
- (iv) Our Group faces competition from new and existing competitors in the biomass materials market for coconut and oil palm EFB fibres which may affect our Group's revenue and market share;
- (v) Our Group's business sustainability is dependent on its Executive Directors and key management personnel whereby their absence without suitable and timely replacement may adversely affect our Group's future operational and business sustainability;
- (vi) Our Group does not have any long term contracts with our customers as the majority of our sales are on an order-by-order basis, which is the norm in our industry. There is therefore no guarantee of future sales from our customers;
- (vii) Our Group's manufacturing activities are dependent on the continued operation of our production facilities and adequacy of insurance coverage against disruptions whereby any significant disruption which is not adequately insured against, may have material adverse effects on our operation and financial performance;
- (viii) Our Group's operations are dependent on foreign workers whereby any significant shortage of labour is likely to disrupt our operations and cause financial losses;
- (ix) Our Group is exposed to the risk of default by our trade debtors and impairment losses for its trade receivables as well as for other assets, with resulting adverse impact on our financial position;
- (x) Our Group's revenue is exposed to foreign exchange fluctuation risk for its foreign currency denominated sales, which may result in foreign exchange losses to the Group;
- (xi) Our Group may be affected by adverse changes in political, economic and regulatory conditions in Malaysia and globally which materially affects the Group's financial performance and position;
- (xii) The Rights Issue may be delayed or not implemented due to force majeure events or circumstances beyond the control of our Company and Principal Adviser, resulting in the funds not raised for the Group's use; and
- (xiii) The market prices of the Rights Shares and Warrants will be influenced by market sentiments, liquidity and volatility, which may affect Heng Huat's market capitalisation and valuation.

Refer to **Section 5** of this Abridged Prospectus for further details.

Procedures for acceptance and payment : Acceptance of and payment for the Provisional Rights Shares with Warrants and application for the excess Rights Shares with Warrants must be made by way of the RSF enclosed with this Abridged Prospectus or by way of e-Subscription via *AGRITEUM* Portal at www.agriteum.com.my and must conform with the terms and conditions of the RSF or the notes and instructions contained therein.

The last day, date and time for acceptance of and payment for the Provisional Rights Shares with Warrants and the application for the excess Rights Shares with Warrants is on **Wednesday, 28 April 2021 at 5.00 p.m.**

Refer to **Section 9** of this Abridged Prospectus and the RSF for further details on the instructions on acceptance, payment, sale/transfer and excess application for the Rights Issue.



HENG HUAT RESOURCES GROUP BERHAD

(Registration No. 201101041555 (969678-D))

(Incorporated in Malaysia)

Registered Office:

51-8-A, Menara BHL,
Jalan Sultan Ahmad Shah,
10050 Georgetown, Pulau Pinang

13 April 2021

Board of Directors

Dato' H'ng Choon Seng (Managing Director)
Kee Swee Lai (Deputy Managing Director)
Cheah Swi Chun (Independent Non-Executive Director)
Dr. Lo Liang Kheng (Independent Non-Executive Director)
Ho Whye Chong (Independent Non-Executive Director)

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO 46,235,800 NEW ORDINARY SHARES IN HENG HUAT ("HENG HUAT SHARES") ("RIGHTS SHARES") ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 2 EXISTING HENG HUAT SHARES HELD AS AT 5.00 PM ON 13 APRIL 2021 AT AN ISSUE PRICE OF RM0.20 PER RIGHTS SHARE, TOGETHER WITH UP TO 69,353,700 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF 3 WARRANTS FOR EVERY 2 RIGHTS SHARES SUBSCRIBED FOR

1. INTRODUCTION

On 9 February 2021, TA Securities announced on behalf of our Board that our Company proposed to undertake the Rights Issue.

Bursa Securities had through its letter dated 25 February 2021, approved the following:

- (i) listing of and quotation for up to 46,235,800 Rights Shares;
- (ii) admission to the Official List and listing of and quotation for up to 69,353,700 Warrants; and
- (iii) listing of and quotation for up to 69,353,700 new Heng Huat Shares to be issued pursuant to the exercise of the Warrants,

on the ACE Market of Bursa Securities.

The approval of Bursa Securities is subject to the following conditions:

	Conditions imposed	Status of compliance
(a)	Heng Huat and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue;	To be complied.
(b)	Heng Huat and TA Securities to inform Bursa Securities upon the completion of the Rights Issue;	To be complied.
(c)	Heng Huat to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue is completed; and	To be complied.
(d)	Heng Huat to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied.

Our shareholders had approved the Rights Issue at our EGM held on 23 March 2021.

On 30 March 2021 and on behalf of our Board, TA Securities announced the Entitlement Date together with the other relevant dates pertaining to the Rights Issue as well as the execution of the Deed Poll by our Company.

No person is authorised to give any information or to make any representation not contained in this Abridged Prospectus in connection with the Rights Issue and if given or made, such information or representation must not be relied upon as having been authorised by us or TA Securities.

2. DETAILS OF THE RIGHTS ISSUE

Our Company proposes to issue up to 46,235,800 Rights Shares on the basis of 1 Rights Share for every 2 existing Heng Huat Shares held by the Entitled Shareholders on the Entitlement Date, together with up to 69,353,700 Warrants on the basis of 3 Warrants for every 2 Rights Shares subscribed for by the Entitled Shareholders.

The basis of 1 Rights Share for every 2 existing Heng Huat Shares was arrived at after taking into consideration, among others, the following:

- (i) the rationale for the Rights Issue as set out in **Section 3** of this Abridged Prospectus;
- (ii) the issue price of the Rights Shares at RM0.20 each; and
- (iii) the amount of proceeds that Heng Huat wishes to raise, as detailed in **Section 4** of this Abridged Prospectus.

The basis of 3 Warrants for every 2 Rights Shares was arrived at after taking into consideration, among others, the following:

- (i) the rationale for the Rights Issue as set out in **Section 3** of this Abridged Prospectus; and
- (ii) Rule 6.51 of the Listing Requirements whereby the number of new shares which will be issued from all outstanding convertible equity securities, when exercised, does not exceed 50% of the total number of issued shares of the listed corporation (excluding treasury shares and before the exercise of the convertible equity securities) at all times.

The entitlements for the Rights Shares with Warrants are renounceable in full or in part. However, the Rights Shares and the Warrants cannot be renounced separately. If the Entitled Shareholders renounce all of their Rights Shares entitlements, they will not be entitled to any Warrants. If the Entitled Shareholders accept only part of their Rights Shares entitlements, they will be entitled to the Warrants in proportion to their acceptances of their Rights Shares entitlements. Accordingly, the Entitled Shareholders may fully or partially renounce their entitlements under the Rights Issue.

In determining the shareholders' entitlements to the Rights Shares and the Warrants, any fractional entitlements arising from the Rights Issue, if any, will be disregarded and dealt with by our Board in such manner and on such terms and conditions as our Board in its absolute discretion may deem fit or expedient and in the best interests of our Company.

Any Rights Shares with Warrants which are not subscribed shall be made available for excess applications by the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable). Our Board intends to allocate any excess Rights Shares with Warrants in a fair and equitable manner on a basis as set out in **Section 9.8** of this Abridged Prospectus.

The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded from the Rights Shares on the ACE Market of Bursa Securities. The Warrants will be issued in registered form and constituted by the Deed Poll.

As you are an Entitled Shareholder, your CDS account will be duly credited with the number of Provisional Rights Shares with Warrants which you are entitled to subscribe for in full or in part under the terms of the Rights Issue. Enclosed with this Abridged Prospectus, you will find the NPA notifying you of the crediting of such Provisional Rights Shares with Warrants into your CDS account and the RSF to enable you to subscribe for the Provisional Rights Shares with Warrants, as well as to apply for excess Rights Shares with Warrants if you choose to do so.

Any dealing in our securities will be subject to SICDA and Rules of Bursa Depository. Accordingly, the Rights Shares with Warrants and new Shares to be issued arising from the exercise of the Warrants will be credited directly into the respective CDS accounts of the successful applicants and exercising Warrant Holders (as the case may be). No physical share certificates and warrant certificates will be issued to the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable).

A notice of allotment will be despatched to the successful applicants within 8 Market Days from the Closing Date or such period as may be prescribed by Bursa Securities and a notice of allotment will be despatched to the exercising Warrant Holders within 8 Market Days after the date of receipt of the exercise form together with the requisite payment (for exercise of Warrants).

The Rights Shares and Warrants will then be quoted on the ACE Market of Bursa Securities within 2 Market Days after the application for quotation is made to Bursa Securities as specified in the Listing Requirements, which will include amongst others, confirmation that all notices of allotment have been despatched to successful applicants, and after receipt of confirmation from Bursa Depository that all CDS Accounts of successful applicants have been duly credited with the Rights Shares and Warrants.

Pursuant to Rule 6.52 of the Listing Requirements, the listing of and quotation for Warrants on the ACE Market of Bursa Securities is subject to a minimum of 100 Warrant Holders holding not less than 1 board lot of Warrants.

2.1 Basis of determining and justification for the issue price of the Rights Shares and the exercise price of the Warrants

(i) Issue price of the Rights Shares

Our Board has fixed the issue price of the Rights Shares at RM0.20 each after taking into consideration the following:

- (i) the rationale for the Rights Issue as set out in **Section 3** of this Abridged Prospectus;
- (ii) the amount of proceeds that Heng Huat wishes to raise as detailed in **Section 4** of this Abridged Prospectus; and

- (iii) the TEAP of RM0.3570, calculated based on the 5D-VWAP up to and including the Announcement LPD of RM0.5532. The issue price of RM0.20 per Rights Share is at a discount of RM0.1570 or 43.98% to the TEAP of RM0.3570.

Our Board is of the opinion that the discount is reasonably attractive to encourage the Entitled Shareholders to subscribe for their respective entitlements of Rights Shares.

(ii) **Exercise price of the Warrants**

The Warrants will be issued at no cost to the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) who successfully subscribed for the Rights Shares.

Our Board has fixed the exercise price of the Warrants at RM0.20 each after taking into consideration the following:

- (i) the rationale for the Rights Issue as set out in **Section 3** of this Abridged Prospectus; and
- (ii) the TEAP of RM0.3570, calculated based on the 5D-VWAP up to and including the Announcement LPD of RM0.5532. The exercise price of RM0.20 per Warrant is at a discount of RM0.1570 or 43.98% to the TEAP of RM0.3570.

Our Board is of the opinion that the discount is reasonably attractive for the purpose of enhancing the subscription level of the Rights Shares with Warrants and increase the likelihood of the Warrants to be exercised into new Heng Huat Shares.

2.2 Minimum Scenario

Our Company intends to raise minimum gross proceeds of RM2,131,250 from the issuance of 10,656,250 Rights Shares under the Minimum Scenario based on an issue price of RM0.20 each after taking into consideration the funding requirements of our Group as set out in **Section 4** of this Abridged Prospectus.

In order to meet the Minimum Scenario, our Company has obtained separate Undertakings from the Undertaking Shareholders and they have confirmed that they have sufficient financial resources to fulfil their Undertakings. TA Securities, being the Principal Adviser for the Rights Issue, has verified that the Undertaking Shareholders have sufficient financial resources to fulfil their Undertakings.

The number of Rights Shares pursuant to the Undertakings are as follows:

Undertaking Shareholders	Shareholding as at the LPD		No. of Rights Shares				Total undertaking		Amount
	No. of Shares	%	Entitlement ⁽¹⁾	% ⁽²⁾	Via excess application	% ⁽²⁾	No. of Rights Shares	% ⁽²⁾	RM
Dato' H'ng Choon Seng	15,312,500	16.56	7,656,250	71.85	-	-	7,656,250	71.85	1,531,250
Ho Whye Chong	1,335,000	1.44	667,500	6.26	2,332,500	21.89	3,000,000	28.15	600,000
Total	16,647,500	18.00	8,323,750	78.11	2,332,500	21.89	10,656,250	100.00	2,131,250

Notes:

(1) Based on their shareholdings as at the LPD.

(2) Based on 10,656,250 Rights Shares to be issued under the Minimum Scenario.

For illustrative purpose, if the Entitled Shareholders (other than the Undertaking Shareholders) do not subscribe for their entitlements under the Minimum Scenario, their shareholdings in Heng Huat will be diluted as follows:

	As at the LPD		After the Rights Issue	
	No. of Shares	%	No. of Shares	%
Dato' H'ng Choon Seng	15,312,500	16.56	22,968,750	22.27
Ho Whye Chong	1,335,000	1.44	4,335,000	4.20
Other Entitled Shareholders	75,824,101	82.00	75,824,101	73.53
Total	92,471,601	100.00	103,127,851	100.00

As the Rights Issue will be implemented based on the Minimum Scenario, no underwriting will be arranged for the Rights Shares.

The fulfilment of the Undertakings is not expected to result in any breach of the public shareholding spread requirement by our Company under Rule 8.02(1) of the Listing Requirements, which stipulates that a listed corporation must ensure that at least 25% of its total listed shares (excluding any treasury shares) are in the hands of public shareholders. As at the LPD, our Company does not have any treasury shares.

In the event the Undertakings are not fulfilled, resulting in the Minimum Scenario not being achieved, the Rights Issue shall be aborted and all application monies received by our Company pursuant to the Rights Issue will be refunded without interest to the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) who has/have subscribed for the Rights Shares with Warrants in accordance with Section 243 of the CMSA.

2.3 Ranking of the Rights Shares and the new Heng Huat Shares to be issued arising from the exercise of the Warrants

The Warrant Holders will not be entitled to any voting rights or participation in any form of distribution and/or offer of further securities in our Company until and unless they exercise their Warrants into new Heng Huat Shares.

The Rights Shares and new Heng Huat Shares to be issued from the exercise of Warrants shall, upon allotment and issuance, rank equally in all respects with the then existing Heng Huat Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other forms of distributions, the entitlement date of which is prior to the dates of allotment and issuance of the Rights Shares and the new Heng Huat Shares to be issued arising from the exercise of Warrants.

2.4 Salient terms of the Warrants

The salient terms of the Warrants are as follows:

Terms	Details
Issue size	: Up to 69,353,700 Warrants.
Issue price	: The Warrants will be issued at no cost to the Entitled Shareholders who successfully subscribed for the Rights Shares
Form and denomination	: The Warrants which are to be issued together with the Rights Shares (" Issue Date of the Warrants "), will be immediately detached from the Rights Shares upon issuance and will be separately traded on the ACE Market of Bursa Securities.

The Warrants will be issued in registered form and constituted by the Deed Poll.

Terms	Details
Tenure	: 5 years commencing from and including the Issue Date of the Warrants.
Expiry date	: At 5.00 p.m. on the day falling immediately before the 5 th anniversary of the Issue Date of the Warrants.
Exercise rights	: Each Warrant entitles the registered Warrant holder to subscribe for 1 new Heng Huat Share at any time during the exercise period at the exercise price, subject to adjustments in accordance with the provisions of the Deed Poll.
Exercise period	: The Warrants may be exercised at any time within a period of 5 years commencing on and including the Issue Date of the Warrants and ending on the close of business at 5.00 p.m. on the expiry date, provided that if such date falls on a day which is not a market day, then it shall be the market day immediately preceding the said non-market day. Any Warrants which are not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.
Exercise price	: RM0.20 per Warrant payable in respect of each new Heng Huat Share or such other exercise price that may be adjusted in accordance with the provisions of the Deed Poll.
Mode of exercise	: The registered Warrant holders are required to deliver and lodge a duly completed, signed and stamped exercise notice, as set out in the Deed Poll, with our Company's Share Registrar together with payment of the exercise price by way of bankers' draft or cashier's order drawn on a bank operating in Malaysia in accordance with the provisions of the Deed Poll.
Board lot	: For the purpose of trading on Bursa Securities, a board lot of the Warrants shall comprise 100 units of Warrants carrying the rights to subscribe for 100 new Heng Huat Shares at the exercise price at any time during the exercise period, unless otherwise revised by the relevant authorities.
Rights of the Warrant holders	: The Warrant holders are not entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the new Heng Huat Shares to be issued arising from the exercise of the Warrants. The Warrant holders are not entitled to any voting rights in any general meeting of our Company or participation in any form of distribution and/or offer of further securities in our Company until and unless the holders of the Warrants exercise their Warrants and the new Heng Huat Shares have been allotted and issued to such holders.

Terms

Rights in the event of winding up, liquidation, compromise and/ or arrangement

Details

Where a resolution has been passed for a members' voluntary winding up of our Company or liquidation or where there is a compromise or scheme of arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction or amalgamation of our Company with one or more companies, then:

- (i) our Company will give notice to the holders of the Warrants within 21 market days of such a resolution or the court order approving the windings up, liquidation, compromise or scheme of arrangement (as the case may be);
- (ii) for the purpose of such winding up, liquidation, compromise or scheme of arrangement (other than consolidation, amalgamation or merger in which our Company is the continuing corporation) to which the holder of the Warrants (or some other person designated by them for such purposes by special resolution) shall be a party, the terms of such winding up, liquidation, compromise or scheme of arrangement shall be binding on all the holders of the Warrants; or
- (iii) in any other case, every holder of the Warrants shall be entitled to exercise the Warrants at any time within 6 weeks after the passing of such resolution for a members' voluntary winding up of our Company or within 6 weeks from the granting of the court order approving the winding up, liquidation, compromise or scheme of arrangement, as the case may be, to elect to be treated as if he had immediately prior to the commencement of such winding up, liquidation, compromise or scheme of arrangement, exercised the exercise rights represented by the Warrants to the extent specified in the exercise notice(s) and be entitled to receive out of the assets of our Company which would be available in liquidation as if he had on such date been the holder of the new Heng Huat Shares to which he would have become entitled pursuant to such exercise.

All exercise rights which have not been exercised within the 6 weeks of either the passing of such resolution for the members' voluntary winding up or the granting of the court order for the approval of such winding-up, liquidation, compromise or scheme of arrangement, as the case may be, will lapse and all the unexercised Warrants will cease to be valid for any purpose.

Terms	Details
Ranking of new Heng Huat Shares to be issued pursuant to the exercise of the Warrants	: All new Heng Huat Shares to be issued pursuant to the exercise of Warrants shall, upon allotment and issuance, rank equally in all respects with the existing Heng Huat Shares except that such new Heng Huat Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment and issuance of the new Heng Huat Shares arising from the exercise of Warrants.
Adjustments to the exercise price and/or number of Warrants	: The exercise price and/or the number of unexercised Warrants in issue may be subject to adjustments from time to time by our Board in consultation with an approved adviser and/or auditors and certified by the auditors in the event of alteration to the share capital by reason of, amongst others, rights issue, bonus issue, consolidation or subdivision of shares or issuance of securities convertible into shares, in accordance with the provisions of the Deed Poll.
Modifications	: Subject to the approval of Bursa Securities (if required) and save as otherwise provided in the Deed Poll, a special resolution of the Warrant holders is required to sanction any modifications, amendments, deletions or additions in respect of the rights of the holders of the Warrants. Subject to Condition 3 under Schedule 3 of the Deed Poll, our Company may from time to time, without the consent of the Warrant holders, modify the Deed Poll provided that such modification does not materially prejudice the interests of the Warrant holders or is made to correct a manifest error or relating to purely administrative matters or to comply with the mandatory provisions of the prevailing laws of Malaysia, Rules of Bursa Malaysia Depository Sdn Bhd and/or Listing Requirements.
Listing status	: The Warrants will be listed and traded on the ACE Market of Bursa Securities. Approval has been obtained from Bursa Securities for the admission of the Warrants to the Official List as well as for the listing of and quotation for the Warrants and the new Heng Huat Shares to be issued pursuant to the exercise of the Warrants on the ACE Market of Bursa Securities.
Governing law and jurisdiction	: Laws of Malaysia.

2.5 Take-over implications

The subscription of the Rights Shares by the Undertaking Shareholders pursuant to the Undertakings will not give rise to any mandatory general offer obligations pursuant to the Malaysian Code on Take-overs and Mergers 2016 (“Code”) and the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia (“Rules”). The Undertaking Shareholders have undertaken to observe and comply at all times with the provisions of the Code and the Rules and will seek from the Securities Commission Malaysia the necessary exemptions from undertaking such mandatory take-over offer, if required.

2.6 Details of other corporate exercises

As at the date of this Abridged Prospectus, our Board confirmed that there are no other corporate exercises which have been approved by the regulatory authorities but pending completion, save for the Rights Issue and as disclosed below:

- (i) On 2 December 2020, our shareholders approved the establishment of the SIS, which is intended to reward the eligible Directors and employees of our Company and non-dormant subsidiaries for their contributions and services. As at the LPD, our Company has yet to implement the SIS. The SIS shall be valid for a duration of 5 years from its commencement, and may be extended for a further 5 years, subject to an aggregate of 10 years. The subscription price of the SIS options shall be determined by the SIS committee based on the 5-day VWAP of our Shares, immediately prior to the date of offer is made with a discount of not more than 10%.

For information purposes, our Group has completed the following corporate exercises in the past 3 years preceding the LPD:

- (i) our Company had on 20 December 2018 completed the private placement of 30,870,000 Heng Huat Shares issued at RM0.139 each and raised approximately RM4.29 million;
- (ii) our Company had on 31 January 2020 completed a share consolidation exercise of every 10 existing Heng Huat Shares into 1 Heng Huat Share;
- (iii) our Company had on 20 July 2020 completed the private placement of 3,395,700 Heng Huat Shares issued at RM0.33 each and raised approximately RM1.12 million;
- (iv) our Group had on 30 October 2020 completed the disposal of 5 parcels of adjoining lots of land together with factory-cum-office buildings and other ancillary structures erected on 2 lots of land in Seberang Perai Selatan, Penang by HK Kitaran to SBJ Property Sdn Bhd for a cash consideration of RM22.0 million;
- (v) our Company had on 10 December 2020 completed a debt settlement exercise with 2 Directors of our Company, namely Dato' H'ng Choon Seng and Kee Swee Lai, for an aggregate sum of RM7.0 million through the issuance of 21,875,000 Heng Huat Shares at an issue price of RM0.32 each;
- (vi) our Group had on 10 December 2020 completed the acquisition of 2 parcels of land held under Title No. GM 1146, Lot No. 1712 and Title No. GM 1147, Lot No. 1713, Mukim 5, District of Seberang Perai Tengah, Pulau Pinang, measuring a total of approximately 2.04 acres by HH Land from Goh Boon Leong for a purchase consideration of approximately RM1.40 million through the issuance of 3,414,600 Heng Huat Shares at RM0.41 each to the vendors;
- (vii) our Group had on 15 December 2020 completed the acquisition of a parcel of land held under Title No. GM 214, Lot No. 288, Mukim 2, District of Seberang Perai Selatan, Pulau Pinang, measuring approximately 4.56 acres by HH Land from QCT Equipment Sdn Bhd for a purchase consideration of approximately RM2.30 million through the issuance of 5,609,700 Heng Huat Shares at RM0.41 each to the vendors; and
- (viii) our Company had on 30 December 2020 completed a debt settlement exercise with creditors of our Company, namely Cheah Ah Hock, Chuan Hui Enterprise, SHH Industries Sdn Bhd, FPS Famous Pacific Shipping Sdn Bhd, Oshern Engineering Works Sdn Bhd, Yakin Tuah Sdn Bhd, Shui Xing Ventures Sdn Bhd, Watasan Industries Sdn Bhd, Aun Chuan Lee Trading & Transport Sdn Bhd, Nimox Industry (M) Sdn Bhd, Yip Shun Trading, CKL Transport Sdn Bhd, Higard (M) Sdn Bhd, Era Ocean Logistics Sdn Bhd, Leading International (M) Sdn Bhd, Advance Boilers Sdn Bhd, Sin Yen Fatt Enterprise Sdn Bhd, Sentiasa Hebat Sdn Bhd and Sewajar Indah Sdn Bhd (“**Creditors**”) for an aggregate sum of approximately RM7.75 million through the issuance of 24,219,600 Heng Huat Shares at an issue price of RM0.32 each to the Creditors.

3. RATIONALE FOR THE RIGHTS ISSUE

As set out in Section 4 of this Abridged Prospectus, the Rights Issue is intended to raise funds primarily for our Group's repayment of bank borrowings and working capital without incurring interest costs associated with bank borrowings or the issuance of debt instruments, thereby minimising any potential cash outflow arising from interest servicing costs. The Group has the intention of reducing its level of bank borrowings in line with a more prudent management of its banking facilities, in addition to raising funds for its working capital, with both measures aimed at positioning the Group to better face the impact of the COVID-19 pandemic. The Rights Issue would enable all Entitled Shareholders of the Company to participate in the fundraising exercise at an issue price of RM0.20 per Rights Share, which the Board deemed as attractive and would encourage higher subscription for the Rights Issue nearer to the Maximum Scenario, thus in turn reducing the proportion of expenses related to the Rights Issue towards a more efficient and justifiable level.

The proceeds from the issuance of Rights Shares will improve the cash flow of our Group and their usage are expected to contribute positively to our Group's future earnings and improve its financial performance.

The issuance of new Heng Huat Shares via the Rights Issue will not dilute our existing shareholders' equity interests, assuming all Entitled Shareholders fully subscribe for their respective entitlements. Subscription to the Rights Shares provides an opportunity for our existing shareholders to increase their equity participation in our Company.

The Undertakings will enable our Company to raise the minimum required funds without incurring additional cost in the form of underwriting commission.

Furthermore, the Warrants to be issued will provide our shareholders with an attractive option to increase their equity participation in our Company at a pre-determined price during the tenure of the Warrants. Any proceeds from the exercise of the Warrants in the future will provide an additional source of funds to be used by our Group to fulfill its working capital requirements.

4. UTILISATION OF PROCEEDS

At the issue price of RM0.20 per Rights Share, the Rights Issue will raise total gross proceeds of approximately RM2.13 million and up to approximately RM9.25 million under the Minimum Scenario and Maximum Scenario, respectively, as follows:

Usage purposes	Notes	Minimum Scenario		Maximum Scenario		Expected time frame for the usage of proceeds (from the listing of the Rights Shares)
		(RM'000)	%	(RM'000)	%	
Repayment of bank borrowings	(1)	1,609	75.50	6,899	74.61	Within 3 months
Working capital	(2)	-	-	1,826	19.75	Within 6 months
Expenses for the Rights Issue	(3)	522	24.50	522	5.64	Within 1 month
Total proceeds		2,131	100.00	9,247	100.00	

Notes:

- (1) As at the LPD, our Group's bank borrowings totalled approximately RM16.05 million and comprised term loans, bank overdrafts and bankers' acceptances from a total of 7 financial institutions, as follows:

Types of borrowings	Interest rate per annum (%)	Maturity	Balance as at the LPD (RM'000)
Term loans	3.35 – 5.51	Less than 1 year	3,067
Term loans	3.35 – 5.51	More than 1 year and less than 5 years	1,353
Term loans	3.35 – 5.51	More than 5 years	5,619
Bank overdrafts	6.00 – 6.85	Automatic roll-over	5,914
Banker's acceptances	4.65 – 5.36	Automatic roll-over	97
Total			16,050

Other than the above bank borrowings, the Group also has a total of approximately RM2.048 million in hire purchase payables as at the LPD, as indicated in **Section 8.2** of this Abridged Prospectus.

In the past 12 months preceding the LPD, there is no drawdown of new facilities by our Group either via term loans, overdrafts and/or banker's acceptances.

Our Group has been using bank borrowings to fund its purchase of lands, buildings and machineries for its operations as well as general working capital for its biomass material value-added segments.

As at the LPD, our Group has cash and cash equivalents of approximately RM4.58 million, which are set aside for our Group's working capital.

Our Group intends to use up to approximately RM6.90 million of the total gross proceeds from the Rights Issue to partly repay its term loans and bank overdraft facilities, as follows:

Bank facilities	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Term loan	-	4,099
Bank overdraft	1,609	2,800
Effective annual interest rate (%)	6.00	4.88
Annual interest savings (RM'000)	97	337

Under the Maximum Scenario, the proceeds of the Rights Issue will be used to repay a term loan from CIMB Bank Berhad which has a present maturity period of more than 5 years, as well as a bank overdraft facility from Agrobank. Our Group had decided to partially repay the selected bank borrowing facilities in view of the interest savings of over RM0.34 million per annum (with an effective annual interest rate of 4.88%) under the Maximum Scenario following our Group's internal assessment of prevailing interest rates and interest savings particularly for the longer-maturity term loan as well as its management of banking facilities to match its working capital needs.

The repayment of bank borrowings from the proceeds would have a pro forma effect of reducing our Group's gearing ratio from 0.45 times as at 31 December 2020, to 0.39 times under the Minimum Scenario and to 0.22 times under the Maximum Scenario. A lower gearing level will allow our Group to have greater flexibility in sourcing for funding alternatives in the future, if required.

Under the Maximum Scenario, any surplus of proceeds after the repayment of bank borrowings will be used for the working capital of our Group.

(2)	Working capital	Maximum Scenario (RM'000)
	- Payment of our Group's existing staff costs (inclusive of salaries as well as Employees' Provident Fund ("EPF") and Social Security Organisation ("SOCSO") contributions) mainly for the Group's biomass division's employees (302 people as at the LPD), ranging from junior executive to senior management levels in the production, sales and marketing, human resources, accounting as well as purchasing departments.	1,000
	- Payment of our Group's office and factory administrative expenses which include professional fees (such as audit fees, company secretarial fees and tax agent fees), other expenses (such as utilities, insurance, rental, maintenance, quit rent and assessment), security services and other expenses, the breakdown of which has yet to be determined by the management of Heng Huat at this juncture.	826
	Total	1,826

Any surplus of proceeds after the repayment of bank borrowings will be used for the working capital of our Group.

- (3) The breakdown of estimated expenses in relation to the Rights Issue is as follows:

Description	Amount (RM'000)
Professional fees ⁽¹⁾	399
Fees to relevant authorities	73
Other incidental expenses in relation to the Rights Issue ⁽²⁾	50
Total	522

Notes:

- (1) Comprising fees primarily payable to the Principal Adviser, Due Diligence Solicitors, Share Registrar, Company Secretaries and Independent Market Researcher.
- (2) Comprising expenses to convene the EGM, printing, advertising and other ancillary expenses.

Any surplus or shortfall of proceeds for the expenses in relation to the Rights Issue will be adjusted accordingly to/from the proceeds allocated for the working capital of our Group.

The actual proceeds to be raised from the Rights Issue is dependent on the subscription level for the Rights Shares. Any variation in the actual proceeds raised will be adjusted to/from the proceeds allocated for the working capital of our Group.

Pending usage of the proceeds from the Rights Issue for the abovementioned purposes, the proceeds will be placed in deposits with a financial institution or short-term money market instruments as our Board may deem fit. The interest to be derived from the deposits with the financial institution or any gain arising from the short-term money market instruments will be used as working capital of our Group, with the breakdown for the usage to be determined in the future.

The exact amount of proceeds that may be raised by our Company pursuant to the exercise of the Warrants (up to RM3,196,875 under the Minimum Scenario and up to RM13,870,740 under Maximum Scenario) will depend on the actual number of Warrants exercised during the tenure of the Warrants. The proceeds to be raised from the exercise of the Warrants shall be used for the working capital of our Group such as staff costs (inclusive of salaries as well as EPF and SOCSO contributions) as well as other operating and general expenses (such as utilities, insurance, rental, maintenance, quit rent and assessment), of which the exact timeframe for full utilisation from the date of receipt of the proceeds cannot be determined at this juncture. Any unused proceeds will be placed as deposits with financial institutions to earn interest income.

5. RISK FACTORS

In addition to other information contained in this Abridged Prospectus, you and/or your renounee(s)/transferee(s) (if applicable) should carefully consider the following risk factors which may have an impact on the future performance of our Group before making decision on whether to subscribe for the Rights Shares with Warrants.

5.1 Risks relating to our Group

(a) Impact of containment measures to curb the COVID-19 virus on our Group's business and operations

Over the last financial quarters, the COVID-19 pandemic has spread across the world resulting in lockdown or similar measures imposed by governments worldwide to curb the spread of the virus. These have resulted in adverse impact to the performance of the world's economies including Malaysia. Even with the gradual relaxation of lockdown measures, consumer sentiment is expected to remain dampened in the near future as consumers stay cautious in their spending.

Our Group has taken appropriate steps to comply with the standard operating procedure that is in line with the National Security Council and the Ministry of Health's specifications in relation to the COVID-19 infection control measures. As at the LPD, our Group has not been compounded for any non-compliance with standard operating procedures in relation to MCO measures by the Malaysian government. Since the commencement of the MCO until 31 December 2020, the cost incurred by our Group to comply with standard operating procedures is approximately RM0.06 million which comprised mainly the cost of sanitising premises, screening tests and for the purchase of personal protective equipment.

With the recent resurgence of COVID-19 infections across the world, lockdown or similar measures may be re-imposed by governments worldwide to curb the spread of the virus. Until a vaccine and/or cure can be developed and mass-distributed to the general population, the dampening effects of the COVID-19 pandemic on consumer spending is expected to remain prevalent in the foreseeable future.

Our Group has been severely affected by the global COVID-19 pandemic by way of reduced demand for biomass materials and value-added products mainly from our China-based customers. This has contributed towards our Group's lower revenue of approximately RM52.67 million for the 9M FPE 31 December 2020 (9M FPE 31 December 2019: RM65.48 million), representing a decrease of RM12.81 million (or 19.56%). This is primarily due to lower production and sales of biomass materials and value-added products as well as coconut fibre and value-added products as reflected by their lower revenue contribution, which fell by RM15.34 million (or 27.58%) to RM40.29 million (9M FPE 31 December 2019: RM55.63 million).

Our Group's reliance on marine transportation for the export of our products to China has exposed our Group to shipping disruptions that may arise as a result of weather conditions, political turmoil, pirate attacks, social unrest, port strikes, oil spills, port closures due to the COVID-19 pandemic, delayed or lost shipments, all of which may have an adverse impact to our business. Port closures were implemented as a containment measure against the COVID-19 pandemic in 2020 which temporarily disrupted our exports to China. Further, after the ports recommenced operations, lower shipment volumes affected the ocean freight market and led to increases in shipping costs.

For the 15M FPE 31 March 2020, the export of our products to China contributed approximately 42% of our Group's total revenue. For the 9M FPE 31 December 2020, exports of our products to China contributed approximately 18% of our Group's revenue with the balance of 82% in revenue generated from the domestic market as a result of our Group gradually shifting its focus from being export-oriented to the domestic market, until the global impact of the COVID-19 pandemic subsides.

As at the LPD, our Group has not experienced any material delay or loss of shipments to or from overseas. Nevertheless, our Group procures transportation insurance coverage for our shipping activities to indemnify against any potential disruptions and to minimise the impact of any potential cost or liability arising therefrom.

In addition, the MCO imposed since March 2020 followed by the 2nd MCO imposed from 13 January 2021 to contain the COVID-19 pandemic has constrained the plantation industry with a shortage of labour supply due to travel and movement restrictions that have prevented additional foreign workers from coming to Malaysia, which has in turn affected palm oil and coconut estates and its related industries operations in Malaysia due to lower production and limited supply. The shortage in supply of palm oil and coconut has affected our Group's ability to procure raw materials for our biomass and mattresses divisions, which resulted in lower production of biomass materials and value-added products as well as coconut fibre and value-added products. Further lockdowns or similar measures to curb the COVID-19 pandemic will have a material adverse impact on the industries in which our Group operates.

While the ongoing vaccination programs across the world should pave the way for gradual recovery, the trajectory towards normalcy could still be punctuated by the lingering effects of the pandemic.

(b) Group's ability to continue as a going concern

Our Company's external auditors had on 2 December 2020 expressed a material uncertainty related to going concern of our Group in respect of our Company's audited financial statements for the 15M FPE 31 March 2020. Attention was drawn by the external auditors to our Group's net loss of approximately RM42.90 million for the 15M FPE 31 March 2020 with our Group's current liabilities exceeding current assets by approximately RM7.87 million, the COVID-19 pandemic impact on our Group's business operations in particular the Group's revenue, as well as challenges to our Group's existing business of manufacturing and trading of biomass materials and value-added products, all of which indicated the existence of material uncertainties that may cast significant doubt on our Group's ability to continue as a going concern.

Taking cognisance of the above, our Group has taken the following steps to improve its financial performance and strengthen its cash flow position:

- (i) our Company had on 20 July 2020 completed the private placement of 3,395,700 Heng Huat Shares issued at RM0.33 each and raised approximately RM1.12 million for the repayment of bank borrowings and for working capital purposes;
- (ii) our Group had on 30 October 2020 completed the disposal of 5 parcels of adjoining lots of land together with factory-cum-office buildings and other ancillary structures erected on 2 lots of land in Seberang Perai Selatan, Penang by HK Kitaran to SBJ Property Sdn Bhd for a cash consideration of RM22.0 million, in order to scale down our operations by disposing the property to reduce our operational cost and maintenance cost of the property. The proceeds were utilised for the repayment of bank borrowings and for working capital purposes;
- (iii) our Company had on 10 December 2020 completed a debt settlement exercise with 2 Directors of our Company, namely Dato' H'ng Choon Seng and Kee Swee Lai, for an aggregate sum of RM7.0 million through the issuance of 21,875,000 Heng Huat Shares at an issue price of RM0.32 each; and

- (iv) our Company had on 30 December 2020 completed a debt settlement exercise with creditors of our Company, namely Cheah Ah Hock, Chuan Hui Enterprise, SHH Industries Sdn Bhd, FPS Famous Pacific Shipping Sdn Bhd, Oshern Engineering Works Sdn Bhd, Yakin Tuah Sdn Bhd, Shui Xing Ventures Sdn Bhd, Watasan Industries Sdn Bhd, Aun Chuan Lee Trading & Transport Sdn Bhd, Nimox Industry (M) Sdn Bhd, Yip Shun Trading, CKL Transport Sdn Bhd, Higar (M) Sdn Bhd, Era Ocean Logistics Sdn Bhd, Leading International (M) Sdn Bhd, Advance Boilers Sdn Bhd, Sin Yen Fatt Enterprise Sdn Bhd, Sentiasa Hebat Sdn Bhd and Sewajar Indah Sdn Bhd for an aggregate sum of approximately RM7.75 million through the issuance of 24,219,600 Heng Huat Shares at an issue price of RM0.32 each.

While our Group had taken the above steps and will take additional measures in the future if necessary, there may continue to be material uncertainties that may cast doubt on our Group's ability to continue as a going concern.

(c) Fluctuations in raw material prices

Our Group utilises a significant amount of oil palm EFB fibre as a raw material in the manufacturing of biomass materials and value-added products. As such, our Group is exposed to fluctuations in raw material prices which may adversely affect the financial performance of our Group as a manufacturer of biomass materials and value-added products, if the prices move unfavourably. As palm oil is a commodity, the cost of sourcing for palm oil as a raw material for our Group's manufacturing and trading activities is subjected to fluctuation in world prices. The prices of the raw materials for our Group's products are dependent on global demand and supply of palm oil and coconut. In some situations, increases in the prices of raw materials are not easily passed on to our Group's customers. This could affect our Group's margins or alternatively, if the increase in cost is passed on to our customers, our Group's price competitiveness may suffer. Our Group is also involved in the sales of bio-oil, which is a by-product from the pressing of oil palm EFB fibre in the process of the manufacturing of biomass materials and value-added products. Fluctuations in the price of bio-oils would not have any significant financial impact to our Group as our sales of bio-oil are immaterial as a manufacturing by-product.

Therefore, a significant increase in the market prices of raw materials will have an adverse effect on the business and future earnings of our Group. Further, the supply of raw materials may be affected by external factors such as the COVID-19 pandemic, shortage of labor supply, delivery delays or other disruptions on a significant scale. As these raw materials are commodities and therefore subjected to world prices, all manufacturers that use these materials are equally affected.

Our Group may source for raw materials from alternative sources to ensure timely supply at competitive prices. However, manufacturers with strong financial stability are able to hold stocks of these raw materials to cushion against fluctuation in prices.

(d) Dependency on key personnel

Our Group's business sustainability depends largely on the abilities, skills and experience as well as continued efforts of our existing Executive Directors and key management personnel. The loss of any Executive Director and/or key management personnel without suitable and timely replacement, or the inability of our Group to attract and retain other qualified personnel, may adversely affect our Group's revenue and profitability.

There is no assurance that our Group will be able to identify, attract and retain skilled personnel from time to time in the future or that any loss of key personnel can be easily and quickly replaced without major disruption to our Group's operations.

(e) Risk of impairment losses

Our Group is subject to the risk of impairment losses relating to its assets, in the course of its operations. During the 15M FPE 31 March 2020, our Group recorded the following impairment losses (other than impairment losses on trade receivables):

- (i) impairment loss on property, plant and equipment of approximately RM8.92 million as certain idle assets were not used in relation to oil palm fibre production due to anticipated reduced demand;
- (ii) impairment loss on non-current assets held for sale of approximately RM0.84 million due to the Group's disposal of land in the District of Seberang Perai Selatan, Penang for a cash consideration of RM22.0 million, as completed on 30 October 2020; and
- (iii) impairment loss on goodwill of approximately RM1.01 million in relation to investment in subsidiaries, namely Fibre Star Marketing Sdn Bhd, Sabut Kelapa Saujana Setiu Terengganu Sdn Bhd and HK Mega Industries Sdn Bhd as a result of significant losses incurred by the subsidiaries, their net assets being lower than the costs of investment and the application to strike off their names from the Register of Companies Commission of Malaysia pursuant to Section 550 of the Act.

While our Group will closely monitor the usage of its assets going forward, our Group may continue to be exposed to the risk of further impairment losses in the future.

(f) Political, economic and regulatory considerations

The nature of our business is subject to prevailing political, economic and regulatory circumstances in Malaysia and China. Any adverse changes in political, economic and regulatory conditions or developments, vulnerabilities and volatility of emerging market economies and currencies and severe fluctuation in interest rates, can affect investors' confidence in the financial and stock markets which, in turn, may have a material adverse impact on our Group's business, results of operations, financial condition and prospects. As a result of globalisation, economic or market instability in a single country or region are increasingly affecting other markets in general. A continuation of these situations could adversely affect global economic conditions and world markets, and in turn, could cause a chain reaction effect and thus may adversely affect our Group's business and financial performance. While our Group strives to take precautionary measures such as prudent business, financial and risk management policies, most of the above changes are beyond our control and there can be no assurance that any adverse developments will not materially affect the performance of our Group.

5.2 Risks relating to our group's business and biomass materials market industry

(a) Competition risk

Our Group faces competition from both new entrants and existing competitors in the biomass materials market for coconut and oil palm EFB fibres. They may affect our revenue and market share. This in turn may affect the financial performance and position of our Group.

Our competitive edge lies in our ability to produce large quantities of quality coconut and oil palm EFB fibres at competitive prices. As at the LPD, our Group have 3 coconut fibre production lines and 18 oil palm EFB fibre production lines with a total monthly production capacity of 843 metric tonnes of coconut fibre and 5,200 metric tonnes of oil palm EFB fibre respectively. Due to our custom-built production lines and our quality assurance, our Group are able to produce coconut and oil palm EFB fibres which are not only of high quality, but also with high level of uniformity. This has provided us with a competitive advantage which facilitated the growth and development of our Group. Nevertheless, there can be no assurance that a significant change in the competitive environment would not have an adverse impact on our market positioning or market share.

(b) Nature of revenue

Our Group does not have any long term contracts with our customers as the majority of our sales are on an order-by-order basis, which is the norm in our industry. Our Group also practices good business relationships with our customers and have been improving our product quality and expanding our product range through our process and product development initiatives to encourage repeat orders from our customers.

As at the LPD, our Group has not experienced any material effect from the absence of long term contracts on our Group's operations or financial performance. However, there can be no assurance that our customers will continue placing orders for our products.

(c) Risk of operational disruptions and inadequate insurance coverage

Our Group's manufacturing activities are dependent on the continued operation of our production facilities. Any disruptions to our production facilities, such as breakdowns, failure, sub-standard performance, fire or accidents, may have an adverse impact on our business operations. Our Group is aware of the adverse consequences arising from inadequate insurance coverage for fire, accidents and outbreaks which could disrupt our business operations. Our Group has taken up fire insurance policies for our office equipment, plant, machinery, premises and all-risks policies for our machinery. Our Group renews its fire insurance policies upon expiry and reviews the adequacy of our existing insurance coverage for our assets. Our Group also makes scheduled contributions to the Social Security Organisation which provides coverage to protect our employees for employment injury and accident claims.

Whilst our Group has taken the necessary steps to ensure that our assets are adequately covered by insurance, the insurance coverage may potentially be inadequate for the replacement cost of our assets as well as its related consequential costs. Furthermore, there are also risks such as natural disasters, riots, general strikes, acts of terrorism and any other risks that cannot reasonably be insured against.

As at the LPD, our Group has not encountered any major disruptions to our production facilities, including fire and accidents, which have any material adverse effect on our Group's operations or financial performance.

(d) Credit risk of our trade debtors

Our Group is exposed to the risk of default by our trade debtors. Our Group may experience delays in payment for our products, or in more severe cases, our Group may not be able to collect payments from our trade debtors. In the event of payment defaults, our Group would have to impair or write off the debts, which will have an adverse impact on our profitability. In the 15M FPE 31 March 2020, we provided for impairment losses relating to receivables of an amount of approximately RM9.90 million.

Our Group will assess the financial and credit position of prospective customers prior to accepting their orders, while for existing customers, our Group will continually assess and review their financial and credit positions and maintain close contact with these customers. In addition, our Group regularly reviews our trade receivables ageing and monitor collection of debts. In situations where our customers are unable to adhere to the agreed credit terms, our Group will examine the reasons for the delay. If there is sufficient commercial justification, our Group will negotiate for settlement, which may include granting our customers with extension of time for payment. As a last resort, our Group will initiate legal actions or proceedings to recover the outstanding amounts.

(e) Foreign exchange fluctuation risk

For the 15M FPE 31 March 2020 and 9M FPE 31 December 2020, our Group's revenue generated from China accounted for approximately 42% and 18% of our Group's total revenue, the majority of which are denominated in RMB and United States Dollars. Our Group's performance was not materially and adversely affected by foreign exchange fluctuations in the 15M FPE 31 March 2020 and 9M FPE 31 December 2020.

Nevertheless, there is no assurance that there would not be any future significant exchange rate fluctuations or changes in foreign exchange control regulations, which may have a material and adverse impact on our Group's financial results in the future.

(f) Dependence on foreign workers

Our Group's operations are dependent on foreign workers. As at the LPD, our Group has 435 employees, of which 209 or approximately 48% of our total employees are foreign workers, all of whom are permanent employees mainly from Bangladesh. As such, inadequate availability of foreign workers as well as any revision in policy in relation to hiring of foreign workers by the Malaysian Government may disrupt our operations.

Our Group works closely with our recruitment agencies for the recruitment and renewal of work permits for our foreign workers. To date, our Group have not experienced any material adverse effect on our operations as a result of shortage in the availability of foreign workers for our operations nor were there any issues with work permit renewals or interruptions in our operations during the past 12 months due to shortage of foreign workers.

However, in such an event, our profitability may be affected as the costs of employing local workers in our operations would be higher than for foreign workers.

(g) Financial risk

Our Group's working capital and capital expenditure requirements are funded by internally-generated funds and/or bank borrowings. As at the LPD, our Group's total borrowings amounted to approximately RM18.10 million as set out in **Section 8.2** of this Abridged Prospectus. All our bank borrowings are interest-bearing based on variable rates. As such, any fluctuation in interest rates could have a material effect on our finance costs. Presently, our Group enjoy good credit standing with our bankers and have adequate credit facilities. As at the LPD, our Group's gearing ratio stood at approximately 0.48 times.

Notwithstanding the above, our Board is confident of our ability to meet our financial obligations when they become due and payable, after taking into consideration the banking facilities currently available to us and the usage of proceeds to be raised from the Rights Issue. However, there is no assurance that future fluctuations in interest rates will not adversely impact our Group's performance and profitability.

5.3 Risks relating to the Rights Issue

(a) Delay or failure to implement the Rights Issue

The Rights Issue is exposed to the risk that it may be delayed or not implemented due to the occurrence of force majeure events or circumstances which are beyond the control of our Company and Principal Adviser arising prior to the implementation of the Rights Issue. Such events or circumstances include epidemics or pandemics, natural disasters, adverse developments in political, economic and government policies in Malaysia, including changes in inflation and interest rates, global economic downturn, acts of war, acts of terrorism, riots, expropriations and changes in political leadership.

Pursuant to Rule 6.52 of the Listing Requirements, Heng Huat is required to have at least 100 Warrants holders holding not less than 100 Warrants each.

There can be no assurance that the abovementioned events will not occur and cause a delay or failure to implement the Rights Issue. If not implemented, all monies received from the Rights Issue will be refunded without interest to the Entitled Shareholders/subscribers and/or their renounee(s)/transferee(s) (if applicable).

If such monies are not repaid within 14 days after our Company becomes liable, our Company will repay such monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

In the event that the Rights Shares and/or new Heng Huat Shares to be issued pursuant to the exercise of the Warrants have been allotted to the successful Entitled Shareholders/subscribers and/or their renounee(s)/transferee(s) (if applicable) and the Rights Issue is subsequently cancelled or terminated, a return of monies to the shareholders can only be achieved by way of cancellation of Heng Huat's share capital as provided under the Act. Such cancellation requires the approval of our shareholders by way of special resolution in a general meeting, consent of the creditors of our Company (where applicable) and may require the confirmation of the High Court of Malaya (where applicable). There can be no assurance that such monies can be returned within a short period of time or at all under such circumstances.

Our Company has procured the Undertakings from the Undertaking Shareholders in order to meet the Minimum Scenario. The successful implementation of the Rights Issue is dependent on the fulfilment of the Undertakings from the Undertaking Shareholders. In addition, our Company will endeavour to obtain the requisite approvals and take all reasonable and necessary steps to ensure completion of the Rights Issue.

(b) No prior market for the Warrants

The Warrants are new instruments to be issued by our Company, for which there is currently no public market. No assurance can be given that an active market for these new instruments will develop upon or subsequent to the listing of and quotation for this instrument on the ACE Market of Bursa Securities or, if developed, that such a market will be sustainable or adequately liquid during the tenure of the Warrants.

The market price of the Warrants, like other securities traded on Bursa Securities, is subject to fluctuations and will be influenced by, amongst others, prevailing market sentiments, volatility of the share market, economic and political condition in Malaysia and overseas, the market price of the underlying Shares, interest rate movements, trades of substantial amounts of the Warrants on Bursa Securities in the future, corporate developments as well as the future prospects of the industries in which our Group operates.

While most of the factors as mentioned above are beyond our Group's control, our Group will endeavour to improve its operational performance and profitability, leading to a likely positive reflection in the market price of Heng Huat Shares and potentially increase the trading liquidity of the Warrants.

(c) Investment and capital market risk

The market prices of the Rights Shares and Warrants are influenced by, amongst others, the prevailing market sentiments, the volatility of equity markets, the liquidity of Heng Huat Shares, the outlook of the industries in which our Group operates, changes in regulatory requirements or market conditions, as well as the financial performance and fluctuations in our Group's operating results. In addition, the performance of the Malaysian share market (where Heng Huat Shares are listed) is dependent on the economic and political conditions in Malaysia and overseas as well as external factors such as, amongst others, the performance of the world bourses and flows of foreign funds. In view of this, there can be no assurance that the Rights Shares and the Warrants will trade above their respective issue prices or TEAP upon or subsequent to their listing on the ACE Market of Bursa Securities.

Our Group will endeavour to improve its revenue and earnings thereby increasing the likelihood of a positive reflection in the market price of Heng Huat Shares.

(d) Potential dilution of existing shareholders' shareholding

Entitled Shareholders who do not subscribe for their entitlements under the Rights Issue will experience further such reductions as a result of the issuance of the Rights Shares and exercise of Warrants into new Heng Huat Shares. Consequently, their proportionate entitlements to any dividends, rights, allotments and/or other distributions that our Company may declare, make or pay after completion of the Rights Issue will correspondingly be diluted.

In order to attract the Entitled Shareholders to subscribe for the Rights Issue and mitigate the risk of potential dilution of their shareholdings, our Board had fixed the issue price for the Rights Shares and the exercise price of the Warrants at a discount to the TEAP as set out in **Section 2.1** of this Abridged Prospectus.

(e) Forward-looking statements

Certain statements in this Abridged Prospectus are based on historical information, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies. All statements, other than statements of historical data, included in this Abridged Prospectus, including without limitation, those regarding the financial position, risk factors, prospects and future plans of the Group are forward-looking statements.

Such forward-looking statements contained in this Abridged Prospectus are based on estimates and assumptions made by our Company, unless stated otherwise. Although our Board believes that these forward-looking statements are reasonable at this point in time given the prevailing circumstances, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. In view of the above, the inclusion of any forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by our Company, the Principal Adviser and/or other advisers in relation to the Rights Issue that the plans and objectives of our Group will be achieved.

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6. INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF OUR GROUP

The overview and outlook of the Malaysian biomass materials market for coconut and oil palm empty fruit bunch fibres in Malaysia and China are extracted from the IMR Letter. The profile of the independent market researcher is as follows:

Profile of Protégé Associates

Protégé Associates is an independent market research and business consulting company. Its market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, market trends and the outlook of the market.

Profile of IMR Letter signee, Tan Chin How

Tan Chin How is a director of Protégé Associates. He holds a Master of Business Administration from Charles Stuart University, Australia. He has 18 years of experience in consulting and market research for multiple industries ranging from manufacturing, information technology, renewable energy, steel, oil and gas, aquaculture to various other sectors.

6.1 Overview and outlook of the Malaysian economy

The Malaysian economy recorded a negative growth of 3.4% in the fourth quarter 2020 (3Q 2020: -2.6%), largely attributable to the imposition of the conditional MCO on a number of states since mid-October. The restrictions on mobility, especially on inter-district and inter-state travel, weighed on economic activity. Nevertheless, the continued improvement in external demand provided support to growth. Consequently, except for manufacturing, all economic sectors continued to record negative growth. In terms of sectoral performance, all economic sectors, except manufacturing, registered negative growth in the fourth quarter.

For Malaysia, the momentum in economic recovery was affected by the resurgence in COVID-19 cases and the introduction of targeted containment measures in several states in the fourth quarter 2020. While there were minimal restrictions on production capacity, the movement restrictions implemented in selected states partly affected domestic demand during the quarter.

For 2021, while near-term growth will be affected by the re-introduction of stricter containment measures, the impact, however, will be less severe than that experienced in 2020. The growth trajectory is projected to improve from the second quarter onwards. Improvement will be driven by the recovery in global demand, turnaround in public and private sector expenditure amid continued support from policy measures including PENJANA, KITA PRIHATIN, 2021 Budget and PERMAI, and higher production from existing and new facilities in the manufacturing and mining sectors. The vaccine rollout from February 2021 onwards is also expected to lift sentiments.

The balance of risks remains tilted to the downside, stemming mainly from ongoing uncertainties surrounding the dynamics of the pandemic and potential challenges that might affect the rollout of vaccines both globally and domestically. The outlook, however, is subject to global oil and commodity price developments.

(Source: Economic and Financial Developments in Malaysia in the 4th Quarter of 2020, Bank Negara Malaysia)

The Malaysian economy experienced the full impact of the COVID-19 pandemic in the second quarter of 2020, with the real gross domestic product (“GDP”) contracting by 17.1%. The contraction was mainly attributed to the imposition of the MCO to contain the outbreak. Though affecting all sectors in the economy, the move was necessary to flatten the COVID-19 curve and save lives. Hence, the Government has announced several stimulus packages totalling RM305 billion to support both households and businesses. Reinforced by the reopening of the economy in phases, growth is expected to improve gradually during the second half of the year, cushioning the significant contraction in the first half.

Thus, Malaysia's GDP is expected to contract by 4.5% in 2020 (2019: 4.3%), before rebounding between 6.5% – 7.5% in 2021. With the bold and swift measures undertaken, Malaysia has been recognised as one of the most successful countries in managing the socio-economic impact of the pandemic.

Although domestic demand is expected to remain soft throughout 2020, there are signs of recovery in the second half of the year, particularly in private consumption. On the supply side, all sectors are expected to contract, affected by the unprecedented crisis. Nevertheless, the pace of improvement gathered momentum in the third quarter, especially in the services and manufacturing sectors, with the resumption of economic activities.

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

6.2 Overview and outlook of the Chinese economy

Following a collapse in the first quarter of 2020, economic activity in China has normalized faster than expected, aided by an effective pandemic-control strategy, strong policy support, and resilient exports. While swift, the recovery has been uneven, with domestic demand recovering more slowly than production and consumption more slowly than investment. China recorded real GDP growth of 6.1 percent in 2019. Real GDP growth is projected to slow to 2 percent in 2020 before accelerating to 7.9 percent in 2021, as consumer spending and business investment continue to catch up, along with improving corporate profits, labour market conditions, and incomes.

The growth outlook is predicated on the assumption that well-targeted containment efforts supported by the gradual rollout of effective COVID-19 vaccines starting in early 2021 will continue to keep new infection rates low and prevent the resurgence of large-scale outbreaks.

The growth outlook envisages that localized COVID-19 flareups - occurring until the effective rollout of an effective vaccine - are effectively contained and will not cause major disruptions to economic activity in China. Under this scenario, the recovery in China is projected to continue in 2021, as economic activity broadens to private investment and consumption in response to improved consumer and business confidence and better labour market conditions.

The outlook is predicated on a resumption of structural reforms in China, which are expected to bolster business confidence and support private investment spending. Financial conditions are assumed to remain broadly stable, even though some segments of the economy will continue to experience liquidity pressures as de-risking efforts intensify, and the economy returns to the path of structural moderation that predates the pandemic.

(Source: China Economic Update – December 2020, World Bank Group)

6.3 Overview and outlook of the Malaysian biomass material market

Coconut is one of the oldest industrial crops in Malaysia. Under competition from oil palm for land, the total coconut planted area has increased from 82,000 hectare (“ha”) in 2015 to 86,500 ha in 2019. Along with the increase in total planted area, the production of coconuts registered an increase over the same period, from 505,614 tonnes in 2015 to 536,606 tonnes in 2019. Coconut is mainly produced in Peninsular Malaysia which contributed more than 80% of total coconut production.

According to Food and Agriculture Organisation of the United Nations, Malaysia produced an average of 21,500 tonnes of coconut fibre, each year from 2015 to 2019. On a dry weight basis, a husk is composed of 70% pith, while the remaining 30% is coconut fibre of which 60% are long, 30% have medium length, whilst the remaining are short fibres. In furniture and automotive industries, coconut fibre is a substitution of synthetic rubber. By combining coconut fibre with natural rubber, coconut fibre can be used in filling up the mattress, automobile seat and sofa. Additionally, coconut fibre can also be used to make geotextile for soil erosion control.

Oil palm is the most important agricultural crop in Malaysia. Currently, Malaysia is the second largest palm oil producer in the world after Indonesia. In 2020, the total planted area for oil palm in Malaysia stood at 5.86 million ha compared to 5.90 million ha in 2019. Sabah and Sarawak are the largest oil palm planted states in Malaysia, with both states accounting for 26.3% and 27.0% respectively of total planted area in Malaysia in 2020.

In 2020, crude palm oil (“CPO”) production reduced by 3.8% from 19.9 million tonnes in 2019 to 19.1 million tonnes in 2020. The decrease in CPO production was due to heavy rains during the fourth quarter and labour shortages as a result of COVID-19 pandemic which has led to lower number of fresh fruit bunch (“FFB”) that were processed during the year. Due to the movement control measures amid the COVID-19 pandemic, the Malaysian government (“Government”) has banned foreign workforce from entering the country. It is estimated that foreign labour accounted for 75% of oil palm plantation workforce, the shortage has caused a drop in CPO output. The CPO production is projected to rebound by 3.0% to 19.7 million tonnes in 2021 from 19.1 million tonnes in 2020, underpinned by expectation expansion of oil planted areas and the effects of dry weather that favour production of FFB and subsequent CPO production.

A brief summary of performance of the Malaysian oil palm industry from 2018 to 2020 are as follows:

	2018		2019		2020	
	Volume (tonne)	Year-on-year change (%)	Volume (tonne)	Year-on-year change (%)	Volume (tonne)	Year-on-year change (%)
Production						
CPO	19,516,141	(2.0)	19,858,367	1.8	19,136,929	(3.6)
Crude palm kernel oil	2,299,985	0.8	2,322,184	1.0	2,203,313	(5.1)
Export						
Palm oil	16,487,556	(0.4)	18,471,065	12.0	17,368,865	(6.0)
Palm kernel oil	922,428	(4.7)	1,086,254	17.8	1,219,693	12.3
FFB						
FFB processed by mill	97,803,919	(4.7)	98,277,622	17.8	96,089,236	(2.2)

(Source: Malaysian Palm Oil Board (MPOB))

In 2020, palm oil export volume decreased by 6.0% to 17.4 million tonnes compared to 18.5 million tonnes in 2019 due to lower demand from countries such as China, India and the European Union (“EU”). The export volume of palm kernel oil however, surged by 12.3% to 1.2 million tonnes in 2020 compared to 1.9 million tonnes in 2019. The reason for the decreased exports was due to weak global demand across the world caused by the COVID-19 outbreak. The multi-month stretches of COVID-19 lockdowns have caused restaurants and food outlets that are the major palm oil users to register lower sales and closed down, and resulting in low consumption and demand for palm oil products during the year.

In response to this, the Malaysian Government announced under the National Economic Rebuilding Plan (PENJANA) a 100% duty exemption on the export of crude palm oil, palm oil kernel and processed palm kernel oil from 1 July 2020 to 31 December 2020, providing relief to oil palm smallholders and companies that are affected by the COVID-19 pandemic.

With the recovery of global trade activity, CPO export is anticipated to be encouraging as plantation and commodity sectors are allowed to operate as usual during MCO. In 2021, demand for palm oil products from China and India is anticipated to improve, supported by resumption of business activities and financial stimuli from respective export markets. The EU had set a new food safety standards on chemical food contaminants found in refined oil products and potentially affects palm oil demand from the EU.

In 2020, Malaysia’s palm oil mills received about 96.9 million tonnes of FFB. The high yield of oil palm fruit also led to the abundance of oil palm biomass. Palm oil accounts for only 10% of the total output from oil palm tree, with the remaining 90% being oil palm biomass.

According to the National Biomass Strategy 2020 (NBS 2020), the Malaysian oil palm industry is expected to produce up to approximately 100 million dry tonnes of solid biomass by the year 2020. Currently, the biomass potential especially for EFB is significantly underutilised. In addition, the industry norm of burning to produce bunch ash fertiliser, composting and mulching is not the best use of these resources from both an economic and an environmental standpoint.

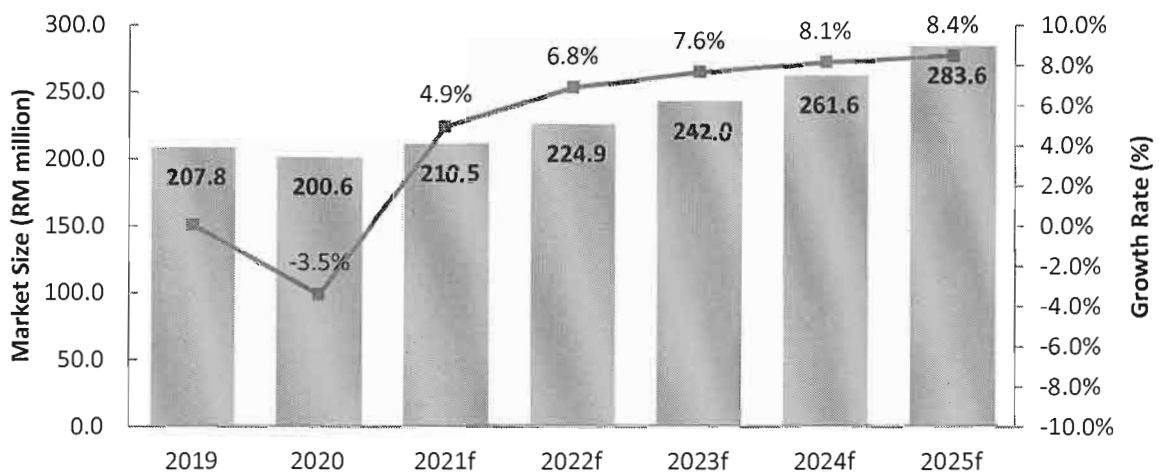
Oil palm EFB fibre can be used for various applications in a wide range of industries due to its clean and biodegradable characteristics. Depending on its length, oil palm EFB fibre can be processed into various end-products. Typically, long oil palm EFB fibre is suitable for mattress and cushion stuffing, geotextiles and fibre reinforced plastic, gypsum and cement while short oil palm EFB fibre is ideal for briquettes, pellets, pulp and insulation sheet. In addition to its length, moisture content, oil content and impurities such as salt content and odour may also affect the quality of oil palm EFB fibre as well. Clean oil palm EFB fibre that is free from impurities is considered to have superior quality which is suitable for the manufacture of composite panel, mattresses and cushion. Meanwhile, oil palm EFB fibre with impurities can be used to make mats.

(Source: IMR Letter)

6.4 Overview and outlook of biomass material markets for coconut and oil palm EFB fibres in Malaysia

In 2020, the biomass materials market for coconut and oil palm EFB fibres in Malaysia registered a decline of 3.5% from RM207.8 million in 2019 to an estimated RM200.6 million in 2020, due to global economic slowdown amid the COVID-19 pandemic. Demand for coconut and oil palm EFB fibres have been hampered during the year. During the year, governments around the world including Malaysia have imposed multiple travel and movement restrictions to curb the spread of COVID-19. This had affected the global supply chain with shortage of supplies, delays from suppliers and to customers, increase of raw materials prices and logistic costs.

The table below set out the market size and growth forecast for the biomass materials market for coconut and oil palm EFB Fibres in Malaysia from 2019 to 2025:



Going forward, the outlook of biomass materials market for coconut and oil palm EFB fibres in Malaysia is expected to be positive throughout the forecast period of 2021 to 2025. Growth in the short term (2021-2022) is affected by the global economic growth outlook for 2021 and 2022. According the World Economic Outlook October 2020 released by the International Monetary Fund, the global economy is projected register a growth of 5.2% in 2021. The global economic recovery will be underpinned by the on-going roll-out of COVID-19 vaccines, as well as resumption of production activity particularly in China, which should further facilitate the recovery of the biomass materials market for coconut and oil palm EFB fibres in Malaysia.

Due to increasing environmental awareness and enforcements coupled with better processing technologies, natural fibres are gaining in popularity and are increasingly finding its way into various applications across industries. The Malaysian biomass materials market for coconut and oil palm fibres caters to both local and foreign demand. As such, growth and expansion of the local biomass materials market for coconut and oil palm fibres is highly diversified as demands are not restricted to local market only but also to the international market, in particular China.

In the medium to long term (2023-2025), factors priming growth within the market is likely to come from a combination of market demand drivers including sustained demand from China, the population growth and greater affluence which spurs demand for end-products, and growing applications of natural fibre. Meanwhile, in terms of supply, the various market drivers including strong governmental support, increasing domestic and foreign investments and initiatives, the increase of oil palm production and better legislation enforcement on environmental protection would help fuel development of the supply environment going forward. The Malaysian government, both at federal and state levels have generally increased their attention towards environment protection and sustainability efforts. Biomass materials such as coconut and oil palm EFB fibres will play a key role in Malaysia's emerging "green" economy. The biomass materials market for coconut and oil palm EFB fibres in Malaysia is also projected to remain resilient in the long term and register a CAGR of 5.3% from RM207.8 million in 2019 to RM283.6 billion in 2025.

(Source: IMR Letter)

6.5 Overview and outlook of biomass material markets for coconut and oil palm EFB fibres in China

There has been rising demand for coconut fibre from China since 2005, attributed to an expansion in applications utilising coconut fibre including mattresses, erosion control products such as geotextiles and as a peat moss substitute in landscaping and horticulture. In addition to serving the needs of its domestic market, Chinese importers also use coconut fibre for the manufacture of mattresses for exports. Chinese mattress manufacturers are aggressively expanding overseas and they require more raw materials such as coconut. China imports coconut fibre from India, Indonesia and Sri Lanka whom are the major producers of coir. Other countries that China import from are Malaysia, Philippines and Thailand.

In 2020, a total of 574,084 tonnes of coconut fibre was imported by China, a decline of 6.0% from 610,673 tonnes in 2019, mainly due to COVID-19 pandemic that has severely affected the global economy. In line with the decrease in the import of coconut fibre, China's export of mattress over the first 11 months of 2020 has also declined by 13.0% to 27.2 million mattresses as compared with its corresponding period in 2019. With global COVID-19 vaccination programme currently underway, global economy activity is expected to recover progressively, returning the demand for mattresses to its pre COVID-19 level. This is expected to increase the import of coconut fibre (raw material for mattress) as manufacturers resume production.

Apart from coconut fibre, oil palm EFB fibre has emerged as a viable substitute for coconut fibre in particular as a raw material for mattress and geotextile production. Oil palm EFB fibre can be used to replace coconut fibre in the manufacture of mattresses and cushions, geotextiles, and other fibre-based products due to its strong bond characteristics. The use of oil palm EFB fibre as a replacement for coconut fibre is still at its infancy due to its newness. However, the acceptance level will likely increase over time as it is a viable alternative to coconut fibre.

(Source: IMR Letter)

6.6 Prospects of our Group

Our Group is principally involved in the manufacturing and trading of biomass materials and value-added products focusing on oil palm EFB fibre, coconut fibre and value-added products. Our Group is also a manufacturer and distributor of its own brands of mattresses and bedding accessories. Our Group has been facing challenges in its existing business of manufacturing and trading of biomass materials and value-added products in view of the outbreak of COVID-19 pandemic had reduced demand from its China-based customers.

In addition, the MCO imposed since March 2020 followed by the 2nd MCO imposed from 13 January 2021 to contain the COVID-19 outbreak has constrained the plantation workforce, which has in turn affected palm oil and coconut estates and its related industries operations in Malaysia.

Our Group exerts stringent quality controls over its production processes and this has enabled them 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. For the 15M FPE 31 March 2020, its oil palm EFB fibres were exported directly or through agents to China (approximately 100%).

The oil palm EFB fibres are exported to China where it is mainly used as raw materials for the production of mattresses. Meanwhile, our Group consumes a large proportion of its internally-produced coconut fibres through the manufacturing of the value-added products such as mattress fibre sheets and coconut peats.

Our Group is one of the few mattress manufacturers that have successfully moved upstream into the manufacturing of its own mattress fibre sheets made from coconut fibres. It is a fully-integrated fibre mattress, divan and headboard manufacturer. Our Group designs, markets, produces and distributes its own fibre mattresses under the brand of “Fibre Star”, which is made from its internally-produced mattress fibre sheets, whilst other bedding accessories such as cushions, pillows and bolsters are marketed under the brand of “Xiong Mao”.

Currently, all our Group’s fibre and other mattresses and bedding accessories are distributed to furniture retailers in Malaysia. By manufacturing its own mattress fibre sheets, it is able to effectively control the availability of materials. This allows the flexibility of scaling up production with greater predictability while giving them better control over production costs through the reduction of production time and material costs. In addition, our Group plays an important role as an Original Equipment Manufacturer (OEM) of fibre mattresses for reputable brands in the local market.

Moving forward, our Group expects the orders for oil palm EFB fibre from China, being its primary market, to experience a greater degree of volatility as a gradual slowdown in economic growth is expected to continue in view of the COVID-19 outbreak. Our Board is unable to determine the full impact of the COVID-19 outbreak on the financial performance of our Group at this juncture. An impairment assessment done by the management on our Group’s non-current tangible and intangible assets as well as its expected credit loss position of its trade receivables as at 31 March 2020 had resulted in the impairment of non-performing tangible and intangible non-current assets and higher expected credit loss rates is expected to be incorporated in the financial year ended 31 March 2021 as well as specific impairment on balances due from certain customers based in China as a result of the COVID-19 outbreak.

Our Board will monitor market developments closely, and ensure that prompt action is taken in response to any changes. Our Board will, from time to time, identify appropriate new business ventures or opportunities to enhance and expand its revenue base and source. Announcement(s) will be made in accordance with the Listing Requirements and/or approval will be sought from our shareholders if and when agreements are entered into for such business ventures or opportunities, if required.

After taking into consideration the above and the outlook of the economy, overview and outlook of Malaysian biomass material markets, biomass material markets for coconut and oil palm EFB fibres in Malaysia, biomass material markets for coconut and oil palm EFB fibres in China as set out in **Sections 6.1 to 6.5** of this Abridged Prospectus, the management is cautiously optimistic that the Rights Issue is in the best interest of our Company and our Group will be able to continue delivering positive results and in turn, enhance shareholders’ value in Heng Huat.

(Source: Management of Heng Huat)

7. EFFECTS OF THE RIGHTS ISSUE

7.1 Share capital and number of issued Shares

The pro forma effects of the Rights Issue on the issued share capital of our Company are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD	92,471,601	60,054,641	92,471,601	60,054,641
To be issued pursuant to the Rights Issue	10,656,250	762,146 ⁽¹⁾	46,235,800	5,049,707 ⁽¹⁾
Assuming full exercise of Warrants	103,127,851	60,816,787	138,707,401	65,104,348
Enlarged share capital	15,984,375	4,043,979⁽²⁾	69,353,700	17,546,193⁽²⁾
	119,112,226	64,860,766	208,061,101	82,650,541

Notes:

- (1) Based on the issue price of RM0.20 per Rights Share, inclusive of estimated expenses of approximately RM0.52 million in relation to the Rights Issue and after debiting share capital for the corresponding amount credited to warrants reserve for the issuance of Warrants.
- (2) Based on the exercise price of RM0.20 per Warrant and after crediting share capital for the corresponding reversal of warrants reserve.

7.2 NA and gearing

The pro forma effects of Rights Issue on the NA and gearing of our Group based on the unaudited consolidated financial statements of our Company as at 31 December 2020 are as follows:

Minimum Scenario

	(Unaudited)	(I)	(II)
	As at 31 December 2020 (RM'000)	After the Rights Issue (RM'000)	After (I) and assuming full exercise of the Warrants (RM'000)
Share capital	60,055	60,817 ⁽¹⁾⁽²⁾	64,861 ⁽³⁾
Other reserve	(5,185)	(5,185)	(5,185)
Warrants reserve	-	847 ⁽³⁾	-
Retained earnings	(17,308)	(17,308)	(17,308)
Shareholders' funds/ NA	37,562	39,171	42,368
No. of Shares in issue ('000)	92,472	103,128	119,112
NA per Share (RM)	0.41	0.38	0.36
Total borrowings (RM)	16,847	15,238 ⁽⁴⁾	15,238
Gearing (times)	0.45	0.39	0.36

Notes:

- (1) After the issuance of 10,656,250 Rights Shares at an issue price of RM0.20 each, and after debiting share capital for the corresponding amount credited to warrants reserve for the issuance of Warrants.
- (2) After deducting estimated expenses of approximately RM0.52 million in relation to the Rights Issue.
- (3) The Warrants have been allocated a total value of approximately RM0.85 million based on the relative fair value method.
- (4) After the repayment of bank borrowings of approximately RM1.61 million from the proceeds of the Rights Issue.
- (5) Arising from the exercise of 15,984,375 Warrants at an exercise price of RM0.20 each pursuant to the Rights Issue, and after crediting share capital for the corresponding reversal of warrants reserve.

Maximum Scenario

	(Unaudited) As at 31 December 2020 (RM'000)	(I) After the Rights Issue (RM'000)	(II) After (I) and assuming full exercise of the Warrants (RM'000)
Share capital	60,055	65,104 ⁽¹⁾⁽²⁾	82,651 ⁽⁵⁾
Other reserve	(5,185)	(5,185)	(5,185)
Warrants reserve	-	3,675 ⁽³⁾	-
Retained profits	(17,308)	(17,308)	(17,308)
Shareholders' funds/ NA	37,562	46,286	60,158
No. of Shares in issue ('000)	92,472	138,707	208,061
NA per Share (RM)	0.41	0.33	0.29
Total borrowings (RM)	16,847	9,948 ⁽⁴⁾	9,948
Gearing (times)	0.45	0.22	0.17

Notes:

- (1) After the issuance of 46,235,800 Rights Shares at an issue price of RM0.20 each, and after debiting share capital for the corresponding amount credited to warrants reserve for the issuance of Warrants.
- (2) After deducting estimated expenses of approximately RM0.52 million in relation to the Rights Issue.
- (3) The Warrants have been allocated a total value of approximately RM3.68 million based on the relative fair value method.
- (4) After the repayment of bank borrowings of approximately RM6.90 million from the proceeds of the Rights Issue.
- (5) Arising from the exercise of 69,353,700 Warrants at an exercise price of RM0.20 each pursuant to the Rights Issue, and after crediting share capital for the corresponding reversal of warrants reserve.

7.3 Earnings and EPS

The potential effects of the Rights Issue on the future consolidated earnings and EPS of our Company will depend on, amongst others, the number of Rights Shares to be issued and the level of returns generated from the utilisation of the proceeds to be raised from the Rights Issue as set out in **Section 4** of this Abridged Prospectus. However, the usage of proceeds to be raised from the Rights Issue is expected to contribute positively to the future earnings of our Group.

The EPS of our Group will be diluted as a result of the increase in the number of issued Heng Huat Shares arising from the issuance of the Rights Shares and exercise of the Warrants in the future. The effects of any exercise of the Warrants on the EPS of our Group would depend on the number of Warrants exercisable into new Heng Huat Shares as well as the returns generated by our Group from the use of proceeds arising from the Rights Issue.

For illustrative purposes, the pro forma effects of the Rights Issue on our Group's LPS is as follows:

Minimum Scenario

	(Unaudited) As at 31 December 2020 (RM'000)	(I) After the Rights Issue (RM'000)	(II) After (I) and assuming full exercise of the Warrants (RM'000)
LAT	(18,019)	(18,019)	(18,019)
No. of Shares in issue ('000)	92,472	103,128	119,112
LPS (RM)	(0.19)	(0.17)	(0.15)

Maximum Scenario

	(Unaudited) As at 31 December 2020 (RM'000)	(I) After the Rights Issue (RM'000)	(II) After (I) and assuming full exercise of the Warrants (RM'000)
LAT	(18,019)	(18,019)	(18,019)
No. of Shares in issue ('000)	92,472	138,707	208,061
LPS (RM)	(0.19)	(0.13)	(0.09)

7.4 Convertible securities

On 2 December 2020, our shareholders had approved the establishment of the SIS. As at the LPD, our Company has yet to effect the SIS. In the event our Company effects the SIS and grants such SIS options prior to the implementation of the Rights Issue, such SIS options granted may be subject to adjustments on the exercise price and/or number of Heng Huat Shares to be issued and allotted pursuant to the exercise of the SIS options in accordance with the provisions of the By-Laws governing the SIS.

Save as disclosed and the Warrants to be issued pursuant to the Rights Issue, our Company does not have any convertible securities.

8. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, MATERIAL COMMITMENTS AND MATERIAL TRANSACTIONS**8.1 Working capital**

Our business has been financed by a combination of internal and external sources of funds. The internal sources are funds from shareholders and cash generated from our operations. As at the LPD, our Group has cash and bank balances of RM4.58 million as well as unutilised bank overdrafts with a limit of RM5.79 million. The external sources are from bank borrowings from local banks which bear average interest rate of 5.05% per annum and credit terms granted by our suppliers. The credit period granted by our suppliers to our Group ranges from 30 to 60 days. Our Group has also obtained finance lease facilities from financial institutions for our motor vehicles.

Apart from the above-mentioned sources of liquidity, our Group does not have access to other material unused sources of liquidity as at the LPD.

Our Board is of the opinion that our Group will have sufficient working capital for our operations in the next 12 months commencing from the date of this Abridged Prospectus after taking into consideration the proceeds from the Rights Issue, cash in hand, funds generated from our operations and available banking facilities as well as the potential impact of COVID-19 on the operations to our Group (as set out in **Section 5** of this Abridged Prospectus).

8.2 Borrowings

As at the LPD, our Group has total outstanding borrowings of approximately RM18.10 million, all of which are interest-bearing, denominated in RM and from local financial institutions, as follows:

	As at the LPD (RM'000)
Short-term borrowings:	
Hire purchase payables	920
Term loans	3,067
Overdrafts	5,914
Banker's acceptances	97
Long-term borrowings:	
Hire purchase payables	1,128
Term loans	6,972
Total	18,098

As at the LPD, our Group does not have any non-interest bearing and foreign currency-denominated borrowings.

Our Board, after having made all reasonable enquiries, confirms that there has not been any default by our Group on payments of either interest or principal sums, in respect of any borrowings during the 15M FPE 31 March 2020 and the subsequent period up to the LPD.

8.3 Contingent liabilities

Our Board has confirmed that as at the LPD, there are no contingent liabilities incurred or known to be incurred by our Group, which upon becoming enforceable, may have a material impact on the financial position of our Group, save as disclosed below:

Description	Group level (RM'000)	Company level (RM'000)
Corporate guarantee given to banks for credit facilities granted to subsidiaries (unsecured)	46,316	46,316

8.4 Material commitments

Our Board has confirmed that as at the LPD, there are no material commitments for capital expenditure incurred by our Group, which upon becoming enforceable, may have a material impact on the financial position of our Group.

8.5 Material transactions

Our Board has confirmed that there are no other transactions which may have a material effect on our Group's operations, financial position and results since our Group's most recent interim announced unaudited consolidated financial statements for the 9M FPE 31 December 2020, save for the Rights Issue and the SIS if implemented.

9. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION FOR THE RIGHTS ISSUE

9.1 General

As you are an Entitled Shareholder, your CDS account will be duly credited with the number of Provisional Rights Shares with Warrants which you are entitled to subscribe for in full or in part, under the terms of the Rights Issue. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Rights Shares with Warrants into your CDS account and the RSF to enable you to subscribe for such Rights Shares with Warrants provisionally allotted to you, as well as to apply for excess Rights Shares with Warrants, if you choose to do so.

The Documents are also available at our registered office, our Share Registrar's office or on Bursa Securities' website at <https://www.bursamalaysia.com>.

9.2 NPA

The Provisional Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in such Provisional Rights Shares with Warrants will be by book entries through the CDS accounts and will be governed by SICDA and Rules of Bursa Depository. You and/or your renounee(s)/transferee(s) (if applicable) are required to have valid and subsisting CDS accounts when making your applications.

9.3 Methods of acceptance and application

You may subscribe for the Provisional Rights Shares with Warrants as well as apply for excess Rights Shares with Warrants, if you choose to do so, using either of the following methods:

Method	Category of Entitled Shareholders
RSF	All Entitled Shareholders
e-Subscription	All Entitled Shareholders

9.4 Last date and time for acceptance and payment

The last date and time for acceptance of and payment for the Provisional Rights Shares with Warrants as well as application and payment for the excess Rights Shares with Warrants is **on 28 April 2021 at 5.00 p.m.**

We shall make an announcement on the outcome of the Rights Issue after the Closing Date.

9.5 Procedures for acceptance and payment

9.5.1 By way of RSF

If you wish to accept your entitlement to the Provisional Rights Shares with Warrants, the acceptance of and payment for the Provisional Rights Shares with Warrants must be made on the respective RSF enclosed with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances and/or payments for the Provisional Rights Shares with Warrants which do not conform to the terms of this Abridged Prospectus, the NPA or the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

Renouncee(s)/transferee(s) who wishes to accept the Provisional Rights Shares with Warrants must obtain a copy of the RSF from their stockbrokers or our Share Registrar or at our Registered Office or from the Bursa Securities' website at <http://www.bursamalaysia.com> and complete the RSF and submit the same together with the remittance to our Share Registrar in accordance with the notes and instructions printed therein.

The procedures for acceptance and payment applicable to the Entitled Shareholders also apply to renouncee(s)/transferee(s) who wishes to accept the Provisional Rights Shares with Warrants.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES WITH WARRANTS AND EXCESS APPLICATION FOR THE RIGHTS SHARES WITH WARRANTS AS WELL AS THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/OR YOUR RENOUNCEE(S)/TRANSFEREE(S) (IF APPLICABLE) WISH TO SELL/ TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS PRINTED THEREIN. IN ACCORDANCE WITH SECTION 232(2) OF THE CMSA, THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS ABRIDGED PROSPECTUS.

YOU AND/OR YOUR RENOUNCEE(S)/TRANSFEREE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS PRINTED THEREIN CAREFULLY.

If you and/or your renounee(s)/transferee(s) (if applicable) wish to accept your entitlement to the Provisional Rights Shares with Warrants, please complete Part I(A) and Part II of the RSF in accordance with the notes and instructions printed therein. Thereafter, please send each completed and signed RSF together with the relevant payment by using the envelope provided (at your own risk) to our Share Registrar by **ORDINARY POST, DELIVERY BY HAND** and/or **COURIER** at the following address:

AGRITEUM Share Registration Services Sdn Bhd
2nd Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang

Tel. no.: 04-228 2321
Fax. no.: 04-227 2391

so as to arrive **not later than 5.00 p.m. on Wednesday, 28 April 2021**, being the last time and date for acceptance and payment for the Provisional Rights Shares with Warrants.

1 RSF can only be used for acceptance of Provisional Rights Shares with Warrants standing to the credit of 1 CDS account. Separate RSF(s) must be used for separate CDS account(s). If successful, the Rights Shares with Warrants subscribed for will be credited into your CDS account(s) where the Provisional Rights Shares with Warrants are standing to the credit. A reply envelope is enclosed in this Abridged Prospectus. In order to facilitate the processing of the RSF by our Share Registrar for the Rights Shares with Warrants, you are advised to use 1 reply envelope for each completed RSF.

You and/or your renounee(s)/transferee(s) (if applicable) should take note that a trading board lot for the Rights Shares and Warrants comprises 100 Rights Shares and 100 Warrants, respectively. The minimum number of securities that can be subscribed for or accepted is 1 Rights Share for every 2 existing Heng Huat Shares held on the Entitlement Date. Successful applicants of the Rights Shares will be given the Warrants on the basis of 3 Warrants for every 2 Rights Shares successfully subscribed for. Fractions of Rights Shares, if any, arising from the Rights Issue, will be disregarded and dealt with by our Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of our Company.

If acceptance of and payment for the Provisional Rights Shares with Warrants are not received by our Share Registrar by **5.00 p.m. on Wednesday, 28 April 2021**, being the last time and date for acceptance and payment, you will be deemed to have declined the provisional entitlement made to you and it will be cancelled. In the event that the Rights Shares with Warrants are not fully taken up by such applicants, our Board will then have the right to allot such Rights Shares with Warrants to the applicants who have applied for the excess Rights Shares with Warrants in the manner as sets out in **Section 9.8** of this Abridged Prospectus. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar. Our Board reserves the right not to accept any application or to accept any application in part only without providing any reason.

If you lose, misplace or for any other reasons require another copy of this Abridged Prospectus and/or the RSF, you may obtain additional copies from your stockbrokers, our Share Registrar at the address stated above, at Bursa Securities' website at <http://www.bursamalaysia.com>, or at our Registered Office.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE IN RM FOR THE FULL AMOUNT PAYABLE FOR THE PROVISIONAL RIGHTS SHARES WITH WARRANTS ACCEPTED, IN THE FORM OF BANKER'S DRAFT(S) OR CASHIER'S ORDER(S) DRAWN ON A BANK IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "HENG HUAT RESOURCES GROUP BERHAD - RIGHT ISSUE ACCOUNT" FOR THE RIGHTS SHARES WITH WARRANTS AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME IN BLOCK LETTERS, CONTACT NUMBER, ADDRESS AND CDS ACCOUNT NUMBER SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR NOT LATER THAN THE CLOSING DATE.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNERS STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE.

HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED WITH THEIR RIGHTS SHARES WITH WARRANTS AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO THEM OR THEIR RENOUNCEE(S)/TRANSFEREE(S) (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN 8 MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES. APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT WITHIN 15 MARKET DAYS FROM THE CLOSING DATE BY ORDINARY POST TO THE ADDRESS SHOWN IN BURSA DEPOSITORY'S RECORD OF DEPOSITORS AT THE APPLICANT'S OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

9.5.2 By way of e-Subscription

You and/or your renounee(s)/transferee(s) (if applicable) can have the option to accept and make payment for your entitlement to the Provisional Rights Shares with Warrants through the e-Subscription available to you upon your login to *AGRITEUM* Portal at www.agriteum.com.my. You are advised to read the instructions as well as the terms and conditions of the e-Subscription. The e-Subscription is available to Entitled Shareholders including individuals, corporations or institutional shareholders.

Entitled Shareholders who wish to subscribe for the Rights Shares with Warrants and apply for the Excess Rights Shares with Warrants by way of e-Subscription, shall take note of the following:

- (a) any e-Subscription received after the Closing Date by our Share Registrar may not be accepted at the absolute discretion of our Board. All valid e-Subscription received by our Share Registrar are irrevocable and cannot be subsequently withdrawn;
- (b) the e-Subscription must be made in accordance with the procedures and terms and conditions of the e-Subscription, this Abridged Prospectus and the notes and conditions contained in the e-RSF. Any incomplete or incorrectly completed e-RSF submitted via *AGRITEUM* Portal may or may not be accepted at the absolute discretion of our Board;
- (c) your application for the Rights Shares with Warrants and excess Rights Shares with Warrants (if applicable) must be accompanied by the remittance in RM via internet bank transfer, the bank account details as follows:

Account name	Heng Huat Resources Group Berhad - Right Issue Account	Heng Huat Resources Group Berhad - Excess Right Issue Account
Bank	Public Bank Berhad	Public Bank Berhad
Bank account no.	3223530913	3223531035

You are required to pay an **additional fee of RM15.00** being the stamp duty and handling fee for each e-Subscription into our Share Registrar's bank account as follows:

Account name	AGRITEUM Share Registration Services Sdn Bhd
Bank	Ambank (M) Berhad
Bank account no.	8881024452564

(d) All individual Entitled Shareholders who wish to submit by way of e-Subscription are required to follow the procedures and read the terms and conditions as stated below:

(i) Procedures

	Procedures	Action
User Registration		
1.	Register as a user	<ul style="list-style-type: none"> • Access the <i>AGRITEUM</i> Portal at www.agriteum.com.my • Click <<Login/Register>> followed by <<Register New User>> to register as a new user. • Complete the registration by filling up the information required and upload a clear copy of your MyKAD (both front and back page) or Passport. • Read and agree to the terms & conditions and thereafter submit your registration. • Please enter a valid email address in order for you to receive the verification email from the <i>AGRITEUM</i> Portal. • Please verify your email address before the link expire in one (1) hour from your registration. • Your registration will be verified and approved by the <i>AGRITEUM</i> Portal. Once approved, an email notification will be sent to you. • If you have already registered an account with <i>AGRITEUM</i> Portal, you are not required to register again. A notification email will be sent to your email address that you have registered with the <i>AGRITEUM</i> Portal.
e-Subscription		
2.	Procedures for e-Subscription Individual/ Corporation/ Institutional Registered Entitled Shareholder	<ul style="list-style-type: none"> • Sign in to www.agriteum.com.my • Login with your user ID and password for e-Subscription before the Closing Date. • Click the "MY RIGHTS ISSUE". • Select the Company name from the drop selection and click the relevant Corporate Exercise event name. • Select the CDS account that you wish to submit and input the number of Right Shares to subscribe and number of excess Rights Shares to apply.

	<ul style="list-style-type: none">• Ensure all information in the form is accurate and then confirm submit the form.• Upload the proof of payment(s) for the subscription and click the confirm button to submit the e-RSF.
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If you encounter any problems during the registration or submission, please email our Share Registrar at agriteumsrs@gmail.com or call our Share Registrar at **04-2282321** for assistance.

(ii) Terms and conditions of the e-Subscription

By submitting your acceptance of the Rights Shares with Warrants and application of the excess Rights Shares with Warrants (if applicable) by way of e-Subscription:

- (a) you confirmed that you have attained 18 years of age as at the last day for subscription and payment;
- (b) you confirmed that you have, prior to making the e-Subscription, received a printed copy of this Abridged Prospectus and/or have had access to this Abridged Prospectus from Bursa Securities' website at www.bursamalaysia.com, the contents of which you have read and understood;
- (c) you agree to all the terms and conditions for the e-Subscription and have carefully considered the risk factors as set out in this Abridged Prospectus, in addition to all other information contained in this Abridged Prospectus, before making the e-Subscription application;
- (d) you agree and undertake to subscribe for and to accept the number of Rights Shares and excess Rights Shares with Warrants applied for (if applicable) as stated in the e-RSF. Your confirmation of your subscription will signify, and will be treated as, your subscription of the number of Rights Shares with Warrants that may be allotted to you;
- (e) You acknowledge that your submission by way of e-Subscription is subject to the risks of electrical, electronic, technical, transmission, communication and computer related faults and breakdowns, fires and other events beyond the control of our Company or our Share Registrar and irrevocably agree that if:
 - (aa) our Company or our Share Registrar does not receive your submission of the e-RSF; or
 - (bb) data on the e-RSF is wholly or partially lost, corrupted or inaccessible, or not transmitted or not communicated to our Share Registrar,

your submission of the e-RSF will be deemed as failed and not to have been made. Our Company and our Share Registrar will not be held liable for any delays, failures or inaccuracies in the processing of your e-Subscription due to the above reasons and you further agree that you may not make any claims whatsoever against our Company or our Share Registrar for any loss, compensation or damage in relation to the unsuccessful or failure of your e-Subscription;

- (f) You will ensure that all information provided by you in the e-RSF is identical with the information in the records of Bursa Depository and further agree and confirm that in the event the said information differs from the records of Bursa Depository, your application by way of e-Subscription may be rejected at the absolute discretion of our Board without assigning any reason. Therefore:
 - (aa) you must inform Bursa Depository promptly of any change in address failing which the notification on the outcome of your e-Subscription will be sent to your address last maintained with Bursa Depository;
 - (bb) by making and completing an e-Subscription, you agree that:
 - (i) in consideration of our Company agreeing to allow and accept your e-Subscription for the Provisional Rights Shares with Warrants and excess Rights Shares with Warrants applied (if applicable), your e-Subscription is irrevocable and cannot be subsequently withdrawn; and
 - (ii) our Share Registrar will not be liable for any delays, failures or inaccuracies in the processing of data relating to your e-Subscription due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;
- (g) You agree that your application shall not be deemed to have been accepted by reason of the remittance have been made.
- (h) You agree that all the Rights Shares and Warrants to be issued pursuant to the Rights Issue will be allotted by way of crediting the Rights Shares and Warrants into your CDS account. No physical share or warrant certificates will be issued.
- (i) You agree that our Company and our Share Registrar reserve the right to reject your application which does not conform to these terms and conditions.
- (j) If your application is successful, a notice of allotment will be issued and despatched by ordinary post to the address as shown in the Record of Depositors provided by Bursa Depository at your own risk within 8 market days from the last date of acceptance and payment for the Rights Issue.
- (k) Where your application is not accepted or accepted only in part, the full amount or the balance of the application monies, as the case may be, shall be refunded without interest by banker's cheque within 15 market days from the last date of acceptance and payment for the Rights Issue and will be despatched by ordinary post to the address as shown in the Record of Depositors provided by Bursa Depository at your own risk.

If acceptance of and payment for the Provisional Rights Shares with Warrants allotted to you (whether in full or in part, as the case may be) are not received by our Share Registrar by 5.00 p.m. on **Wednesday 28 April 2021**, the provisional entitlement to you or remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled. Our Board will have the right to allot any Rights Shares with Warrants not taken up or not validly taken up to applicants applying for the excess Rights Shares with Warrants in the manner as set out in **Section 9.8** of this Abridged Prospectus.

9.6 Procedures for part acceptance

You are entitled to accept part of your Provisional Rights Shares with Warrants provided always that the minimum number of Rights Shares that can be subscribed for or accepted is 1 Rights Share. However, the Warrants will be issued in the proportion of 3 Warrants for every 2 Rights Shares subscribed. Fractions of Rights Shares will be disregarded and dealt with in a fair and equitable manner as our Board deems fit and expedient and in the best interest of our Company.

You must complete the e-RSF or both Part I(A) and Part II of the RSF by specifying the number of the Provisional Rights Shares with Warrants which you are accepting and submit the e-RSF or deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the manners as set out in **Section 9.5** of this Abridged Prospectus.

The portion of the Provisional Rights Shares with Warrants that have not been accepted will be made available to applicants for applications of excess Rights Shares with Warrants.

9.7 Procedures for sale/transfer of Provisional Rights Shares with Warrants

As the Provisional Rights Shares with Warrants are prescribed securities, you may sell or transfer all or part of your entitlement to the Provisional Rights Shares with Warrants to 1 or more person(s) through your stockbrokers without first having to request for a split of the Provisional Rights Shares with Warrants standing to the credit of your CDS accounts. To sell or transfer all or part of your entitlement to the Provisional Rights Shares with Warrants, you may sell such entitlement in the open market of Bursa Securities or transfer such entitlement to such person(s) as may be allowed pursuant to the Rules of Bursa Depository.

If you have sold or transferred only part of the Provisional Rights Shares with Warrants, you may still accept the balance of the Provisional Rights Shares with Warrants by submitting the e-RSF or by completing Part I(A) and Part II of the RSF. Please refer to **Section 9.5** of this Abridged Prospectus for the procedures for acceptance and payment.

In selling/transferring all or part of your Provisional Rights Shares with Warrants, you need not deliver any document, including the RSF, to any stockbroker. However, you must ensure that there is sufficient Provisional Rights Shares with Warrants standing to the credit of your CDS accounts that are available for settlement of the sale or transfer.

9.8 Procedures for application for excess Rights Shares with Warrants

9.8.1 By way of RSF

You and/or your renounee(s)/transferee(s) (if applicable) who accepted the Provisional Rights Shares with Warrants may apply for excess Rights Shares with Warrants by completing Part I(B) of the RSF (in addition to Part I(A) and Part II) and forwarding it (together with a **separate remittance** made in RM for the full amount payable in respect of the excess Rights Shares with Warrants applied for) to our Share Registrar so as to be received by our Share Registrar **not later than 5.00 p.m. on Wednesday, 28 April 2021**, being the last time and date for acceptance of and payment for excess Rights Shares with Warrants.

PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS APPLIED FOR SHOULD BE MADE IN THE SAME MANNERS AS DESCRIBED IN SECTION 9.4 OF THIS ABRIDGED PROSPECTUS, EXCEPT THAT THE BANKER'S DRAFT(S) OR CASHIER'S ORDER(S) DRAWN ON A BANK IN MALAYSIA CROSSED "A/C PAYEE ONLY" MUST BE MADE PAYABLE TO "HENG HUAT RESOURCES GROUP BERHAD - EXCESS RIGHT ISSUE ACCOUNT" FOR THE EXCESS RIGHTS SHARES WITH WARRANTS AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME IN BLOCK LETTERS, CONTACT NUMBER, ADDRESS AND CDS ACCOUNT NUMBER SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR NOT LATER THAN THE CLOSING DATE.

9.8.2 By way of e-Subscription

You and/or your renounee(s)/transferee(s) (if applicable) may apply for the excess Rights Shares with Warrants via e-Subscription in addition to your Provisional Rights Shares with Warrants. If you wish to do so, you may apply for the excess Rights Shares with Warrants by following the same steps as set out in **Section 9.5.2** of this Abridged Prospectus. The e-Subscription for excess Rights Shares with Warrants will be made on, and subject to, the same terms and conditions appearing in **Section 9.5.2** of this Abridged Prospectus.

It is the intention of our Board to allot the excess Rights Shares with Warrants on a fair and equitable basis and in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to the Entitled Shareholders who have applied for excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on their respective shareholdings in our Company as at the Entitlement Date;
- (iii) thirdly, for allocation to the Entitled Shareholders who have applied for excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on the quantum of their respective excess applications; and
- (iv) lastly, for allocation to renounee(s)/transferee(s) (if applicable) who has/have applied for the excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on the quantum of their respective excess applications.

If there is any remaining excess Rights Shares with Warrants after steps (i) to (iv) have been carried out, steps (ii) to (iv) will be repeated until all remaining excess Rights Shares with Warrants have been allocated.

Nevertheless, our Board reserves the right to allot any excess Rights Shares with Warrants applied for via the e-RSF or under Part I(B) of the RSF in such manner as it deems fit and expedient and in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis and that the intention of our Board as set out in (i), (ii), (iii) and (iv) above are achieved. Our Board also reserves the right to accept any excess Rights Shares with Warrants application, in full or in part, without assigning any reason.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR EXCESS APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES WITH WARRANTS. HOWEVER, IF YOUR EXCESS APPLICATION IS SUCCESSFUL, THE RIGHTS SHARES WITH WARRANTS WILL BE CREDITED INTO YOUR CDS ACCOUNT AND NOTICE OF ALLOTMENT WILL BE DESPATCHED BY ORDINARY POST WITHIN 8 MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED OR ALLOWED BY BURSA SECURITIES.

APPLICATIONS FOR THE EXCESS RIGHTS SHARES WITH WARRANTS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY SUCH APPLICATION OR TO ACCEPT ANY SUCH APPLICATION IN PART WITHOUT ASSIGNING ANY REASON THEREOF.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNERS STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST. THE REFUND WILL BE MADE BY ISSUANCE OF CHEQUE AND SHALL BE DESPATCHED TO THE APPLICANT WITHIN 15 MARKET DAYS FROM THE CLOSING DATE BY ORDINARY POST TO THE ADDRESS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANT'S OWN RISK.

9.9 Procedures to be followed by renounee(s)/transferee(s)

As a renounee/transferee, the procedures for acceptance, selling or transferring of Provisional Rights Shares with Warrants, applying for the excess Rights Shares with Warrants and/or payment is the same as that which is applicable to Entitled Shareholders as described in **Sections 9.3 to 9.8** of this Abridged Prospectus. Please refer to the relevant sections for the procedures to be followed.

If you wish to obtain a copy of this Abridged Prospectus and/or accompanying RSF, you can request the same from our registered office, our Share Registrar's office or Bursa Securities' website at <http://www.bursamalaysia.com>.

RENOUNCEE(S)/TRANSFEREE(S) ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

9.10 Form of issuance

Bursa Securities has prescribed that our Shares and Warrants listed on the ACE Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares with Warrants and the new Shares to be issued arising from the exercise of Warrants are prescribed securities and as such SICDA and Rules of Bursa Depository shall apply in respect of the dealings in these securities. You must have a valid and subsisting CDS account in order to subscribe for the Rights Shares with Warrants.

Notice of allotment will be despatched or sent to you and/or your renounee(s)/transferee(s) (if applicable) by ordinary post to the address shown in our Record of Depositors provided by Bursa Depository at your own risk within 8 Market Days from the Closing Date or such other period as may be prescribed by Bursa Securities.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS account number may result in the application being rejected. Your subscription for the Rights Shares with Warrants shall mean your consent to receiving such Rights Shares with Warrants as deposited securities which will be credited directly into your CDS account. No physical share certificate or warrant certificate will be issued to you under the Rights Issue. Instead, the Rights Shares with Warrants will be credited directly into your CDS accounts, and notices of allotment will be sent to you in the manners as stated in **Section 9.10** of this Abridged Prospectus.

Any person who has purchased the Provisional Rights Shares with Warrants or to whom Provisional Rights Shares with Warrants have/has been transferred and intends to subscribe for the Rights Shares with Warrants must state his/her CDS account number where the Provisional Rights Shares with Warrants are standing to the credit in the space provided in the RSF. The Rights Shares with Warrants will be credited directly as prescribed or deposited securities into his/her CDS account upon allotment and issue.

The excess Rights Shares with Warrants, if allotted to the successful applicant who applies for excess Rights Shares with Warrants, will be credited directly as prescribed securities into the CDS account of the successful applicant. The allocation of the excess Rights Shares with Warrants will be made on a fair and equitable basis as disclosed in **Section 9.8** of this Abridged Prospectus.

9.11 Laws of foreign jurisdictions

The Documents have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction. The Rights Issue will not be made or offered for subscription in any foreign jurisdiction.

Accordingly, the Documents will not be sent to our Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) who do not have a registered address in Malaysia. However, such Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) may collect the Documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the Documents relating to the Rights Issue.

Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue only to the extent that it would be lawful to do so.

TA Securities, our Share Registrar, our Company, our Directors and officers, and other professional advisers (“Parties”) would not, in connection with the Rights Issue, be in breach of, responsible or liable under the laws of any jurisdiction to which the Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) are or may be subject to. Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to.

The Parties shall not accept any responsibility or liability in the event that any acceptance and/or renunciation and/or transfer made by any Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and our Company shall be entitled to be fully indemnified and held harmless by such Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) for any issue, transfer or any other taxes or duties as such person may be required to pay. They will have no claims whatsoever against the Parties in respect of their rights and entitlements under the Rights Issue. Such Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue.

By signing the RSF, the Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) the Parties that:

- (i) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any jurisdiction to which that Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) are or may be subject to;
- (ii) the Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the Provisional Rights Shares with Warrants;
- (iii) the Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation of the Provisional Rights Shares with Warrants, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

- (iv) the Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) are aware that the Provisional Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) the Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) have received a copy of this Abridged Prospectus and have been provided with the opportunity to post such questions to the representatives and receive answers thereto as the Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) deem necessary in connection with the Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) decision to subscribe for or purchase the Rights Shares with Warrants; and
- (vi) the Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares with Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares and Warrants.

Persons receiving the Documents (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this Abridged Prospectus, the NPA and the RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward the Documents to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Share with Warrants from any such application by Foreign Addressed Shareholders and/or their renounee(s)/transferee(s) (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in our absolute discretion, to treat any acceptance of the Rights Shares with Warrants as invalid if we believe that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

10. TERMS AND CONDITIONS

The issuance of the Rights Shares with Warrants is governed by the terms and conditions as set out in this Abridged Prospectus and the accompanying NPA and RSF for the Rights Shares with Warrant as well as the Deed Poll.

11. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of our Board
HENG HUAT RESOURCES GROUP BERHAD



DATO' H'NG CHOON SENG
Managing Director

INFORMATION ON OUR GROUP

1. BOARD OF DIRECTORS

Our Board of Directors as at the LPD:

<u>Name / (Designation)</u>	<u>Address</u>	<u>Age</u>	<u>Nationality</u>
Dato' H'ng Choon Seng (Managing Director)	No. 2457, Kampung Jawi, 14200 Sungai Bakap, Pulau Pinang	54	Malaysian
Kee Swee Lai (Deputy Managing Director)	No. 1051, Jalan Besar, Permatang Tinggi, 14000 Bukit Mertajam, Pulau Pinang	58	Malaysian
Cheah Swi Chun (Independent Non-Executive Director)	1A-18-01, Platino Condo, Persiaran Tunku Kudin, 11700 Gelugor, Pulau Pinang	44	Malaysian
Dr. Lo Liang Kheng (Independent Non-Executive Director)	12-A, Jalan Bayan Mutiara 3, D'Residence, 11700 Gelugor, Pulau Pinang	57	Malaysian
Ho Whye Chong (Independent Non-Executive Director)	2, Cangkat Minden, Jalan 8 11700 Gelugor, Pulau Pinang	43	Malaysian

2. SHARE CAPITAL

As at the LPD, the issued share capital of our Company is RM60,054,641 comprising 92,471,601 Shares in issue. As at the LPD, our Company does not hold any treasury shares.

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INFORMATION ON OUR GROUP (CONT'D)**3. DIRECTORS' SHAREHOLDINGS**

The issuance of the Warrants will not have any effect on the shareholdings of our Directors in our Company until the exercise of their Warrants into new Shares. Save for those disclosed below, none of the other Directors have any direct and/or indirect shareholding in our Company as at the LPD. The pro forma effects of the Rights Issue on the shareholdings of our Directors in our Company based on their shareholdings as per the Record of Depositors as at the LPD are as follows:

Minimum Scenario

Name	As at the LPD			(I) After the Rights Issue			(II) After (I) and assuming full exercise of Warrants				
	Direct		Indirect	Direct		Indirect	Direct		Indirect		
	No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares	%	No. of Shares	%		
Dato' H'ng Choon Seng	15,312,500	16.56	1,590,307 ⁽¹⁾	22,968,750	22.27	1,590,307 ⁽¹⁾	1.54	34,453,125	28.92	1,590,307 ⁽¹⁾	1.34
Kee Swee Lai	7,248,900	7.84	-	7,248,900	7.03	-	-	7,248,900	6.09	-	-
Ho Whye Chong	1,335,000	1.44	-	4,335,000	4.20	-	-	5,336,250	4.48	-	-

Note:

- (1) Deemed interested by virtue of the shareholdings 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 (which is a shareholder of Heng Huat and is not a company within Heng Huat Group) and Konsortium Asas Sdn Bhd pursuant to Section 8 of the Act.

Maximum Scenario

Name	As at the LPD			(I) After the Rights Issue			(II) After (I) and assuming full exercise of Warrants				
	Direct		Indirect	Direct		Indirect	Direct		Indirect		
	No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares	%	No. of Shares	%		
Dato' H'ng Choon Seng	15,312,500	16.56	1,590,307 ⁽¹⁾	22,968,750	16.56	2,385,461 ⁽¹⁾	1.72	34,453,125	16.56	3,578,191 ⁽¹⁾	1.72
Kee Swee Lai	7,248,900	7.84	-	10,873,350	7.84	-	-	16,310,025	7.84	-	-
Ho Whye Chong	1,335,000	1.44	-	2,002,500	1.44	-	-	3,003,750	1.44	-	-

Note:

- (1) Deemed interested by virtue of the shareholdings 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 (which is a shareholder of Heng Huat and is not a company within Heng Huat Group) and Konsortium Asas Sdn Bhd pursuant to Section 8 of the Act.

INFORMATION ON OUR GROUP (CONT'D)**4. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS**

The issuance of the Warrants will not have any effect on the shareholdings of our substantial shareholders in our Company until the exercise of their Warrants into new Shares. The pro forma effects of the Rights Issue on the shareholdings of our substantial shareholders in our Company based on their shareholdings as per the Record of Depositors as at the LPD are as follows:

Minimum Scenario

Name	As at the LPD				(I) After the Rights Issue				(II) After (I) and assuming full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' H'ng Choon Seng	15,312,500	16.56	1,590,307 ⁽¹⁾	1.72	22,968,750	22.27	1,590,307 ⁽¹⁾	1.54	34,453,125	28.92	1,590,307 ⁽¹⁾	1.34
Kee Swee Lai	7,248,900	7.84	-	-	7,248,900	7.03	-	-	7,248,900	6.09	-	-
Goh Boon Leong	8,238,600	8.91	-	-	8,238,600	7.99	-	-	8,238,600	6.92	-	-
Cheah Ah Hock	7,113,800	7.69	-	-	7,113,800	6.90	-	-	7,113,800	5.97	-	-
Polargas Sdn Bhd	6,362,600	6.88	-	-	6,362,600	6.17	-	-	6,362,600	5.34	-	-
Lim Eng Yat	-	-	6,362,600 ⁽²⁾	6.88	-	-	6,362,600 ⁽²⁾	6.17	-	-	6,362,600 ⁽²⁾	5.34
Skylitech Resources Sdn Bhd	5,903,000	6.38	-	-	5,903,000	5.72	-	-	5,903,000	4.96	-	-
Ooi Chieng Sim	1,000,000	1.08	5,903,000 ⁽³⁾	6.38	1,000,000	0.97	5,903,000 ⁽³⁾	5.72	1,000,000	0.84	5,903,000 ⁽³⁾	4.96
Tang Ah Mooi	-	-	5,903,000 ⁽³⁾	6.38	-	-	5,903,000 ⁽³⁾	5.72	-	-	5,903,000 ⁽³⁾	4.96
Tan Poo Chuan	5,609,700	6.07	-	-	5,609,700	5.44	-	-	5,609,700	4.71	-	-

Notes:

- (1) Deemed interested by virtue of the shareholdings 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 (which is a shareholder of Heng Huat and is not a company within Heng Huat Group) and Konsortium Asas Sdn Bhd pursuant to Section 8 of the Act.
- (2) Deemed interested by virtue of his interest in Polargas Sdn Bhd pursuant to Section 8 of the Act.
- (3) Deemed interested by virtue of their interests in SkyLitech Resources Sdn Bhd pursuant to Section 8 of the Act.

INFORMATION ON OUR GROUP (CONT'D)

Maximum Scenario

Name	As at the LPD				(I) After the Rights Issue				(II) After (I) and assuming full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' H'ng Choon Seng	15,312,500	16.56	1,590,307 ⁽¹⁾	1.72	22,968,750	16.56	2,385,461 ⁽¹⁾	1.72	34,453,125	16.56	3,578,191 ⁽¹⁾	1.72
Kee Swee Lai	7,248,900	7.84	-	-	10,873,350	7.84	-	-	16,310,025	7.84	-	-
Goh Boon Leong	8,238,600	8.91	-	-	12,357,900	8.91	-	-	18,536,850	8.91	-	-
Cheah Ah Hock	7,113,800	7.69	-	-	10,670,700	7.69	-	-	16,006,050	7.69	-	-
Polargas Sdn Bhd	6,362,600	6.88	-	-	9,543,900	6.88	-	-	14,315,850	6.88	-	-
Lim Eng Yat	-	-	6,362,600 ⁽²⁾	6.88	-	-	9,543,900 ⁽²⁾	6.88	-	-	14,315,850 ⁽²⁾	6.88
Skylitech Resources Sdn Bhd	5,903,000	6.38	-	-	8,854,500	6.38	-	-	13,281,750	6.38	-	-
Ooi Chieng Sim	1,000,000	1.08	5,903,000 ⁽³⁾	6.38	1,500,000	1.08	8,854,500 ⁽³⁾	6.38	2,250,000	1.08	13,281,750 ⁽³⁾	6.38
Tang Ah Mooi	-	-	5,903,000 ⁽³⁾	6.38	-	-	8,854,500 ⁽³⁾	6.38	-	-	13,281,750 ⁽³⁾	6.38
Tan Poo Chuan	5,609,700	6.07	-	-	8,414,550	6.07	-	-	12,621,825	6.07	-	-

Notes:

- (1) Deemed interested by virtue of the shareholdings 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 (which is a shareholder of Heng Huat and is not a company within Heng Huat Group) and Konsortium Asas Sdn Bhd pursuant to Section 8 of the Act.
- (2) Deemed interested by virtue of his interest in Polargas Sdn Bhd pursuant to Section 8 of the Act.
- (3) Deemed interested by virtue of their interests in SkyLitech Resources Sdn Bhd pursuant to Section 8 of the Act.

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INFORMATION ON OUR GROUP (CONT'D)

5. HISTORICAL FINANCIAL INFORMATION**5.1 Key financial information of our Group**

The following tables set out our Group's key financial information based on our consolidated statements of comprehensive income, statements of financial positions and statements of cash flows for the financial years/period under review:

(i) Historical financial performance:

	Audited ⁽¹⁾			Unaudited ⁽²⁾	
	FYE 31 December 2017 (RM'000)	FYE 31 December 2018 (RM'000)	15M FPE 31 March 2020 ⁽³⁾ (RM'000)	9M FPE 31 December 2019 (RM'000)	9M FPE 31 December 2020 (RM'000)
Revenue	115,242	114,721	102,111	65,481	52,667
Cost of sales	(76,390)	(95,402)	(100,292)	(65,371)	(43,682)
Gross profit	38,852	19,319	1,819	110	8,985
Other operating income	1,398	1,499	1,148	415	1,982
Administrative and other expenses	(13,996)	(15,105)	(38,205)	(17,632)	(24,662)
Selling and distribution costs	(20,751)	(6,210)	(4,228)	(2,393)	(1,806)
Finance costs	(3,259)	(3,379)	(3,845)	(2,264)	(1,657)
PBT / (LBT)	2,244	(3,876)	(43,312)	(21,764)	(17,158)
Taxation	(1,976)	400	408	(318)	(794)
Profit / (loss) after tax	268	(3,476)	(42,904)	(22,082)	(17,952)
Profit / (loss) for the financial year attributable to:					
- Owners of the parent	366	(3,501)	(42,876)	(22,038)	(18,019)
- Non-controlling interests	(98)	25	(28)	(44)	67
	268	(3,476)	(42,904)	(22,082)	(17,952)
Weighted average number of Shares in issue ('000) ⁽⁴⁾	30,870	30,971	33,957	33,957	40,151
No. of Shares in issue ('000) ⁽⁴⁾	30,870	33,957	33,957	33,957	92,472
Basic EPS / (LPS) ⁽⁴⁾⁽⁵⁾ (sen)	0.87	(11.22)	(126.27)	(64.90)	(44.88)
Gross profit margin (%)	33.71	16.84	1.78	0.17	17.06
PBT / (LBT) margin (%)	1.95	(3.38)	(42.42)	(33.24)	(32.58)
PAT / (LAT) margin (%)	0.23	(3.03)	(42.02)	(33.72)	(33.40)

Notes:

- (1) Sources: Annual Reports of our Company for the financial years under review.
- (2) Sources: Unaudited financial results of our Company for the financial periods ended 31 December 2019 and 31 December 2020.
- (3) On 19 November 2019, our Company announced the change in our financial year end from 31 December to 31 March.
- (4) Comparative figures have been restated to take into consideration the completion of the share consolidation exercise on 31 January 2020.
- (5) Being the PAT / (LAT) attributable to owners of our Company divided by the weighted average number of Shares in issue for the financial years/periods under review.

INFORMATION ON OUR GROUP (CONT'D)**(ii) Historical financial position:**

	Audited ⁽¹⁾			Unaudited ⁽²⁾	
	As at 31 December 2017 (RM'000)	As at 31 December 2018 (RM'000)	As at 31 March 2020 ⁽³⁾ (RM'000)	As at 31 December 2019 (RM'000)	As at 31 December 2020 (RM'000)
Non-current assets	109,517	95,924	57,250	90,462	50,520
Current assets	58,601	56,443	60,315	48,834	28,033
Total assets	168,118	152,367	117,565	139,296	78,553
Share capital	36,324	40,538	40,538	40,538	60,055
Other reserves	(5,185)	(5,185)	(5,185)	(5,185)	(5,185)
Retained earnings / (accumulated losses)	48,189	43,594	718	21,781	(17,308)
Equity attributable to owners of the parent	79,328	78,947	36,071	57,134	37,562
Non-controlling interests	483	265	205	203	272
Total equity	79,810	79,212	36,276	57,337	37,834
Non-current liabilities	23,601	18,858	13,105	16,592	14,290
Current liabilities	64,707	54,297	68,184	65,367	26,429
Total liabilities	88,308	73,155	81,289	81,959	40,719
Total equity and liabilities	168,118	152,367	117,565	139,296	78,553
NA per Share (RM) ⁽⁴⁾⁽⁵⁾	2.57	2.32	1.06	1.68	0.41

Notes:

- (1) Sources: Annual Reports of our Company for the financial years under review.
- (2) Sources: Unaudited financial results of our Company for the financial periods ended 31 December 2019 and 31 December 2020.
- (3) On 19 November 2019, our Company announced the change in our financial year end from 31 December to 31 March.
- (4) Comparative figures have been restated to take into consideration the completion of the share consolidation exercise on 31 January 2020.
- (5) Being the NA attributable to owners of the parent divided by the number of Heng Huat Shares in issue for the financial years/periods under review.

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INFORMATION ON OUR GROUP (CONT'D)**(iii) Historical cash flows:**

	Audited ⁽¹⁾			Unaudited	
	FYE 31 December 2017 (RM'000)	FYE 31 December 2018 (RM'000)	15M FPE 31 March 2020 ⁽²⁾ (RM'000)	9M FPE 31 December 2019 ⁽³⁾ (RM'000)	9M FPE 31 December 2020 ⁽⁴⁾ (RM'000)
Net cash from / (used in) operating activities carried forward	9,344	11,671	11,516	8,382	(11,204)
Net cash (used in) / from investing activities	(7,230)	2,846	(5,537)	(845)	18,646
Net cash (used in) / generated from financing activities	(9,458)	(10,719)	(16,689)	(7,038)	5,127
Net (decrease) / increase in cash and cash equivalents	(7,344)	3,798	(10,710)	499	12,569
Effect of foreign exchange rate changes	94	(42)	45	-	-
Cash and cash equivalents at beginning	2,434	(4,814)	(1,058)	63	(10,979)
Cash and cash equivalents at end	(4,814)	(1,058)	(11,723)	562	1,590

Notes:

- (1) Sources: Annual Reports of our Company for the financial years under review.
- (2) On 19 November 2019, our Company announced the change in our financial year end from 31 December to 31 March.
- (3) Comparative figures for the 9M FPE 31 December 2019 have been restated as a result of change in our financial year end from 31 December to 31 March.
- (4) Sources: Unaudited financial results of our Company for the financial period ended 31 December 2020.

5.2 Overview of the financial performance of Heng Huat:**(I) 15M FPE 31 March 2020 vs FYE 31 December 2018**

Our Group's revenue for the 15M FPE 31 March 2020 decreased by RM33.03 million (or 28.79%) to an annualised RM81.69 million (FYE 31 December 2018: RM114.72 million) due to lower sales performance of the biomass division by RM29.88 million (or 32.60%) to an annualised RM61.78 million (FYE 31 December 2018: RM91.66 million) arising from:

- (i) decrease in sales volume of oil palm EFB fibre by 13.69% due to the absence of sales volume from HK Palm Fibre Manufacturer Sdn Bhd, a subsidiary involved in the manufacturing and trading of oil palm biomass materials, which was disposed on 11 December 2018;
- (ii) decrease in the average selling price of oil palm EFB fibre by 14.03% due to decrease in overall market price;
- (iii) decrease in sales volume of bio-oil by approximately 6.65% due to the absence of sales volume from HK Palm Fibre Manufacturer Sdn Bhd as explained above; and
- (iv) decrease in average selling price of bio-oil, a secondary product derived from manufacturing process of oil palm EFB fibre by approximately 7.80% due to decrease in overall market price.

INFORMATION ON OUR GROUP (CONT'D)

Our Group's LAT for the 15M FPE 31 March 2020 increased by RM30.80 million (or 880.0%) to an annualised RM34.30 million (FYE 31 December 2018: RM3.50 million) mainly due to:

- (i) decrease in sales volume of oil palm EFB as explained above;
- (ii) higher administrative and other expenses by RM15.47 million (or 102.45%) to an annualised RM30.57 million (FYE 31 December 2018: RM15.10 million) mainly due to higher provisions made. Firstly, a higher provision for impairment of receivables (RM9.50 million if annualised, compared to RM0.75 million in FYE 31 December 2018) which was mainly in relation to long outstanding receivables from an overseas customer of the oil palm EFB fibre division. Secondly, provision was made for impairment of property, plant and equipment (RM7.34 million if annualised, compared to nil in FYE 31 December 2018) as certain idle assets were not used after oil palm fibre production ceased due to our Group anticipating reduced demand for the foreseeable future; and
- (iii) lower gross profit margin as a result of higher average unit cost arising from lower production output.

The cash and cash equivalents of our Group as at 31 March 2020 stood at a deficit of an annualised RM9.38 million which increased by approximately RM8.32 million (or 784.91%) (as at 31 December 2018: deficit of RM1.06 million). The higher deficit was mainly due to:

- (i) higher net cash used in financing activities of an annualised RM13.35 million which increased by approximately RM2.64 million (or 24.65%) (FYE 31 December 2018: deficit of RM10.71 million) as a result of repayment of bankers' acceptances and term loans; and
- (ii) net cash used in investing activities of an annualised RM4.43 million (FYE 31 December 2018: surplus of RM2.85 million) as a result of purchase of a piece of freehold industrial land held under Geran Mukim No. GM 956, Lot No. 2151, Mukim 04, Sungai Baong, Seberang Perai Selatan, Pulau Pinang measuring approximately 9,147 square metres by HK Kitaran for a total purchase consideration of RM3.80 million which was completed on 2 January 2020.

(II) 9M FPE 31 December 2020 vs 9M FPE 31 December 2019

Our Group's revenue for the 9M FPE 31 December 2020 decreased by RM12.81 million (or 19.56%) to RM52.67 million (9M FPE 31 December 2019: RM65.48 million) mainly due to lower revenue from the biomass division by RM15.34 million (or 27.58%) to RM40.29 million (9M FPE 31 December 2019: RM55.63 million) mainly attributable to decrease in sales volume of oil palm EFB fibre by 61.31% due to weak local and global demand across the world caused by the COVID-19 pandemic.

Decrease in sales volume of oil palm EFB fibre was partially offset by increase in average selling prices of oil palm EFB fibre by 59.28% due to increase in average market price.

Despite the decrease in revenue, our Group's LAT for the 9M FPE 31 December 2020 decreased by RM4.02 million (or 18.24%) to RM18.02 million (9M FPE 31 December 2019: RM22.04 million) mainly due to:

- (i) higher gross profit by RM8.88 million (or 8,068.18%) to RM8.99 million (9M FPE 31 December 2019: RM0.11 million) mainly due to increase in average selling prices of oil palm EFB fibre as explained above;

INFORMATION ON OUR GROUP (CONT'D)

- (ii) higher other income by RM1.56 million (or 371.43%) to RM1.98 million (9M FPE 31 December 2019: RM0.42 million) mainly due to our Group's subsidiaries receiving compensation under the Wage Subsidy Programme (WSP) from Social Security Organisation (SOCSO) (as announced by the Malaysian government as part of the economic stimulus package for COVID-19);
- (iii) lower marketing expenses by RM0.58 million (or 24.27%) to RM1.81 million (9M FPE 31 December 2019: RM2.39 million) as a result of lower sales to overseas customers; and
- (iv) lower finance costs by RM0.60 million (or 26.55%) to RM1.66 million (9M FPE 31 December 2019: RM2.26 million) mainly due to our Group deferring certain repayment obligations to financial institutions pursuant to a 6-month moratorium on loans and financing repayments from April 2020 to September 2020 (as announced by the Malaysian government as part of the economic stimulus package for COVID-19).

The cash and cash equivalents of our Group as at 31 December 2020 stood at approximately RM1.59 million (as at 31 December 2019: deficit of RM6.53 million) mainly contributed by the following:

- (i) net cash from investing activities of approximately RM18.65 million (as at 31 December 2019: deficit of RM1.23 million) mainly due to disposal of 5 parcels of adjoining lots of land together with factory-cum-office buildings and other ancillary structures erected on 2 lots of land in Seberang Perai Selatan, Penang by HK Kitaran to SBJ for a cash consideration of RM22.0 million; and
- (ii) net cash from financing activities of approximately RM5.13 million (as at 31 December 2019: deficit of RM8.71 million) mainly due to issuance of new ordinary shares in our Company pursuant to the settlement of RM7,750,272 in debt owed to our Company's creditors through the issuance of 24,219,600 Heng Huat Shares at RM0.32 each on 8 December 2020 (21,810,500 Heng Huat Shares) and 28 December 2020 (2,409,100 Heng Huat Shares); settlement of RM7,000,000 in debt owed to Dato' H'ng Choon Seng and Kee Swee Lai through the issuance of 21,875,000 Heng Huat Shares at RM0.32 each on 8 December 2020; and issuance of 9,024,300 Heng Huat Shares at RM0.41 each as purchase consideration for the acquisition of a parcel of land in Seberang Perai Selatan, Pulau Pinang by HH Land from QCT Equipment Sdn Bhd, (with 5,609,700 Heng Huat Shares allotted and issued on 11 December 2020) and the acquisition of 2 parcels of land in Seberang Perai Tengah, Pulau Pinang by HH Land from Goh Boon Leong (with 3,414,600 Heng Huat Shares allotted and issued on 8 December 2020).

INFORMATION ON OUR GROUP (CONT'D)**6. HISTORICAL SHARE PRICES**

The monthly highest and lowest transacted market prices of our Shares for the past 12 months are as follows:

	Highest (RM)	Lowest (RM)
2020		
April	0.230	0.165
May	0.580	0.205
June	0.430	0.330
July	0.415	0.345
August	0.520	0.355
September	0.450	0.305
October	0.400	0.320
November	0.400	0.270
December	0.415	0.265
2021		
January	0.535	0.320
February	0.610	0.415
March	0.775	0.405
Last transacted market price for our Shares on 8 February 2021 (being the last trading date prior to the Announcement)	0.53	
Last transacted market price for our Shares on the LPD	0.49	
Last transacted market price for our Shares on 9 April 2021 (being the Market Day prior to the ex-date for the Rights Issue)	0.99	

(Source: Bloomberg Finance L.P.)

7. OPTION TO SUBSCRIBE FOR HENG HUAT SHARES

As at the LPD, no option to subscribe for any securities in our Company has been granted or is entitled to be granted to any person, save for the Provisional Rights Shares with Warrants and excess Rights Shares with Warrants as well as the following:

- (i) A SIS which has yet to be implemented by our Company as at the LPD, whereby our Company may grant SIS options to eligible employees to subscribe for new Shares of up to 30% of our total number of issued Shares (excluding any treasury shares) at any point of time during the duration of the SIS. The SIS shall be valid for a duration of 5 years from its commencement, and may be extended for a further 5 years, subject to an aggregate of 10 years. The subscription price of the SIS options shall be determined by the SIS committee based on the 5-day VWAP of our Shares, immediately prior to the date of offer is made with a discount of not more than 10%.

8. MATERIAL CONTRACTS

Save as disclosed below, neither our Company nor any of our subsidiaries have entered into any material contracts (not being contracts entered into in the ordinary course of business of our Group) within the 2 years immediately preceding the date of this Abridged Prospectus:

- (a) On 5 September 2019, Heng Huat Industries Holdings Sdn Bhd (as purchaser) entered into an agreement with Khor Chin Hock (as vendor) to acquire 97 ordinary shares representing 97% in Sabut Kelapa Terengganu Sdn Bhd at the cash consideration of RM200,000. The acquisition was completed on 5 November 2019;

INFORMATION ON OUR GROUP (CONT'D)

- (b) On 14 May 2020, HK Kitaran entered into a sale and purchase agreement with SBJ to dispose 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 RM22.0 million. The disposal was completed on 30 October 2020;
- (c) On 11 August 2020, HK Kitaran, HK Gua Musang and FPS Famous Pacific Shipping Sdn Bhd entered into a repayment agreement to record the repayment of the outstanding amount of trade payables in the total sum of RM474,073.78 by HK Kitaran and HK Gua Musang. The amount outstanding was fully settled on 31 December 2020;
- (d) On 13 August 2020, our Company entered into separate letters of agreement with creditors of our Company namely, Cheah Ah Hock, Chuan Hui Enterprise, SHH Industries Sdn Bhd, FPS Famous Pacific Shipping Sdn Bhd, Oshern Engineering Works Sdn Bhd, Yakin Tuah Sdn Bhd, Shui Xing Ventures Sdn Bhd, Watasan Industries Sdn Bhd, Aun Chuan Lee Trading & Transport Sdn Bhd, Nimox Industry (M) Sdn Bhd, Yip Shun Trading, CKL Transport Sdn Bhd, Higard (M) Sdn Bhd, Era Ocean Logistics Sdn Bhd, Leading International (M) Sdn Bhd, Advance Boilers Sdn Bhd, Sin Yen Fatt Enterprise Sdn Bhd, Sentiasa Hebat Sdn Bhd and Sewajar Indah Sdn Bhd (“**Creditors**”) for the settlement of debt owing to the Creditors in the aggregate sum of RM7,750,272 to be fully satisfied through the issuance of 24,219,600 Heng Huat Shares at an issue price of RM0.32 each. The debt settlement was completed on 30 December 2020;
- (e) On 13 August 2020, Heng Huat entered into separate letters of agreement with Dato’ H’ng Choon Seng and Kee Swee Lai, for the settlement of debt owing to them in the aggregate sum of RM7,000,000 to be fully satisfied through the issuance of 21,875,000 Heng Huat Shares at an issue price of RM0.32 each. The debt settlement was completed on 10 December 2020;
- (f) On 13 August 2020, HH Land and Goh Boon Leong entered into a sale and purchase agreement for the acquisition of 2 parcels of land held under Title No. GM 1146, Lot No. 1712 and Title No. GM 1147, Lot No. 1713, Mukim 5, District of Seberang Perai Tengah, Pulau Pinang, measuring a total of approximately 2.04 acres by HH Land from Goh Boon Leong for a purchase consideration of RM1,399,986 to be fully satisfied through the issuance of 3,414,600 Heng Huat Shares at RM0.41 each. The acquisition was completed on 9 December 2020;
- (g) On 13 August 2020, HH Land and QCT Equipment Sdn Bhd entered into a sale and purchase agreement for the acquisition of a parcel of land held under Title No. GM 214, Lot No. 288, Mukim 2, District of Seberang Perai Selatan, Pulau Pinang, measuring approximately 4.56 acres by HH Land from QCT Equipment Sdn Bhd for a purchase consideration of RM2,299,977 to be fully satisfied through the issuance of 5,609,700 Heng Huat Shares at RM0.41 each. The acquisition was completed on 11 December 2020; and
- (h) the Deed Poll.

9. MATERIAL LITIGATION

As at the LPD, neither our Company nor any of our subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which have a material effect on the business or financial position of our Group and there are no proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of our Group.

ADDITIONAL INFORMATION

1. CONSENTS

The Principal Adviser, Due Diligence Solicitors, Share Registrar, Company Secretaries and Independent Market Researcher have each given and have not subsequently withdrawn their written consents to the inclusion in this Abridged Prospectus of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Bloomberg Finance L.P. has given and has not subsequently withdrawn its written consent to the inclusion in this Abridged Prospectus of its name and citation of the market data made available to its subscribers in the form and context in which such name and market data appear in this Abridged Prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at 51-8-A, Menara BHL, Jalan Sultan Ahmad Shah, 10050 Georgetown, Pulau Pinang, during normal business hours from 9.00 a.m. to 5.00 p.m. from Monday to Friday (excluding public holidays) for the period of at least 6 months from the date of this Abridged Prospectus:

- (i) our Constitution;
- (ii) the IMR Letter;
- (iii) letters of Undertakings referred to in **Section 2.2** of this Abridged Prospectus;
- (iv) the Deed Poll;
- (v) the letters of consent referred to in **Section 1** of **Appendix II** of this Abridged Prospectus; and
- (vi) the material contracts referred to in **Section 8** of **Appendix I** of this Abridged Prospectus.

3. RESPONSIBILITY STATEMENT

This Abridged Prospectus together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given therein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement therein false or misleading.

TA Securities, being the Principal Adviser for the Rights Issue, acknowledges that this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Rights Issue, based on all available information and to the best of its knowledge and belief.

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