



HENG HUAT RESOURCES GROUP BERHAD

Registration No. 201101041555 (969678-D)
(Incorporated in Malaysia under the Companies Act 2016)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2023

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

	Individual Quarter		Cumulative Period	
	Current Year Quarter 31.03.2023 ⁽¹⁾ RM'000	Preceding Year Corresponding Quarter 31.03.2022 RM'000	Current Year Period 31.03.2023 ⁽¹⁾ RM'000	Preceding Year Corresponding Period 31.03.2022 RM'000
Revenue	34,258	30,526	155,299	103,502
Cost of sales	(16,588)	(19,489)	(101,695)	(65,835)
Gross profit	17,670	11,037	53,604	37,667
Other income	143	(112)	4,048	1,399
Administrative expenses	(6,317)	(2,072)	(17,929)	(19,958)
Selling and distribution expenses	(532)	(1,183)	(4,476)	(3,356)
Operating profit	10,964	7,670	35,247	15,752
Finance costs	(497)	(182)	(1,880)	(905)
Profit before tax	10,467	7,488	33,367	14,847
Taxation	(1,609)	277	(3,354)	(91)
Total comprehensive income	8,858	7,765	30,013	14,756
Total comprehensive income attributable to:				
- Owners of Heng Huat	9,273	7,764	26,662	14,725
- Non-controlling interests	(415)	1	3,351	31
	8,858	7,765	30,013	14,756
Earnings per share (sen) attributable to owners of Heng Huat:				
- Basic ⁽²⁾	1.15	2.16 [^]	3.59	4.38 [^]
- Diluted ⁽²⁾	1.00	1.49 [^]	3.20	2.97 [^]

Notes:

⁽¹⁾ The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2023 and the accompanying explanatory notes attached to this interim financial report.

⁽²⁾ Kindly refer to **Note B8** for further details.

[^] The earnings per share for quarter and financial period ended 31 March 2022 have been adjusted to reflect the effects of bonus issue completed on 18 April 2022. This is in accordance with the requirements of MFRS 133, where earnings per share calculations for all periods shall be adjusted retrospectively.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)**

	As at 31.03.2023 ⁽¹⁾ RM'000 (unaudited)	As at 31.03.2022 RM'000 (audited)
Non-Current Assets		
Property, plant and equipment	73,250	75,586
Investment properties	41,511	11,419
Right-of-use assets	6,238	6,657
Inventories	21,585	21,000
Intangible assets	19,206	20,521
Keyman insurance contracts	630	590
	162,420	135,773
Current Assets		
Inventories	12,228	15,237
Trade and other receivables	25,315	30,309
Cash and cash equivalents	49,808	34,264
	87,351	79,810
TOTAL ASSETS	249,771	215,583
Equity		
Share capital	140,079	126,199
Other reserves	3,224	6,708
Retained profits/(Accumulated losses)	21,945	(4,717)
	165,248	128,190
Non-controlling interests	24,022	20,783
Total Equity	189,270	148,973
Non-Current Liabilities		
Lease liabilities	2,255	3,216
Borrowings	28,957	18,230
Deferred tax liabilities	1,552	1,831
	32,764	23,277
Current Liabilities		
Trade, other payables and provision	20,628	31,632
Contract liabilities	894	1,248
Derivative financial liabilities	22	-
Lease liabilities	2,659	1,916
Borrowings	3,368	8,397
Current tax liabilities	166	140
	27,737	43,333
Total Liabilities	60,501	66,610
TOTAL EQUITY AND LIABILITIES	249,771	215,583
NET ASSETS PER SHARE (RM)	0.23	0.53 ⁽³⁾

Notes:

- ⁽¹⁾ The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to this interim financial report.
- ⁽²⁾ Calculated based on the Company's existing issued share capital for the financial year ended as at 31 March 2023 of 812,081,974 ordinary shares.
- ⁽³⁾ Calculated based on the Company's existing issued share capital for the financial year ended as at 31 March 2022 of 283,128,874 ordinary shares.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)**

	[----- Attributable to Owners of the Company -----]						Non- controlling Interests	Total Equity
	[----- Non-distributable -----]							
	Share Capital	Reorganisation Reserve	Warrants Reserve	SIS Reserve	(Accumulated Losses)/ Retained Profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2022	126,199	(5,185)	4,249	7,644	(4,717)	128,190	20,783	148,973
Total comprehensive profit for the financial period	-	-	-	-	26,662	26,662	3,351	30,013
Acquisition of subsidiaries	-	-	-	-	-	-	(32)	(32)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(80)	(80)
Issuance of shares pursuant to:								
- warrant exercised	9,067	-	(2,159)	-	-	6,908	-	6,908
- SIS exercised	4,907	-	-	(1,325)	-	3,582	-	3,582
Share issuance expenses	(94)	-	-	-	-	(94)	-	(94)
At 31 March 2023	140,079	(5,185)	2,090	6,319	21,945	165,248	24,022	189,270
At 1 April 2021	60,055	(5,185)	-	-	(19,442)	35,428	236	35,664
Total comprehensive profit for the financial period	-	-	-	-	14,725	14,725	31	14,756
Acquisition of subsidiaries	-	-	-	-	-	-	20,528	20,528
Rights issue of shares with warrants	4,884	-	4,249	-	-	9,133	-	9,133
Issuance of new shares pursuant to multiple proposals	61,260	-	-	-	-	61,260	-	61,260
Share-based payment transactions	-	-	-	7,644	-	7,644	-	7,644
Dividend paid to non-controlling interests	-	-	-	-	-	-	(12)	(12)
At 31 March 2022	126,199	(5,185)	4,249	7,644	(4,717)	128,190	20,783	148,973

Note:

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to this interim financial report.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

	Year-to-date ended	
	31.03.2023 RM'000	31.03.2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	33,367	14,847
<u>Adjustments for:</u>		
Allowance for expected credit loss		
- current year	127	373
- reversal	(774)	(494)
Amortisation of intangible assets		
- trademarks	25	25
- goodwill	1,290	-
Depreciation on investment properties	470	-
Depreciation of property, plant and equipment	6,925	3,658
Depreciation of right-of-use assets	2,424	2,039
Fair value adjustment on derivative instruments	22	-
(Gain)/loss on disposal of property, plant and equipment	(220)	196
Gain on change in fair value of keyman insurance contracts	(39)	-
Gain on derecognition of right of use and lease liabilities	(1)	(135)
Impairment loss on property, plant and equipment		
- current year	1,210	1,180
- reversal	-	(264)
Impairment loss on goodwill	96	-
Interest expense	1,880	905
Interest income	(265)	(41)
Inventories written down	-	96
SIS expenses	-	7,644
Unrealised loss/(gain) on foreign exchange	263	(4)
Operating profit before working capital changes	46,800	30,025
Decrease/(Increase) in inventories	2,424	(1,550)
Decrease/(Increase) in trade and receivables	7,282	(1,815)
(Decrease)/Increase in trade, other payables and provision	(17,363)	6,754
Decrease in contract liabilities	(354)	(13)
Cash generated from operations	38,789	33,401
Income tax paid	(4,240)	(3)
Net cash from operating activities	34,549	33,398
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in fixed deposits pledged with licensed banks	1,108	(1,472)
Interest received	265	41
Proceeds from disposal of property, plant and equipment	448	855
Purchase of property, plant and equipment	(8,248)	(15,861)
Purchase of investment properties	(19,103)	(30,817)
Purchase of subsidiaries	-	(28,272)
Purchase of intangible assets	-	(1)
Net cash used in investing activities	(25,530)	(75,527)

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

	Year-to-date ended	
	31.03.2023 RM'000	31.03.2022 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to non-controlling interests	(80)	(12)
Interest paid	(1,880)	(905)
Proceeds from issuance of shares pursuant to rights issue	-	8,742
Proceeds from issuance of shares pursuant to warrants	6,908	391
Proceeds from issuance of shares pursuant to share issuance scheme	3,582	-
Proceeds from issuance of shares	-	61,260
Drawdown of term loan	7,000	-
Drawdown of finance lease liabilities	428	-
Repayment of bankers' acceptance	(3,141)	(96)
Repayment of term loans	(2,431)	(3,079)
Repayment of finance lease liabilities	(385)	(244)
Repayment of lease liabilities	(2,222)	(1,730)
Share issuance expenses paid	(94)	-
Net cash from financing activities	7,685	64,327
Net increase in cash and cash equivalents	16,704	22,198
Cash and cash equivalents at beginning of the financial period	23,697	9,644
Cash and cash equivalents at end of the financial period	40,401	31,842
Cash and cash equivalents comprise the following:		
Cash and bank balances	23,183	29,842
Fixed deposits pledged to financial institutions	9,406	2,422
Short-term investments	17,219	2,000
	49,808	34,264
Less: Bank overdraft	(1)	-
Less: Fixed deposits pledged to financial institutions	(9,406)	(2,422)
	40,401	31,842

Note:

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to this interim financial report.



EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A1. BASIS OF PREPARATION

The condensed consolidated interim financial statements as contained in this interim financial report are unaudited and have been prepared under the historical cost convention except otherwise stated.

These unaudited interim financial statements have been prepared in accordance with the requirements of MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Part K, Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements (“ACE LR”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”).

These unaudited interim financial statements should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to this interim financial report. The explanatory notes contained herein provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2022.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied in the preparation of these unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 March 2022 as disclosed below:

Adoption of Amendments to MFRSs

Effective for annual periods beginning on or after 1 June 2020

Amendments to MFRS 16 Leases: Covid-19 - Related Rent Concessions

Effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases: Interest Rate Benchmark Reform - Phase 2

Effective for annual periods beginning on or after 1 April 2021

Amendments to MFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021

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

Standards Issued But Not Yet Effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective in the respective financial period.



A2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Standards Issued But Not Yet Effective (cont'd)

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 3 Business Combinations: Reference to the Conceptual Framework

Amendments to MFRS 116 Property, Plant and Equipment: Property, Plant and Equipment - Proceeds before Intended Use

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 - 2020

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts

Amendments to MFRS 4 Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9

Amendments to MFRS 17 Insurance Contracts

Amendments to MFRS 101 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current

Amendments to MFRS 101 Presentation of Financial Statements: Disclosure of Accounting Policies

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

Amendments to MFRS 112 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective date yet to be confirmed

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the above standards is not expected to have any material impact to the financial statements of the Group and of the Company upon adoption .

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the Group's most recent annual audited financial statements for the financial year ended 31 March 2022 were not subject to any qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATION

Save for oil palm empty fruit bunch ("EFB") fibre, the Group's biomass materials and value-added products are not significantly affected by seasonal/cyclical effects. Material supply for the Group's oil palm EFB fibre generally experience a decline during the Chinese New Year and Hari Raya season mainly due to businesses are closed for holidays during the festive season.

The Group typically experience higher sales of mattresses and related products prior to major festive season such as Chinese New Year and Hari Raya in tandem with the expected increase in household spending for such items during such periods.



A5. UNUSUAL ITEMS

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial period under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial year that have a material impact on the current quarter and financial period under review.

A7. DEBTS AND EQUITY SECURITIES

Proposed Multiple Proposal: Announcement dated 25 October 2021

On behalf of the Company, TA Securities Holdings Berhad had announced that the Company proposes to undertake the following Proposals.

- i. proposed acquisition by Heng Huat of 1,020,000 ordinary shares in MG Furniture Sdn Bhd, representing 51% equity interest in MG Furniture, from Ch'ng Chen Mong, Tan Poh Cheng and Ch'ng Boon Sin for a purchase consideration of RM28,000,000 to be satisfied via the issuance of 65,116,279 new ordinary shares in Heng Huat at an issue price of RM0.43 each;
- ii. proposed acquisition by Fibre Star (M) Sdn Bhd, a wholly-owned subsidiary of Heng Huat, of 2 parcels of leasehold land (Lot 1222 and Lot 1223, Mukim 11, Daerah Seberang Perai Selatan, Pulau Pinang) erected upon with a single storey detached warehouse, a double storey detached office annexed with a single storey showroom, a single storey detached office annexed with a single storey showroom and a single store detached store together with ancillary buildings from Heng Huat Furniture Sdn Bhd for a purchase consideration of RM13,000,000 to be satisfied via the issuance of 30,232,558 Consideration Shares at an issue price of RM0.43 each;
- iii. proposed acquisition by HH Land and Development Sdn Bhd, a wholly-owned subsidiary of Heng Huat, of 2 parcels of freehold land (Lot 2312 and Lot 2337, Mukim 6, Daerah Seberang Perai Selatan, Pulau Pinang) from H'ng Jia Min for a purchase consideration of RM260,000 to be satisfied via the issuance of 604,651 Consideration Shares at an issue price of RM0.43 each;
- iv. proposed acquisition by HH Properties Kulim Sdn Bhd (*formerly known as HH Ecometal Recycling Sdn Bhd*), a wholly-owned subsidiary of Heng Huat, of 133 lots of leasehold land in Kulim, Kedah from Kulim Property Sdn Bhd for a purchase consideration of RM27,000,000 to be satisfied via a combination of RM7,000,000 in cash and the issuance of 46,511,627 Consideration Shares at an issue price of RM0.43 each; and
- v. proposed diversification of the businesses of Heng Huat and its subsidiaries to include the property development business.



A7. DEBTS AND EQUITY SECURITIES (cont'd)

Proposed Bonus Issue: Announcement dated 13 January 2022

On behalf of the Board of Directors of Heng Huat, TA Securities Holdings Berhad had announced that the Company to undertake the Proposed Bonus Issue.

Proposed bonus issue of up to 588,189,057 new ordinary shares in Heng Huat on the basis of 3 bonus shares for every 2 existing Heng Huat shares held on an entitlement date to be determined.

Kindly refer Note B6 for status of corporate exercise update.

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

A8. DIVIDEND PAID/ DECLARED

The Board of Directors did not recommend any payment of dividend during the current quarter and financial period under review. (For Financial Year Ended *31 March 2022: Nil*)

A9. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There were no material events subsequent to the end of current quarter and financial period under review that have not been reflected in this interim financial report or announced to the Bursa Securities.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter and financial period under review.

A11. CHANGES IN CONTINGENT LIABILITIES

There are no material contingent liabilities as at the date of this report.

A12. CAPITAL COMMITMENTS

The Group's capital commitments in respect of property, plant and equipment which were not provided in the financial statements as at 31 March 2023 is as follows:

	As at 31.03.2023 RM'000
Property, plant and equipment	
Approved but not contracted for	-
Contracted but not provided for	-
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A13. SEGMENT INFORMATION

The Group, through its subsidiaries, are principally engaged in manufacturing and trading of biomass materials, manufacturing and trading of furniture, mattresses and related products, property development and management. There is no change to the principal activities of the Group during the current quarter and financial period under review.

The Group has arrived at 3 reportable segments that are organised and managed separately according to the nature of products, specific expertise and technologies requirements, which requires different business and marketing strategies. The reportable segments are summarised as follows:

- (i) Biomass materials and related products
Manufacturing and trading of coconut fibre and related products, and oil palm EFB fibre and related products.
- (ii) Furniture, mattresses and related products
Manufacturing and trading of furniture, mattresses and related products.
- (iii) Property development and management
Real property, property development, property management, property renting and trading and investment holding.

	Current quarter ended		Year-to-date ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
<i>Segment Revenue</i>				
Biomass materials and related products	20,707	26,850	88,843	92,706
Furniture, mattresses and related products	17,709	6,775	77,878	22,517
Property development and management	335	-	619	-
	38,751	33,625	167,340	115,223
Elimination of intragroup transactions	(4,493)	(3,099)	(12,041)	(11,721)
Revenue from external customers	34,258	30,526	155,299	103,502
<i>Segment Results</i>				
Biomass materials and related products	9,018	9,289	28,106	26,244
Furniture, mattresses and related products	1,940	(1,606)	9,981	(3,849)
Property development and management	251	-	(1,215)	-
	11,209	7,683	36,872	22,395
Unallocated corporate income and expenses (net)	10,926	8,839	30,924	6,982
Elimination of intragroup transactions and profits	(11,668)	(9,034)	(34,429)	(14,530)
Profit before tax of the Group	10,467	7,488	33,367	14,847



A13. SEGMENT INFORMATION (cont'd)

	Current quarter ended		Year-to-date ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
<i>Segment Assets</i>				
Biomass materials and related products	63,372	71,958	63,372	71,958
Furniture, mattresses and related products	77,181	80,337	77,181	80,337
Property development and management	68,872	-	68,872	-
	209,425	152,295	209,425	152,295
Tax assets	-	-	-	-
Unallocated assets	18,869	92,769	18,869	92,769
Elimination of intragroup balances	21,477	(29,481)	21,477	(29,481)
Total assets of the Group	249,771	215,583	249,771	215,583
<i>Segment Liabilities</i>				
Biomass materials and related products	17,991	27,663	17,991	27,663
Furniture, mattresses and related products	29,770	56,571	29,770	56,571
Property development and management	14,913	-	14,913	-
	62,674	84,234	62,674	84,234
Tax liabilities	1,718	1,971	1,718	1,971
Unallocated liabilities	1,379	35,821	1,379	35,821
Elimination of intragroup balances	(5,270)	(55,416)	(5,270)	(55,416)
Total liabilities of the Group	60,501	66,610	60,501	66,610

A14. RELATED PARTY TRANSACTIONS

	Current quarter ended		Year-to-date ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Purchase of coconut fibre	-	-	4,066	-
Purchase of furniture semi part	975	-	5,804	-
Rental expenses paid to a company in which a director of the Group has substantial financial interest	-	177	-	653
	975	177	9,870	653

The above transactions are necessary for the Group's day-to-day operations and are undertaken in the ordinary course of business. The above transactions are carried out on terms not more favourable to the related parties than those generally available to the public, which are not to the detriment of the non-controlling shareholders of the Group.

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ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. ANALYSIS OF PERFORMANCE

Profit and loss	Individual Quarter		Changes		Cumulative Period		Changes	
	Current 31.03.2023	Preceding 31.03.2022			Current 31.03.2023	Preceding 31.03.2022		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	34,258	30,526	3,732	12.23	155,299	103,502	51,797	50.04
Profit before tax	10,467	7,488	2,979	39.78	33,367	14,847	18,520	124.74
Profit after tax	8,858	7,765	1,093	14.08	30,013	14,756	15,257	103.40

Revenue

For the current quarter and financial year ended 31 March 2023, the Group recorded revenue of RM34.26 million and RM155.30 million during the current quarter and financial year, representing increase of approximately RM3.73 million or 12.23% and RM51.80 million or 50.04% respectively as compared to the preceding year corresponding quarter and preceding year .

Current Quarter Under Review

The increase of sales performance was primarily attributable to additional segment from furniture division which was acquired on 30 March 2022.

Current Financial Year Under Review

The increase of sales performance was primarily attributable to the following factors:

- i. Additional segment from furniture division which was acquired on 30 March 2022; and
- ii. Increase in sales volume of bio-oil product, where total quantities sold during the financial year under review, which has improved by approximately 13.39% as compared to the preceding year.

Profit Before Tax

Our Group reported a profit before taxation of approximately RM10.47 million and RM33.37 million respectively for the current quarter and financial year, representing an increase of approximately RM2.98 million or 39.78% and RM18.52 million or 124.74% respectively as compared to the preceding year corresponding quarter and preceding year.

Improve of company performance during current quarter and financial year under review, as compared to the preceding year corresponding quarter and preceding year, was primarily due to the following:

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B1. ANALYSIS OF PERFORMANCE (cont'd)

Profit Before Tax

- i. Increase in gross profit in line with the enhanced sales performance as explained above;
- ii. Higher of administrative expenses mainly due to impairment loss on property, plant and equipment from one of the subsidiary for the current quarter. This was due to the management is intended to cease the operation of a subsidiary as at the end of the financial year; and
- iii. Higher of administrative expenses mainly due to additional segment from furniture division which was acquired on 30 March 2022.

B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current quarter ended 31.03.2023	Preceding quarter ended 31.12.2022
	RM'000	RM'000
Profit before taxation	10,467	11,619

Our Group recorded a profit before tax of approximately RM10.47 million for the current quarter ended 31 March 2023, as compared to a profit before tax of RM11.62 million in the preceding quarter ended 31 December 2022, was primarily due to increase in administrative expenses mainly due to impairment loss on property, plant and equipment from biomass division during the current quarter under review. This was due to the management is intended to cease the operation of a subsidiary as at the end of the financial year.

B3. PROSPECTS

The current economic situation remains challenging. The Group expects the demand on our biomass products will be soften and we are closely monitoring the pricing movement of our products. The Group is currently exploring various opportunities to expand our biomass business. We have invested in bio-compost production facilities as downstream investment. The product will allow us to enter new markets and expand our customer base, while providing additional revenue streams to the group in coming quarters.

Our furniture and mattress are mostly export to overseas markets likes United States, United Kingdom, and other Asian countries. Given the current challenges in the global economic market, we anticipate a slowdown in demand for our furniture and mattress products due to the prevailing market conditions.

The Group is actively engaging in various initiatives to further strengthen its cost control and operation efficiency. The Group is also prudently managing its cash flow, capital expenditure and medium to long term investment. With this, the Group is confident that it will be able to navigate through the current headwinds and be well-positioned for the future.



B4. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as no profit forecast or profit guarantee has been previously published or issued by the Group.

B5. TAX EXPENSE

	Current quarter ended 31.03.2023 RM'000	Year-to-date ended 31.03.2023 RM'000
Current tax expense	(2,579)	(4,324)
Deferred tax income	970	970
Total tax expense	<u>(1,609)</u>	<u>(3,354)</u>
Effective tax rate	<u>15.37%</u>	<u>10.05%</u>

The Group's effective tax rate for the current quarter and financial year under review stood at 15.37% and 10.05%. The prevailing statutory tax rate applicable to the Group is 24%.

The effective tax rate is lower than the applicable statutory tax rate of 24% as certain subsidiaries of the Group have been granted pioneer status by Malaysia Industrial Development Authority which exempts 100% of statutory income in relation to production of certain products.

B6. STATUS OF CORPORATE PROPOSALS

Proposed Multiple Proposal: Announcement dated 25 October 2021

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

On 9 February 2021, the Company announced that the additional listing application in relation to the Proposed Acquisitions has been submitted to Bursa Securities.

On 14 February 2022, the Company announced that Bursa Securities had, vide its letter dated 14 February 2022, resolved to approve the following:

- i. listing and quotation of 65,116,279 Consideration Shares to be issued pursuant to the Proposed MG Furniture Acquisition;
- ii. listing and quotation of 30,232,558 Consideration Shares to be issued pursuant to the Proposed Lots 1222 & 1223 Acquisition;
- iii. listing and quotation of 604,651 Consideration Shares to be issued pursuant to the Proposed Lots 2312 & 2337 Acquisition; and
- iv. listing and quotation of 46,511,627 Consideration Shares to be issued pursuant to the Proposed Kulim Land Acquisition.

The approval granted by Bursa Securities for the listing and quotation of the Consideration Shares is subject to the following conditions:



B6. STATUS OF CORPORATE PROPOSALS (cont'd)

- a. Heng Huat and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed MG Furniture Acquisition, Proposed Lots 1222 & 1223 Acquisition, Proposed Lots 2312 & 2337 Acquisition and Proposed Kulim Land Acquisition.
- b. Heng Huat and TA Securities to inform Bursa Securities upon the completion of the Proposed MG Furniture Acquisition, Proposed Lots 1222 & 1223 Acquisition, Proposed Lots 2312 & 2337 Acquisition and Proposed Kulim Land Acquisition, respectively.
- c. Heng Huat to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed MG Furniture Acquisition, Proposed Lots 1222 & 1223 Acquisition, Proposed Lots 2312 & 2337 Acquisition and Proposed Kulim Land Acquisition are completed.
- d. Compliance by Heng Huat with the public shareholding spread upon completion of the Proposed MG Furniture Acquisition, Proposed Lots 1222 & 1223 Acquisition, Proposed Lots 2312 & 2337 Acquisition and Proposed Kulim Land Acquisition, respectively. In this connection, TA Securities is to furnish a schedule containing the information set out in Appendix 8E, Chapter 8 of the Listing Requirements to Bursa Securities, prior to the allotment and issuance of the Consideration Shares.
- e. Heng Huat to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders in general meeting approving the Proposed MG Furniture Acquisition, Proposed Lots 1222 & 1223 Acquisition, Proposed Lots 2312 & 2337 Acquisition, Proposed Kulim Land Acquisition and Proposed Diversification.

The Proposed Multiple Proposal was subsequently approved by the shareholders of the Company in the Extraordinary General Meeting held on 15 March 2022.

The proposed issuance new ordinary shares for above acquisition have been completed on 30 March 2022, following the listing of 283,128,874 of total ordinary shares on ACE Market of Bursa Securities.

Proposed Bonus Issue: Announcement dated 13 January 2022

On 13 January 2022, the Company announced that the Company proposes to undertake the Proposed Bonus Issue.

On 14 January 2022, the Company announced that the additional listing application in relation to the Proposed Bonus Issue has been submitted to Bursa Securities.

On 14 February 2022, the Company announced that Bursa Securities had, vide its letter dated 14 February 2022, resolved to approve the following:

- i. up to 588,189,057 Bonus Shares to be issued pursuant to the Proposed Bonus Issue;
- ii. up to 101,422,671 Additional Warrants to be issued pursuant to the adjustment arising from the Proposed Bonus Issue; and
- iii. up to 101,422,671 additional new Heng Huat Shares to be issued pursuant to the exercise of the Additional Warrants.



B6. STATUS OF CORPORATE PROPOSALS (cont'd)

The approval granted by Bursa Securities for the Proposed Bonus Issue is subject to the following conditions:

- a. Heng Huat and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonus Issue;
- b. Heng Huat and TA Securities to inform Bursa Securities upon the completion of the Proposed Bonus Issue;
- c. Heng Huat to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonus Issue is completed; and
- d. Heng Huat and TA Securities are required to make the relevant announcements pursuant to Rule 6.36(2)(a), Rule 6.36(2)(b) and Rule 6.36(4) of the Listing Requirements.

The Additional Warrants and Bonus Shares must be listed simultaneously.

The Proposed Bonus Issue was subsequently approved by the shareholders of the Company in the Extraordinary General Meeting held on 15 March 2022.

The proposed issuance new ordinary shares for above acquisition has been completed on 18 April 2022, following the listing of 424,693,236 Bonus Shares and 101,095,710 new Warrants arising from the adjustment to the number of outstanding Warrants pursuant to the Bonus Issue respectively on ACE Market of Bursa Securities.

Proposed Change of Name of Company From “Heng Huat Resources Group Berhad” to “HHRG Berhad”: Announcement dated 20 May 2023

On 20 May 2023, the Company announced that the Board of Directors of Company wishes to inform that the Company is proposing to change its name from “Heng Huat Resources Group Berhad” to “HHRG Berhad” (“Proposed Change of Name”).

The proposed name “HHRG Berhad” was approved by the Companies Commission of Malaysia (“CCM”) and the reservation for the use of the proposed name was extended to 17 June 2023.

The Proposed Change of Name, if approved by the shareholders, the new name will take effect from the date of issuance of the Notice of Registration of New Name by the CCM to the Company.

On 26 May 2023, The Company announced the Notice of Extraordinary Meeting “EGM”. The Proposed Change of Name is subject to the approval of the Company’s shareholders at an Extraordinary General Meeting to be convened at 24 May 2023.

On 27 May 2023, the Company announced the circular of Proposed Change of Name.

Save from the above, there were no other corporate proposals announced as at date of this announcement.



B7. BORROWINGS

The Group's borrowings as at 31 March 2023 are as follows:

	Short Term (Within 12 months) RM'000	Long Term (> 12 months) RM'000	Total RM'000
<u>Secured and guaranteed</u>			
Bankers' acceptance	-	-	-
Bank overdrafts	1	-	1
Finance lease liabilities	788	1,342	2,130
Term loans	2,579	27,615	30,194
Total Borrowings	3,368	28,957	32,325

All the borrowings are denominated in Ringgit Malaysia (RM), and obtained from financial institutions based in Malaysia.

B8. EARNINGS PER SHARE

Basic Earnings per Share ("BEPS")

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the current quarter and financial period under review.

	Current quarter ended		Year-to-date ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Basic earnings per share				
Profit attributable to owners of the Company (RM'000)	9,273	7,764	26,662	14,725
Weighted average number of ordinary shares in issue ('000)	803,769	359,307	742,553	336,376
BEPS (sen)	1.15	2.16	3.59	4.38

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B8. EARNINGS PER SHARE (cont'd)

Diluted Earnings per Share (“DEPS”)

The diluted earnings per share of the Group is calculated by dividing the profit for the current quarter and financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the current quarter and financial period adjusted to assume conversion of all dilutive potential ordinary shares arising from the outstanding Warrants and SIS.

	Current quarter ended		Year-to-date ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Diluted earnings per share				
Profit attributable to owners of the Company (RM'000)	9,273	7,764	26,662	14,725
Weighted average number of ordinary shares in issue ('000)	803,769	359,307	722,519	336,376
Adjustment for dilutive effects of:				
- Warrants ('000)	68,825	123,303	66,334	120,800
- SIS ('000)	51,195	37,057	44,668	37,806
	<u>923,789</u>	<u>519,667</u>	<u>833,521</u>	<u>494,982</u>
DEPS (sen)	<u>1.00</u>	<u>1.49</u>	<u>3.20</u>	<u>2.97</u>

B9. CHANGES IN MATERIAL LITIGATION

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board of Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

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B10. DISCLOSURE ON SELECTED INCOME/EXPENSE ITEMS

Included in profit before tax comprised the following income/(expense) items:

	Current quarter ended 31.03.2023 RM'000	Year-to-date ended 31.03.2023 RM'000
Interest income	46	265
Other income including investment income	-	-
Interest expense	(497)	(1,880)
Depreciation expenses	(2,022)	(9,819)
Amortisation expenses	(329)	(1,315)
Bad debts written-off	-	-
Unrealised loss on foreign exchange	(208)	(263)
Gain on disposal of property, plant and equipment	13	220
Fair value loss on derivative instruments	(302)	(22)
Allowance for expected credit losses:		
- Current year	(53)	(127)
- Reversal	213	774
Impairment loss on property, plant and equipment		
- Current year	(1,210)	(1,210)
- Reversal	-	-
Property, plant and equipment written off	-	-
Intangible assets written off	-	-
Provision for and write off of inventories	-	-
Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-
Equity-settled share-based payment	-	-
Exceptional items	-	-

B11. FINANCIAL INSTRUMENTS

Derivatives

The Group have entered into forward foreign currency contracts to operationally hedge forecast sales collection denominated in foreign currency that are expected to occur at various dates within the next 12 months from the end of the reporting period.

As at 31 March 2023, the Group have the following outstanding forward currency contracts:

Type of Derivatives	[----Contract/ Notional Value-----]		Fair value as at
	USD'000	RM'000 equivalent	31.03.2023 RM'000
Forward Foreign Currency Contracts			
- Less than 1 year	2,771	12,188	12,210
	<u>2,771</u>	<u>12,188</u>	<u>12,210</u>



B11. FINANCIAL INSTRUMENTS (cont'd)

The fair value of a forward foreign currency contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

The difference between the forward rates entered into, and the market rates, is recognised as derivatives liability or asset as applicable with a corresponding amount reported in the profit or loss.

There is no change to the policies in relation to the derivatives since the last financial year ended 31 March 2022 in respect of the followings:

- (i) the credit risk market risk and liquidity risk associated with the derivatives;
- (ii) the cash requirements of the derivatives;
- (iii) the policies in place for mitigating or controlling the risks associated with the derivatives;
and
- (iv) the related accounting policies.

Gains/(Losses) arising from Fair Value Changes of Financial Liabilities

The Group recorded net fair value loss of approximately RM22,000 during the financial period under review, as a result of reversal of derivative asset associated with forward foreign currency contracts which lapsed during the current quarter under review and after offsetting fair value changes of the forward foreign currency contracts entered into by the Group and outstanding as at 31 March 2023.