



**HHRG BERHAD**

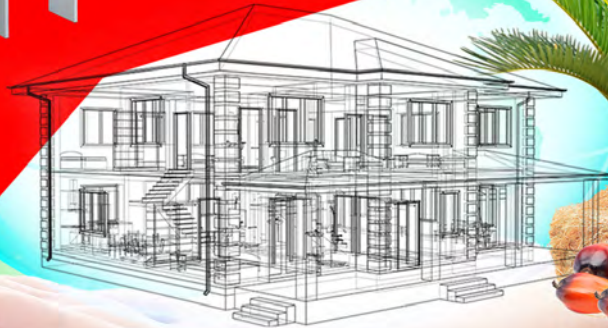
Formerly known as Heng Huat Resources Group Berhad  
201101041555 (969678-D)

*Towards Continuous*

**GROWTH**  
&  
**EXCELLENCE**



**ANNUAL REPORT 2023**



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## **12<sup>th</sup>** ANNUAL GENERAL MEETING OF HHRG BERHAD (Formerly known as Heng Huat Resources Group Berhad)



Majestic Hall, 1st Floor, Bukit Jawi Golf Resort Berhad, Lot 414, Mk 6, Jalan Paya Kemian Sempayi, 14200 Sungai Jawi, Seberang Perai Selatan, Pulau Pinang



Friday,  
25 August 2023



9.00 a.m.



## Vision Statement

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

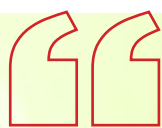
## Mission Statement

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

## Philosophy and Corporate Culture

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

# Company Profile



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

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

Additionally, HHRG has embarked on diversifying its business into the field of property development and management. This strategic move allows us to expand our portfolio and leverage our expertise in the real estate sector. We are committed to delivering high-quality properties and providing exceptional management services to meet the evolving needs of our customers.



## Biomass Materials Manufacturing

Our Group's biomass materials manufacturing operations are conducted by our subsidiaries located at East Coast Economic Region ("ECER") and Northern Region. These locations have been strategically chosen due to their proximity to the material supply sources.

We utilise our proprietary production process to treat and process coconut fibre, coco husks, oil palm EFB fibre, bio-compost. This enables us to produce significant quantities of high-quality fibers at a competitive price. Our production processes adhere to rigorous quality controls, resulting in long, clean, and fine coconut fibre and oil palm EFB fiber with excellent uniformity and low oil content. Moreover, we manufacture bio-compost through a biological process without the use of chemical additives, making it suitable for plantations at all levels.

We have prioritised various initiatives aimed at innovating new manufacturing and processing technologies. These initiatives are geared towards the production of diverse, green, and environmentally-friendly products. By adopting cutting-edge technologies, we strive to enhance sustainability and contribute to a greener future within the biomass industry.

## Fully-Integrated Fibre Mattress, and Other Bedding Accessories

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

produced mattress fibre sheets, whilst our other bedding accessories such as cushions, pillows and bolsters are marketed under the brand of "Xiong Mao".

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

## Specialist in Manufacturing of Children's bedroom set

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

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

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

# Corporate Information

## Board of Directors

**Dato' H'ng Choon Seng**  
*Executive Chairman*

**Ng Chin Nam**  
*Executive Director*

**Cheah Swi Chun**  
*Independent Non-Executive Director*

**Wong Wan Chin**  
*Independent Non-Executive Director*

**Ho Whye Chong**  
*Non-Independent Non-Executive Director*

**Lee Yee Wooi**  
*Non-Independent Non-Executive Director*

### AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman  
Cheah Swi Chun

Members  
Lee Yee Wooi  
Wong Wan Chin

### NOMINATION AND REMUNERATION COMMITTEE

Chairman  
Wong Wan Chin

Members  
Cheah Swi Chun  
Ho Whye Chong

### COMPANY SECRETARIES

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

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

### REGISTERED OFFICE

51-8-A Menara BHL  
Jalan Sultan Ahmad Shah  
10050 Penang, Malaysia  
Tel : (604) 373 6616  
Fax : (604) 373 6615  
Email : enquiry@braxton.com.my

### SHARE REGISTRAR

**Securities Services (Holdings)  
Sdn. Bhd.**  
**197701005827 (36869-T)**  
Suite 18.05, MWE Plaza  
No. 8 Lebuhr Farquhar  
10200 Penang, Malaysia  
Tel : (604) 263 1966  
Fax : (604) 262 8544  
Email : info@sshsb.com.my

### AUDITORS

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

### PRINCIPAL BANKERS

CIMB Bank Berhad 197201001799  
(13491-P)  
Maybank Islamic Berhad  
200701029411 (787435-M)  
Public Bank Berhad 196501000672  
(6463-H)

### STOCK EXCHANGE LISTING

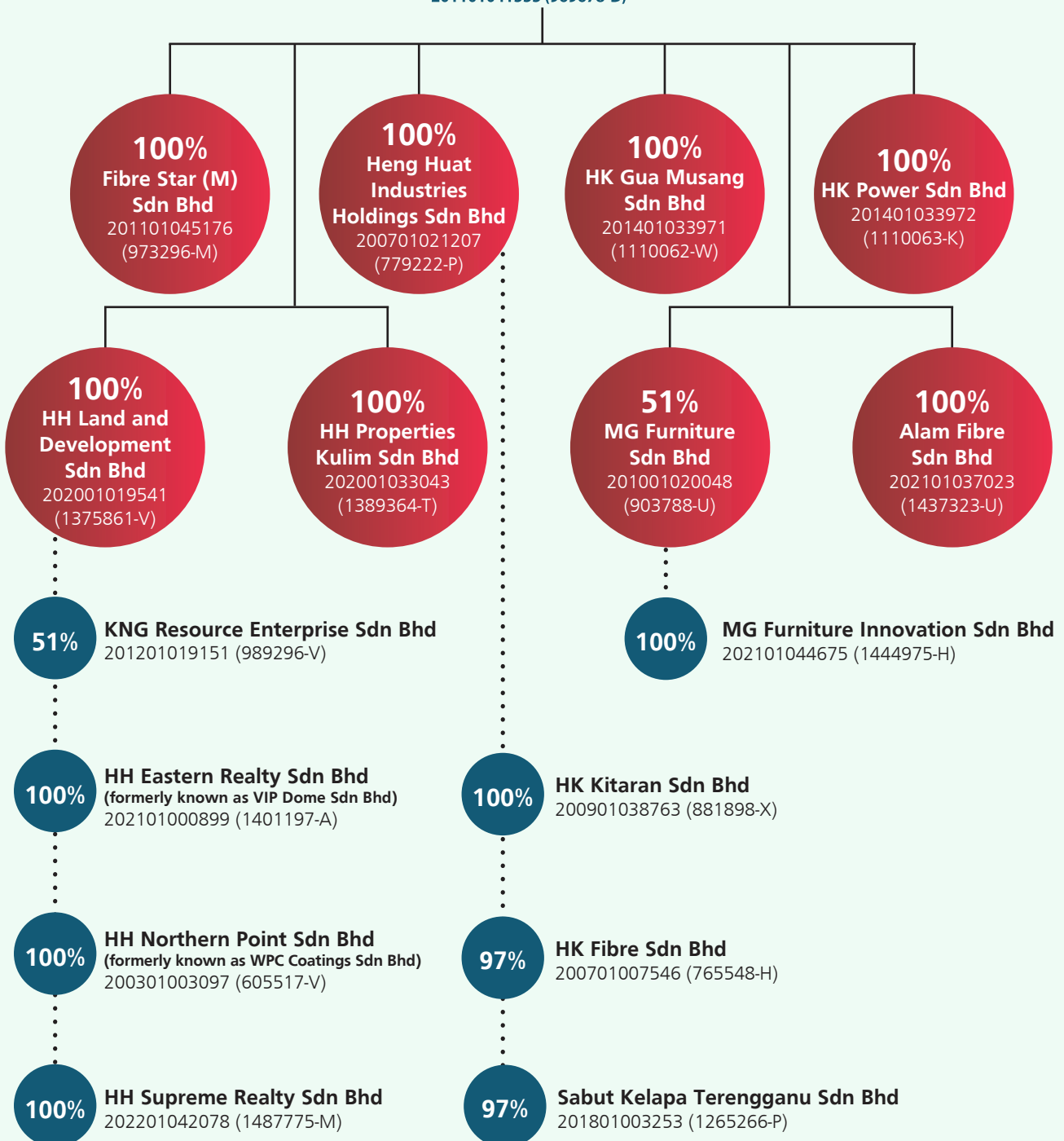
**ACE Market of Bursa Malaysia  
Securities Berhad**  
Stock Name : HHRG  
Stock Code : 0175

# Corporate Structure



## HHRG BERHAD

Formerly known as Heng Huat Resources Group Berhad  
201101041555 (969678-D)



# Financial Highlights

	Audited 2018	Audited 2020	Audited 2021	Audited 2022	Audited 2023
Revenue	114,722	102,111	73,594	103,502	<b>155,268</b>
Earnings/(Loss) Before Interest, Tax, Depreciation & Amortisation	10,822	(25,662)	(8,708)	21,474	<b>46,130</b>
Profit/(Loss) Before Tax	(3,877)	(43,312)	(18,198)	14,847	<b>33,367</b>
Profit/(Loss) Before Tax Margin (%)	(3.38)	(42.42)	(24.73)	14.34	<b>21.49</b>
Profit/(Loss) After Tax	(3,476)	(42,904)	(20,092)	14,756	<b>30,013</b>
Profit/(Loss) After Tax Margin (%)	(3.03)	(42.02)	(27.30)	14.26	<b>19.33</b>
Gross Earnings/(Loss) Per Share (Sen)*	(12.52)	(127.55)	(34.30)	11.03	<b>4.49</b>
Net Earnings/(Loss) Per Share (Sen)*	(0.48)	(9.35)	(2.87)	2.33	<b>3.68</b>
Diluted Net Earnings/(Loss) Per Share (Sen)# ^	(0.48)	(9.35)	(2.87)	2.12	<b>3.20</b>

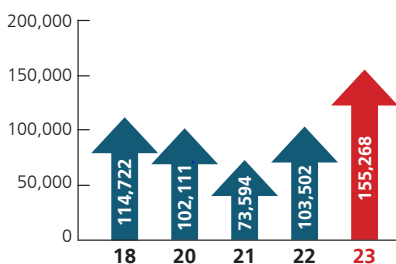
## Notes:

\* Computed based on the weighted average number of ordinary shares in issue adjusted to reflect the effect of bonus issue completed on 18 April 2022.

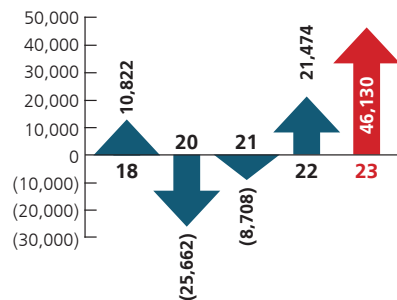
# Computation based on weighted average number of ordinary shares in issue adjusted to assume conversion of all dilutive potential ordinary shares arising from warrants and share issuance scheme (with effective year 2022).

^ Computation based on weighted average number of ordinary shares in issue adjusted to assume conversion of all dilutive potential ordinary shares arising from bonus issue completed on 18 April 2022.

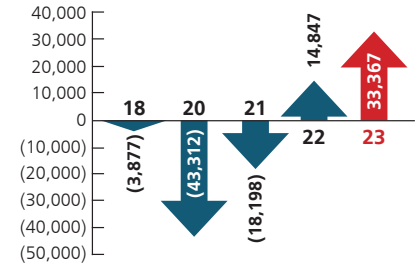
## REVENUE (RM'000)



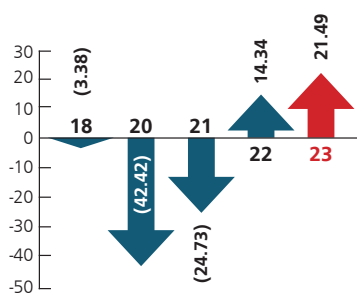
## EBITDA (RM'000)



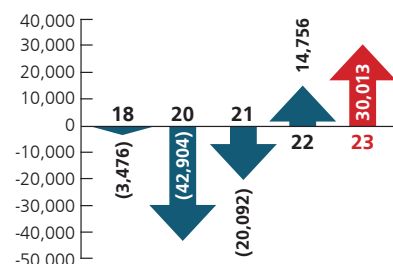
## PBT (RM'000)



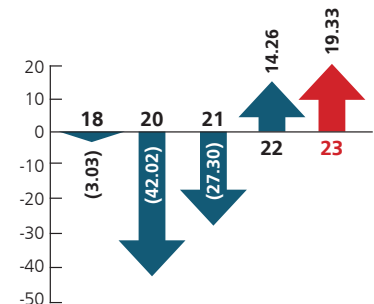
## PBT MARGIN (%)



## PAT (RM'000)



## PAT MARGIN (%)



# Management Discussion And Analysis

## OVERVIEW OF THE GROUP'S OPERATIONS

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

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

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

## FINANCIAL RESULTS & CONDITION

### • Financial Performance

	2023 RM'000	2022 RM'000	Year-on-Year Variance (%)
Revenue			
Biomass materials and related products	76,865	80,985	-5.09
Furniture, mattresses and related products	77,783	22,517	245.44
Property development and management	620	-	100.00
	<b>155,268</b>	<b>103,502</b>	<b>50.01</b>
Profitability			
Gross profit "GP"	53,954	37,667	43.24
<i>GP margin</i>	34.75%	36.39%	
Profit before tax "(PBT)"	33,367	14,847	124.74
<i>(PBT) margin</i>	21.49%	14.34%	
Net profit for the year "(PAT)"	30,012	14,756	103.39
<i>(PAT) margin</i>	19.33%	14.26%	

The Group's revenue for the financial year ended ("FYE") 31 March 2023 increased by RM51.77 million (or 50.01%) to RM155.27 million was arising from:

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

- i. Contributions of a subsidiary from furniture business segment 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.

The Group's PAT for the FYE 31 March 2023 increased by RM15.26 million (or 103.39%) to RM30.01 million mainly due to:

- i. Increase in gross profit in line with the enhanced sales performance as explained above;
- ii. Increase in other income due to one-off, non-recurring transaction from fire insurance compensation on biomass, materials and related products segment; and
- iii. Higher of administrative expenses mainly due to one off, non-recurring transaction incurred for the FYE 31 March 2022. The non-cash expenses amounted RM7.66 million recognised was in relation to the equity-settled share-based payment transactions.



# Management Discussion And Analysis (cont'd)

## FINANCIAL RESULTS & CONDITION (CONT'D)

### • Financial Performance (cont'd)

The revenue growth was, however, partially offset by the following factors:

- i. Higher of administrative expenses mainly due to impairment loss on property, plant and equipment from one of the subsidiaries. This was due to the management's intention to cease the operation of that subsidiary as at the end of the financial year; and
- ii. Higher of administrative expenses mainly due to additional segment from furniture division which was acquired on 30 March 2022.

### • Financial Position

	2023 RM'000	2022 <sup>(1)</sup> RM'000	Year-on-Year Variance (%)
Total assets	251,205	134,789	86.37
Total liabilities	61,935	34,130	81.47
Shareholders' equity	165,880	100,191	65.56
<b>Net assets per share (sen)</b>	<b>22.34</b>	<b>74.46</b>	

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

As at 31 March 2023, our Group's total assets and total liabilities stood at RM251.21 million and RM61.94 million respectively, representing an increase of 86.37% and a increase of 81.47% as compared to the preceding year.

As at 31 March 2023, our shareholders' equity remained at a positive level, stood at RM165.88 million (2022: RM100.19 million).

### • Liquidity

	2023 Days	2022 <sup>(3)</sup> Days	Changes Day
Trade receivables' turnover period <sup>(1)</sup>	23	34	- 11 days
Inventories' turnover period <sup>(2)</sup>	44	33	+ 11 days
Trade payables' turnover period <sup>(2)</sup>	22	24	- 2 days
<b>Cash conversion cycle</b>	<b>45</b>	<b>43</b>	<b>+ 2 days</b>

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

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

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

# Management Discussion And Analysis (cont'd)

## FINANCIAL RESULTS & CONDITION (CONT'D)

### • Liquidity (cont'd)

The cash conversion cycle was increased from 43 days in the FYE 2022 to 45 days in the FYE 2023. This was due to increase of inventories' turnover period by additional segment from furniture division which was acquired on 30 March 2022.

	2023 RM'000	2022 <sup>(1)</sup> RM'000
Cash flows from operating activities	41,255	22,234
Cash flow used in investing activities	(28,853)	(4,206)
Cash flow from financing activities	4,260	6,215
<b>Net movements in cash and cash equivalents</b>	<b>16,662</b>	<b>24,243</b>
Cash and cash equivalents at the end of the financial year:		
Cash and bank balances	23,784	21,750
Fixed deposits with licensed banks	9,441	10,514
Short-term money market deposit	600	-
Short-term investment	16,028	2,000
	49,853	34,264
Less:		
Deposits pledged to licensed banks	(9,441)	(10,514)
	<b>40,412</b>	<b>23,750</b>
<b>Current ratio (times)</b>	<b>3.03</b>	<b>2.15</b>

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

Our Group's current ratio had improved from 2.15 times in the preceding year to 3.03 times for the financial year under review, mainly due to improvement in cash and cash equivalents which derived from collection received from increased sales during the financial year.

### • Capital Expenditure Requirements, Capital Structure and Capital Resources

Capital Commitment	2023 RM'000	2022 RM'000
Capital expenditure in respect of purchase of property, plant and equipment		
Approved but not contracted for	2,420	107
Contacted but not provided for	131	10,366
	<b>2,551</b>	<b>10,473</b>

As of 31 March 2023, our Group did not incur any new expansion or future project.

# Management Discussion And Analysis (cont'd)

## FINANCIAL RESULTS & CONDITION (CONT'D)

### • Capital Expenditure Requirements, Capital Structure and Capital Resources (cont'd)

Borrowings	2023 RM'000	2022 <sup>(1)</sup> RM'000
Short terms (repayable within 12 months)	3,347	2,186
Long terms (repayable within 12 months)	28,977	6,371
	<b>32,324</b>	<b>8,557</b>
<b>Gearing ratio (times) Borrowings /Shareholders' Equity</b>	<b>0.19</b>	<b>0.09</b>

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

During the financial year under review, our Group's gearing ratio increased to 0.19 times as compared to 0.09 times in prior year. Our borrowings increased by RM23.77 million or 277.75% from RM8.56 million in the preceding year to RM32.32 million as at 31 March 2023.

The increase in our Group's borrowings was primarily attributable to the additional segment from furniture division which was acquired on 30 March 2022.

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

## REVIEW OF OPERATING ACTIVITIES

### Proposed Bonus Issue: Announcement dated 13 January 2022

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

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

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

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

# Management Discussion And Analysis (cont'd)

## REVIEW OF OPERATING ACTIVITIES (CONT'D)

### Proposed Bonus Issue: Announcement dated 13 January 2022 (cont'd)

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

- a. HHRG and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonus Issue;
- b. HHRG and TA Securities to inform Bursa Securities upon the completion of the Proposed Bonus Issue;
- c. HHRG 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. HHRG 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.

# Management Discussion And Analysis (cont'd)

## ANTICIPATED OR KNOWN RISKS

Principal Risk	Description/Consequences	Strategies to Mitigate Risk
Dependent on single market	<ul style="list-style-type: none"> <li>- The furniture products are sold mainly to customers in Europe country.</li> <li>- The products are suitable and acceptable in the Europe market.</li> <li>- Any changes in Europe's ruling and economic may give significant impact to the company.</li> </ul>	<ul style="list-style-type: none"> <li>- Exploring new market at other regions.</li> <li>- Diversifying the product range.</li> <li>- Participating in roadshow and exhibition.</li> </ul>
Regulatory risk	<ul style="list-style-type: none"> <li>- Adverse changes in rules and regulations for example increase in power tariff, fuel prices and tax rates or additional compliance requirements may increase the cost of doing business.</li> <li>- Loss of pioneer status or other tax incentives may result in higher tax liabilities, hence affecting the profitability of our Group.</li> </ul>	<ul style="list-style-type: none"> <li>- To conduct regular meeting to discuss on the government's policy matters.</li> <li>- To upgrade the machinery where necessary.</li> <li>- To take advantage of any available incentives or lower tariff.</li> <li>- To comply with the conditions imposed by the authority body for the pioneer status.</li> </ul>
Natural disaster risk	<ul style="list-style-type: none"> <li>- The interruption may include but not limited to, fire, worker riot or natural disaster such as flood.</li> <li>- The interruption will cause the company to stop operations and may require some time to recover.</li> </ul>	<ul style="list-style-type: none"> <li>- Safety officer is appointed.</li> <li>- To meet on periodically to discuss on safety and health matters.</li> <li>- Continuous monitoring on the maintenance needs by the production leaders.</li> <li>- Fire escape plan and fire preventive equipment is put in place.</li> <li>- Smoking is prohibited inside the factory.</li> <li>- Emergency Rescue Team (ERT) is formed.</li> </ul>

## FORWARD LOOKING STATEMENT

### Prospect

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.

### DIVIDEND POLICY

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

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

## Directors' Profile



### DATO' H'NG CHOON SENG

*Executive Chairman*  
Malaysian, Male, aged 56

Dato' H'ng Choon Seng was appointed to our Board as Director on 25 November 2011. He was designated as our Managing Director on 28 May 2012 and on 25 November 2022, he was redesignated as our Executive Chairman. He completed his high school education at Sekolah Menengah Kebangsaan Tun Syed Sheh Barakbah, Jawi, Seberang Perai Selatan, Penang in 1983. He has since accumulated 40 years of experience in the furniture and biomass material industries. As our Executive Chairman, he is responsible for overseeing our Group's operations and has been instrumental in the growth and development of our Group.

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

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

He attended all 4 Board of Directors' Meeting held in the financial year ended 31 March 2023.

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

## Directors' Profile (cont'd)

### NG CHIN NAM

*Executive Director*

Malaysian, Male, aged 53



Ng Chin Nam is our Executive Director and was appointed to our Board on 2 August 2021.

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

In 2021, he joined our Company as an Executive Director and is responsible for overseeing our Group's accounting, finance, corporate exercise activities and business development. He does not hold any directorship in other public companies in Malaysia.

He attended all 4 Board of Directors' Meeting held in the financial year ended 31 March 2023.

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

### CHEAH SWI CHUN

*Independent Non-Executive Director*

Malaysian, Male, aged 50



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

Mr. Cheah graduated with a Bachelor of Commerce (Accounting) from La Trobe University, Australia in 1996. He has been a registered member of Malaysia Institute of Accountants since 2002 and a member of CPA Australia since 2000. His professional journey began at Ernst & Young Corporate Advisory division in 1996. After gaining valuable experience there, he joined B. Braun Medical Industries Sdn Bhd in 2000 as Corporate Controller for Asia Pacific region and subsequently, left to join Astino Berhad in 2002 as an Accountant and Corporate Manager with primary functions of overseeing the financial reporting, corporate planning and the listing exercise of the group. He left Astino Berhad in 2003 upon its successful listing onto Bursa Malaysia to co-establish

several private companies with business activities in manufacturing and trading of building materials, and sub-contracting of building construction works. With over 20 years of experience, his expertise extends to manufacturing operations in the steel sector, as well as various business activities related to building construction works and building materials.

Currently, he is also an Independent Non-Executive Director of Astino Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

He attended all 4 Board of Directors' Meeting held in the financial year ended 31 March 2023.

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

## Directors' Profile (cont'd)

### WONG WAN CHIN, D.J.N.

*Independent Non-Executive Director*  
Malaysian, Female, aged 47



Madam Wong Wan Chin, D.J.N is our Independent Non-Executive Director and was appointed to our Board on 9 December 2022. She is presently Chairman of Nomination and Remuneration Committee and a member of the Audit and Risk Management Committee of the Company.

In 2017, she was conferred the title Darjah Johan Negeri (D.J.N) by T.Y.T Yang Di-Pertua Negeri Pulau Pinang for her contribution to the community and state of Penang. She is presently the legal advisor of Penang Foundry & Engineering Industries Association and a committee member of the Penang Chinese Chamber of Commerce.

She has twenty-three years of working experience in the legal field. She graduated from the University of Malaya in 1999 with a second upper class honours in LL.B (Hons.) law degree and was admitted as Advocate & Solicitor of the Bar Council Malaysia in 2000. She started her career as a legal assistant in the legal firm, Messrs. Wong-Chooi & Mohd Nor in 2000. In 2002, she became a partner of the firm until 2009. Thereafter, she spent approximately eight (8) years with the legal firm, Messrs. Lio & Partners as a partner where she was in charge of two branches before she established the legal firm, Messrs. Wong & Loh

in 2017. Presently, Madam Wong is the managing partner of Messrs Wong & Loh, which has seven offices in Malaysia. She provides corporate legal services to her clients including mergers and acquisitions, initial public offerings, industrial land acquisition and conducts due diligence on companies in connection with their initial public offerings on the Leap Market and Ace Market in Bursa Malaysia Securities Berhad.

Currently, she is an Independent Non-Executive Chairman of Volcano Berhad, a company listed on the Ace Market of Bursa Malaysia Securities Berhad and Independent Non-Executive Director of LMS Compliance Ltd., a company listed on the Singapore Exchange Securities Trading Limited.

She attended a Board of Directors' Meeting held subsequent to her appointment and up to the financial year ended 31 March 2023.

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

### HO WHYE CHONG

*Non-Independent Non-Executive Director*  
Malaysian, Male, aged 45



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

Mr. Ho graduated with a Bachelor of Civil Engineering from the University of New South Wales, Sydney, Australia in the year 2001. Upon graduation, he started his career with a construction company as a Project Engineer. He left the company in 2002 and joined an engineering consultant company as a Civil Engineer. In the year 2003, he established his own construction company widely known as Pena Builders Sdn Bhd, with a dream to become one of the leading companies in the interior

designing industry. In 2023, his remarkable achievements were recognized as he was awarded as one of the Top 10 Leaders in Interior Fit-Out, Furniture and Construction Industry in Asia.

He attended all 4 Board of Directors' Meeting held in the financial year ended 31 March 2023.

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



## Directors' Profile (cont'd)

### LEE YEE WOOI

*Non-Independent Non-Executive Director*  
Malaysian, Male, aged 51



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

Mr. Lee graduated with a Bachelor of Accounting (Hons) from University of Malaya in 1997. He has been a registered member of the Malaysia Institute of Accountants since 2000. He embarked on his professional journey at Ernst & Young, where he joined the Tax Department in 1997. After gaining valuable experience, he transitioned to Scope Industries Berhad in 2002 as a Finance Manager. In recognition of his capabilities, he was promoted to the position of Finance Controller in 2004. In this role, he oversaw the financial, accounting, costing, taxation, and strategic planning functions of the group. With over 20 years of experience, his expertise lies in the manufacturing operations within the electrical and electronics sector, as well as management consultancy services for the scientific analytical field.

Currently, he is an Independent Non-Executive Director of UMediC Group Berhad, a company listed on the Ace Market of Bursa Malaysia Securities Berhad.

He attended all 4 Board of Directors' Meeting held in the financial year ended 31 March 2023.

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

## Key Senior Management Profile



Fong Chee Khuen is our Chief Executive Officer and was appointed on 3 October 2022. He holds an Honours Degree in Accountancy and a Master Degree in Business Administration (MBA) from University Putra Malaysia. He is a Chartered Accountant and a member of the Malaysian Institute of Accountants.

He started his career in Gula Perak Berhad (GPB) as the Internal Audit Executive. He rose to the position of the Head of Finance cum Company Secretary for GPB Group before he left and joined Sungei Wang Plaza Sdn Bhd, a wholly owned subsidiary company of Landmarks Berhad in year 2000. He has since held several senior management positions in Landmarks Group and has vast experience in the areas of strategic & corporate planning, merger & acquisition, corporate restructuring and fund-raising exercises, destination development, resorts & properties management, and hospitality management sectors across Malaysia, Singapore and Indonesia. He is currently responsible for the Group strategic plans and execution. He also oversees the day-to-day operational activities of the Group.

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

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



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

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

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

# Sustainability Statement

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

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

Economy	Environment	Social
An organisation's impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels. It does not focus on the financial condition of the organisation	An organisation's impact on living and non-living natural systems, including land, air, water and ecosystems.	The impacts an organisation has on the social systems within which it operates.

## ECONOMIC

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

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

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

## ENVIRONMENT

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

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

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

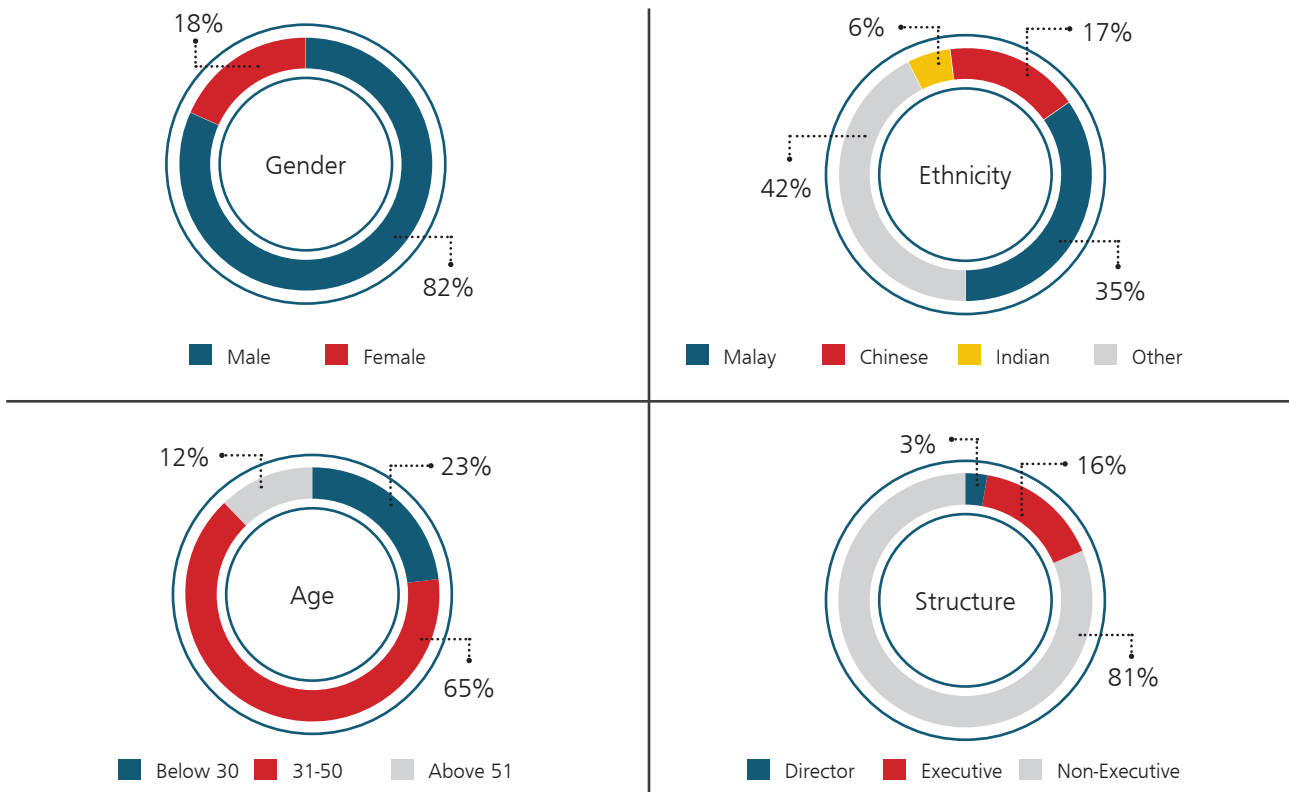
In addition to that, the Group maintains careful waste-handling procedures where the wastes are being gathered for subsequent proper disposal to avoid contaminating surrounding public areas.

# Sustainability Statement (cont'd)

## SOCIAL

### Community and Society Contribution

HHRG promoting equal employment opportunity, organizations foster a culture of fairness, respect, and diversity, leading to better employee morale, increased productivity, and a more inclusive society as a whole.



Our culture is referring to principle that all individuals should have an equal chance to participate in employment without discrimination or prejudice based on factors such as race, gender, age, disability, religion, or national origin. It promotes fairness and prohibits unfair treatment in the workplace, ensuring that all employees have equal access to job opportunities, promotions, and benefits.

HHRG's employment promotion scheme are judged based on their qualifications, skills, and performance rather than personal characteristics. Company implements policies and practices that prevent discrimination, harassment, and bias, and provide equal opportunities for career development and advancement.

### Health and Safety

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

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

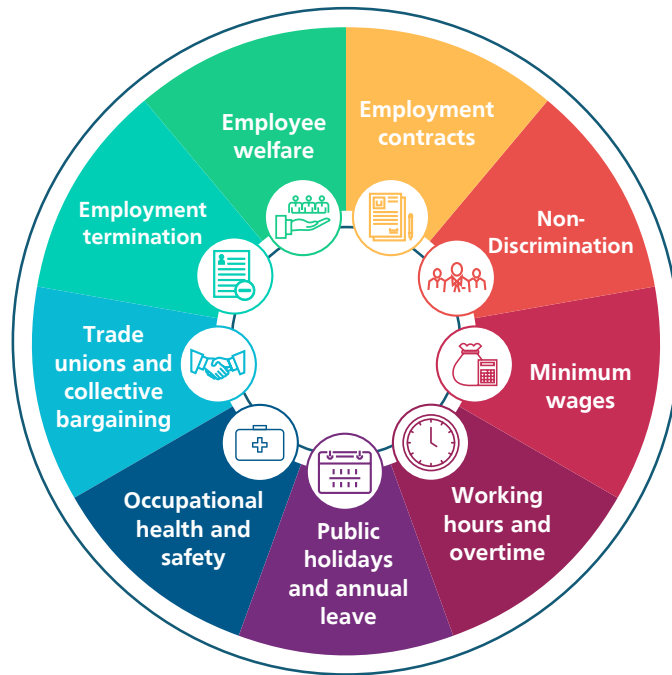
In addition to that, an Internal Emergency Response (ERT) team has been established where regular trainings are provided to equip the team members with first-aid knowledge as well as emergency handling skills. The emergency response team will then conduct in-house briefings from time to time and share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

# Sustainability Statement (cont'd)

## SOCIAL (CONT'D)

### Labour Practices and Standards

HHRG's labour practices and standard stickly follow by Malaysia's standards that are governed by its employment laws and regulations. These practices and standards are aimed at safeguarding the rights and well-being of workers in the country. Those key aspects of HHRG's labour practices and standards include:



### Corporate Sustainability Responsibility Activities

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

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

- Annual Dinner "Reunion Dinner Prosperous Rabbit Chinese New Year 2023" on February 2023
- Sport Club Event "Bowling Tournament 2022" on December 2022

Continuing Training Programme:	
April 2022	- MIA Webinar Series: Malaysian Corporate Tax Practices & Principles
May 2022	- Finance for Non-Finance Manager and Professionals
June 2022	- Employment Law Compliances and Documentations in Managing Employee and HR Procedures
July 2022	- COMPTIA Cloud
November 2022	- Authorised Entrant & Standby for Confined Space Refresher
December 2022	- Penang Green Finance Conference 2022
March 2023	- Tax Seminar on Budget 2023-Budget Highlights and Recent Tax Developments
May 2023	- Introduction to First Aid & CPR - HRD CORP Workshop 2023 - Bursa Malaysia's Enhanced Sustainability Reporting Framework
June 2023	- Seksyen-seksyen Penting Dalam Akta Kerja 1955

## Sustainability Statement (cont'd)



Annual Dinner  
February 2023



Bowling Tournament December 2022



First Aid & CPR May 2023

# Corporate Governance Overview Statement

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

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

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

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

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

### BOARD RESPONSIBILITIES

#### Strategic Aims, Values and Standards

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

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

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

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

# Corporate Governance Overview Statement (cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### BOARD RESPONSIBILITIES (CONT'D)

#### Strategic Aims, Values and Standards (cont'd)

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

Key matters reserved for the Board's approval include annual corporate plans, strategic initiatives, nomination, selection, succession policies, and remuneration packages for Board members, Board Committee members, the Executive Chairman, and the Chief Executive Officer.

The Board also assumes the following core responsibilities:

- a. Identify principal risks of the Group and to ensure the implementation of appropriate internal control system and mitigation measures.
- b. Oversee the implementation of the shareholders' communication policy and investors' relations program for the Company, to enable effective communications with its shareholders and stakeholders.
- c. Review the adequacy and integrity of the Group's internal control systems and management information systems and to ensure regulatory compliance with applicable laws, regulations, rules and guidelines.
- d. Oversee the effective management of both safety and security risks to ensure the protection of personnel, information, and other assets.

#### Chairman of the Board

Dato' H'ng Choon Seng is the Executive Chairman of the Company who is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board.

The Chairman's responsibilities include:

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

The roles of the Chairman are elaborated upon comprehensively in the Board Charter, which can be accessed on the corporate website of the Company at [www.hhrg.com.my](http://www.hhrg.com.my).



# Corporate Governance Overview Statement (cont'd)

## **PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

### **BOARD RESPONSIBILITIES (CONT'D)**

#### **Separation of the position of Chairman and the Chief Executive Officer ("CEO")**

The Board has always maintained a clear distinction between the positions of Chairman and CEO, ensuring they are held by separate individuals. There is a distinct and separate division of responsibilities in the roles and duties of the Chairman and CEO.

The CEO holds overall responsibility for the daily operations of the Company, including managing human resources for key positions within the Group's hierarchy, overseeing financial management and business affairs, ensuring organizational effectiveness, and implementing Board policies and decisions. Additionally, the CEO ensures that the Group's corporate identity, products, and services adhere to high standards, reflect market expectations, and comply with governmental regulations. During each board meeting, the CEO provides the Board with updates on the Group's performance and activities, as well as specific proposals for capital expenditure and potential acquisitions or disposals.

#### **The Chairman of the Board should not be a member of Audit Committee, Nomination Committee and/or Remuneration Committee**

The Chairman of the Board is not a member of the Company's Audit and Risk Management Committee and/or Nomination and Remuneration Committee.

#### **Qualified and Competent Company Secretary**

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

#### **Information and Support of Director**

The Board convenes quarterly meetings to deliberate on the Group's overall strategies, operations and financial performance. Additional meetings will be convened from time to time to address any major and ad hoc matters requiring immediate attention. Directors are permitted to participate either in person or through electronic means of communication, such as teleconferencing.

# Corporate Governance Overview Statement (cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### BOARD RESPONSIBILITIES (CONT'D)

#### Information and Support of Director (cont'd)

During the financial year under review, the number of Board of Directors' Meeting attended by each Director is as follows:

	Attendance of Meeting
<b><u>Executive Chairman</u></b>	
Dato' H'ng Choon Seng (Redesignated on 25.11.2022)	4/4
<b><u>Executive Directors</u></b>	
Kee Swee Lai (Retired on 30.11.2022)	3/3
Ng Chin Nam	4/4
<b><u>Independent Non-Executive Directors</u></b>	
Cheah Swi Chun	4/4
Wong Wan Chin (Appointed on 9.12.2022)	1/1
<b><u>Non-Independent Non-Executive Directors</u></b>	
Ho Whye Chong (Redesignated on 29.11.2022)	4/4
Lee Yee Wooi (Redesignated on 29.11.2022)	4/4

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

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

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

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

#### Board Charter

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

# Corporate Governance Overview Statement (cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### BOARD RESPONSIBILITIES (CONT'D)

#### Board Charter (cont'd)

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

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

The Board Charter is available for reference on the Company's corporate website at [www.hhrhg.com.my](http://www.hhrhg.com.my).

#### Code of Conduct and Ethics

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

The Code of Conduct and Ethics is available for reference on the Company's corporate website at [www.hhrhg.com.my](http://www.hhrhg.com.my).

#### Whistleblowing Policies and Procedures

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

The Whistleblowing policies and procedures is available for reference on the Company's corporate website at [www.hhrhg.com.my](http://www.hhrhg.com.my).

#### Anti-Bribery & Corruption Policy

The Anti-Bribery & Corruption Policy had been established to prevent bribery and matters of corruption for. It is our policy to conduct all of our business in an honest and ethical manner, as well as complying with all applicable laws, which include compliance with the Malaysian Anti-Corruption Commission Act 2009 and the Malaysian Anti-Corruption Commission (Amendment) Act 2018 and any of its amendments or re-enactments that may be made by the relevant authority from time to time. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery.

#### Setting the Company's sustainability strategies, priorities and targets

The Board is responsible for the setting up of the Group's sustainability strategies. The Group is aware of the importance of business sustainability and has consistently reviewing its operational practices that affect sustainability of environment, governance and social aspects.

# Corporate Governance Overview Statement (cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### BOARD RESPONSIBILITIES (CONT'D)

#### **Communicating the Company's sustainability strategies, priorities and targets to its internal and external stakeholders**

The Company's sustainability strategies, priorities and targets are set out in the Company's Sustainability Report in this Annual Report.

#### **Understand the sustainability issues relevant to the company and its business**

The Board encourage the directors and senior managers to keep abreast with sustainability issues that relevant to the Company's business and operations

#### **Board and Senior Management performance to link with capability to address the Company's material sustainability risks and opportunities**

Evaluation was conducted on the Board and Senior Management's performance in addressing the Company's material sustainability risks and opportunities.

### BOARD COMPOSITION

The Board currently consists of 6 members, comprising 1 Executive Chairman, 1 Executive Director, 2 Independent Non-Executive Directors and 2 Non-Independent Non-Executive Directors as follows:

#### Executive Chairman

Dato' H'ng Choon Seng

#### Executive Directors

Ng Chin Nam

#### Independent Non-Executive Directors

Cheah Swi Chun

Wong Wan Chin

#### Non-Independent Non-Executive Directors

Ho Whye Chong

Lee Yee Wooi

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

The biographical information of each Director is presented on pages 13 to 16 of this Annual Report, under Directors' Profile.

Members of the Board are persons of high calibre with different professional and commercial backgrounds. With a blend of good management, entrepreneurial skills and industry-specific knowledge, they bring extensive depth and diversity in experience and perspectives which are essential for the sustainability of the Group.

The Independent Non-Executive Directors ensure that the strategies proposed by Management are thoroughly deliberated and examined, with due consideration for the long-term interests of stakeholders. Their independence from Management guarantees that no individual or group dominates the decision-making process of the Board.

# Corporate Governance Overview Statement (cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### BOARD COMPOSITION (CONT'D)

#### Half of the Board are independent directors

The Board is in the midst of identifying suitable candidates as additional independent directors of the Company.

#### Policy on the tenure of an independent director

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

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

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

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

#### Limit of tenure of independent director to 9 years

The Group has yet to adopt the policy to limit the tenure of independent directors to 9 years without further extension.

#### Diverse Board and Senior Management Team

The Board is supportive of diversity on the Board and in Senior Management team. Appointment of members of the Board and Senior Management team are based on objective criteria, merit and also due regard for diversity in experience, skills set, age and cultural background.

#### Diverse sources for new candidate(s) for Board appointment

The Company has in place, its procedures and criteria for identifying candidates for appointment of directors.

All candidates for appointment are first considered by the Nomination and Remuneration Committee, taking into account the mix of skills, competencies, experience, professionalism and other relevant qualities to manage the Company.

#### Information of independent directors who stand for appointment or re-appointment

The information of the independent director who stand for re-appointment as independent director is as stated in the notice of general meeting.

# Corporate Governance Overview Statement (cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### BOARD COMPOSITION (CONT'D)

#### Nomination and Remuneration Committee ("NRC")

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

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

The attendance details are reflected below:

	<b>Attendance of Meeting</b>
<b><u>Chairman</u></b>	
Wong Wan Chin ( <i>Independent Non-Executive Director</i> ) (Appointed on 9.12.2022)	N/A <sup>(i)</sup>
<b><u>Members</u></b>	
Cheah Swi Chun ( <i>Independent Non-Executive Director</i> )	3/3
Ho Whye Chong ( <i>Non-Independent Non-Executive Director</i> )	3/3
Lee Yee Woi ( <i>Non-Independent Non-Executive Director</i> ) (Resigned on 9.12.2022)	3/3

#### Notes

(i) No meetings were held subsequent to her appointment in the financial year under review.

During the financial year under review, 3 meetings of the NRC were held and its activities are summarised as follows:

- Reviewed the current composition of the Board Committee;
- Reviewed the current board structure, size and composition;
- Reviewed and assessed the Board of Directors mix of skills, experience and other qualities, including core competencies which directors should bring to the board;

# Corporate Governance Overview Statement (cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### BOARD COMPOSITION (CONT'D)

#### Nomination and Remuneration Committee ("NRC") (cont'd)

During the financial year under review, 3 meetings of the NRC were held and its activities are summarised as follows: (cont'd)

- Assessed the effectiveness of the Board as a whole, the committees of the Board, and for assessing the contribution of each individual director;
- Assessed the performance of Independent Directors;
- Discussed the character, experience, integrity and competence of the Directors, Chief Executive or Chief Financial Officer and to ensure they have the time to discharge their respective roles;
- Reviewed the term of office and performance of Audit and Risk Management Committee and each of its members;
- Reviewed and recommended the re-election of Directors who were retiring and seeking for re-election at the 12<sup>th</sup> AGM;
- Discussed the appointment of Chief Executive Officer, Mr Fong Chee Khuen;
- Discussed the retirement of the Executive Director, Mr Kee Swee Lai;
- Discussed the redesignation of directors and appointment of Independent Non-Executive Director, Ms Wong Wan Chin;
- Discussed the revised benefits of the executive directors;
- Discussed the directors' fees and benefits for each directors;
- Reviewed the remuneration packages of Executive Director of the Company.

The terms of reference of NRC is published on the Company's corporate website.

#### Chairman of Nomination and Remuneration Committee

The Nomination and Remuneration Committee is currently chaired by Ms Wong Wan Chin, an Independent Non-Executive Chairman.

#### Board Diversity, Targets and Measures to Meet Those Targets

Currently, there is a female director on the Board which accounts for about 17% of Board structure.

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

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

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

#### Effectiveness of the Board and individual directors

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

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

# Corporate Governance Overview Statement (cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### BOARD COMPOSITION (CONT'D)

#### Effectiveness of the Board and individual directors (cont'd)

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

Name of Director	Date	Training Programme
Dato' H'ng Choon Seng	13-14 May 2022	- Finance For Non-Finance Managers And Professionals
Ng Chin Nam	13-14 May 2022	- Finance For Non-Finance Managers And Professionals
	20 March 2023	- Tax Seminar on Budget 2023
Cheah Swi Chun	24 February 2023	- MFRS 16 Leases: What It Entails And Its Effects (Plus Tax Considerations) Live Webinar
Wong Wan Chin	14 April 2023	- A Dialog With Bursa Malaysia: ESG Development and FTSE4GOOD ESG RATINGS FOR ALL PLCs
Ho Whye Chong	13-14 May 2022	- Finance For Non-Finance Managers and Professionals
Lee Yee Wooi	6-8 April 2022	- Mandatory Accreditation Programme
	26 May 2022	- HASIL MEF Tax Webinar 2022: Building Sustainable Future
	29-30 August 2022	- 23 <sup>rd</sup> Time, Conference And Exhibition On Safety and Health (COSH)
	17 November 2022	- Invitation To The Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees
	8 March 2023	- Seminar Percukaian Kebangsaan 2022
	16 March 2023	- Session Link To NACRA 2023 Virtual Launch

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

#### Annual Assessment of the Board

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

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



# Corporate Governance Overview Statement (cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### REMUNERATION

#### Remuneration Policy and Procedures for Director and Senior Management

The primary responsibilities of NRC on remuneration are as follows:

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

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

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

The terms of reference of NRC is published on the Company's corporate website.

#### Details of Directors' remuneration

The details of the remuneration of Directors for the financial year ended 31 March 2023 are as follows:

Group	Fees RM'000	Meeting Allowance RM'000	Salary RM'000	Bonus RM'000	Other emoluments RM'000	Benefits in-kind RM'000
<b>Non-Executive Director</b>						
Ceah Swi Chun	29	*	-	-	-	-
Wong Wan Chin	10	*	-	-	-	-
Ho Whye Chong	29	*	-	-	-	-
Lee Yee Wooi	29	*	-	-	-	-
<b>Executive Chairman</b>						
Dato' H'ng Choon Seng	-	-	600	1,050	199	15
<b>Executive Director</b>						
Kee Swee Lai	-	-	315	-	38	9
Ng Chin Nam	-	-	420	335	92	21

# Corporate Governance Overview Statement (cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### REMUNERATION (CONT'D)

#### Details of Directors' remuneration (cont'd)

Company	Fees RM'000	Meeting Allowance RM'000	Salary RM'000	Bonus RM'000	Other emoluments RM'000	Benefits -in-kind RM'000
<b>Non-Executive Director</b>						
Cheah Swi Chun	29	*	-	-	-	-
Wong Wan Chin	10	*	-	-	-	-
Ho Whye Chong	29	*	-	-	-	-
Lee Yee Wooi	29	*	-	-	-	-
<b>Executive Chairman</b>						
Dato' H'ng Choon Seng	-	-	-	-	-	-
<b>Executive Director</b>						
Kee Swee Lai	-	-	-	-	-	-
Ng Chin Nam	-	-	-	-	-	-

Note:

\* Less than RM1,000

#### Details of top 5 Senior Management's remuneration

Given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment and the importance of ensuring stability and continuity of business operations with a competent and experienced Management team in place, the Board takes the view that there is no necessity for the Group to disclose the remuneration of the Company's Senior Management personnel who are not Directors.

#### Details of top five senior management's remuneration on named basis

Given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment and the importance of ensuring stability and continuity of business operations with a competent and experienced Management team in place, the Board takes the view that there is no necessity for the Group to disclose the remuneration of the Company's Senior Management personnel who are not Directors.

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### The Chairman of the Audit Committee is not the Chairman of the Board

Mr Cheah Swi Chun, an Independent Director, serves as the Chairman of the Audit and Risk Management Committee, while Dato' H'ng Choon Seng holds the position of Chairman of the Board.

# Corporate Governance

## Overview Statement (cont'd)

### PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

#### Policy requiring former key audit partner to observe 3-year cooling off period

As at to-date, the Company has not appointed any former audit partner as a member of the Audit and Risk Management Committee.

#### Assessment of Suitability and Independence of External Auditors

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

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

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

#### Composition of the Audit Committee

The Board did not adopt the step-up practice of having solely independent directors in the Audit and Risk Management Committee.

#### Diversity in skills of the AC

The Audit and Risk Management Committee currently comprises of members with professional experience in finance, taxation, business and economic environment. All members are financially literate and are able to read, interpret and understand the financial statements. The diversity in skills set coupled with their financial literacy gave the Audit and Risk Management Committee the ability to effectively discharge their roles and responsibilities.

#### Risk Management

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

The *Statement on Risk Management and Internal Control* set out on pages 38 to 41 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

# Corporate Governance

## Overview Statement (cont'd)

### PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

#### Internal Audit Function

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

A summary of the major areas of work performed by the internal auditors during the financial year are set out in the *Audit and Risk Management Committee Report* on pages 42 to page 45 of this Annual Report.

#### Establishment of Risk Management Committee

On November 30, 2022, the Risk Management Committee merged with the Audit Committee of the Company, forming the combined committee known as the Audit and Risk Management Committee.

The roles of the Audit and Risk Management Committee included to review, on behalf of the Board, the system of risk management necessary to manage the key risks inherent in the business and to present its findings to the Board.

The Audit and Risk Management Committee assist to identify, assess and mitigate risks systematically.

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

Detail of the activities carried out by the Audit and Risk Management Committee in 2023 are set out on pages 38 to page 41.

The Terms of Reference is available for reference on the Company's corporate website at [www.hhrg.com.my](http://www.hhrg.com.my).

#### Compliance with Applicable Financial Reporting Standards

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

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

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

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

# Corporate Governance

## Overview Statement (cont'd)

### **PRINCIPLE C – INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

#### **Corporate Disclosure Policy**

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

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

#### **Notice of AGM**

The notice of 11<sup>th</sup> AGM held on 25 August 2022 was sent to the shareholders at least twenty-eight (28) days prior to the meeting date and published in a major local newspaper. Items of special business included in the notice of 11<sup>th</sup> AGM were accompanied by explanation of the proposed resolutions.

#### **Directors' attendance**

All Directors had attended the 11<sup>th</sup> AGM held on 25 August 2022.

#### **Leveraging on technology for voting in absentia and remote shareholders' participation**

The general meetings of the Company have always been held at a place which is accessible to all shareholders. Shareholders are entitled to appoint proxy to vote on their behalf in their absence.

The Company will try to continue to hold AGM on a virtual basis in the future and allow shareholders to actively participate and vote in absentia in the future AGMs.

Announcement of the detailed results of the poll voting had been made to the public via Bursa LINK on the same day for the benefit of all shareholders.

#### **Shareholders' Participation at General Meeting**

All shareholders are invited and encouraged by the Board to attend the Company's general meeting, particularly the AGM, as it forms an important platform where the shareholders can engage directly with the Board and the Management and raise any questions and concerns they may have on the Group. The Company is looking forward to solicit feedbacks and views from its shareholders and answer shareholders' question on all issues pertaining to the Company at the AGM.

#### **Minutes of General Meeting**

Minutes of the Extraordinary General Meeting ("EGM") and AGM proceedings are posted on the Company's website within 30 days from the EGM and AGM.

# Corporate Governance Overview Statement (cont'd)

## PRINCIPLE C – INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

### Integrated Reporting

Integrated reporting is not applicable to the Group presently as the Group does not fall within the definition of “Large Companies”.

### Effective Communication and Proactive Engagement

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

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

- Interim financial reports to provide updates on the Group’s operations and business developments on a quarterly basis;
- Annual audited financial statements and annual report to provide an overview of the Group’s state of governance, state of affairs, financial performance and cash flows for the relevant financial year;
- Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements;
- AGMs; and
- Corporate website under [www.hhrg.com.my](http://www.hhrg.com.my).

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

### Corporate Governance Compliance Statement

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

This statement was made in accordance with a Board of Directors’ resolution dated 24 July 2023.

## DIRECTORS’ RESPONSIBILITY STATEMENT

In the course of preparing the annual financial statements for the Group and the Company, the Directors reaffirm that they are collectively responsible for ensuring that these financial statements are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia, the provisions of the Companies Act 2016 and the Listing Requirements of Bursa Securities; and that the financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group for the financial year ended 31 March 2023.

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

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

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

This statement was made in accordance with a Board of Directors’ resolution dated 24 July 2023.

# Statement On Risk Management And Internal Control

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

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

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

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

## OBJECTIVE

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

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

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

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

## DEFINITION OF RISK

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

## CRITICAL SUCCESS FACTOR FOR RISK MANAGEMENT

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

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

# Statement On Risk Management And Internal Control (cont'd)

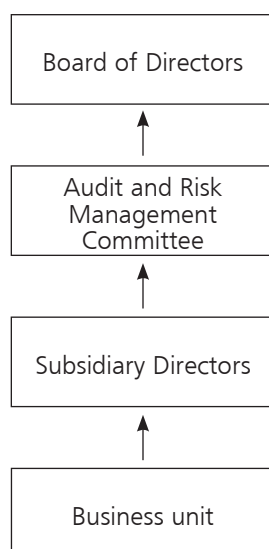
## RISK STRUCTURE

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

Risk management organisation structure:

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

## Risk Organisation Structure



## RISK MANAGEMENT

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

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

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

The Board of Directors will assist in overseeing the internal control aspects of the Group.



# Statement On Risk Management And Internal Control (cont'd)

## INTERNAL CONTROL

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

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

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

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

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

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

# Statement On Risk Management And Internal Control (cont'd)

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

## ASSURANCE FROM MANAGEMENT

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

## CONCLUSION

The Board has considered the adequacy and effectiveness of the Group's system of risk management and internal control for the year under review, and up to the date of this Statement. The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year ended 31 March 2023. The Board and the Management continuously take measures to enhance the control environment and monitor the risk management and internal control framework in meeting the Group's business objectives. This statement was made in accordance with a Board of Directors' resolution dated 24 July 2023.

The Term of Reference is available for reference on the Company's corporate website at [www.hhrg.com.my](http://www.hhrg.com.my).

# Audit And Risk Management Committee Report

## Composition of Audit and Risk Management Committee ("Committee")

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

- Cheah Swi Chun Chairman/ Independent Non-Executive Director
- Wong Wan Chin Member/ Independent Non-Executive Director
- Lee Yee Wooi Member/ Non-Independent Non-Executive Director

## Objectives

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

## Authority

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

- (c) Procedure of the Committee

The Committee may regulate its own procedure, in particular:

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

# Audit And Risk Management Committee Report (cont'd)

## Attendance at Meetings

During the financial year under review, 4 meetings were held and the details of attendance of each member are as follows:

Members	Attendance of Meetings
Cheah Swi Chun	4/4
Wong Wan Chin (Appointed on 9.12.2022)	1/1 <sup>(i)</sup>
Ho Whye Chong (Resigned on 9.12.2022)	3/3 <sup>(ii)</sup>
Lee Yee Wooi	4/4

## Notes

- (i) One meeting was held subsequent to her appointment and up to 31 March 2023.  
(ii) Three meetings were held prior to his resignation.

## Summary of Activities of the Committee

In discharging its function, the Committee had carried out the following activities during the financial year ended 31 March 2023:

- Financial Reporting
  - (a) Reviewed the unaudited quarterly financial reports prior to recommending them to the Board for approval of announcement to Bursa Malaysia Securities Berhad ("Bursa Securities") and Securities Commission ("SC");
  - (b) Reviewed the annual audited financial statements of the Company and of the Group for the financial year ended 31 March 2022 prior to recommending it to the Board for approval of announcement to Bursa Securities and SC;
  - (c) Reviewed the Committee Report, Statement of Corporate Governance and Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 March 2022 ("Annual Report 2022") to ensure the contents therein are accurate and in compliance with the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad;
  - (d) Reviewed the list of related party transaction undertaken by the Group during the financial year and confirmed that the transaction was undertaken at arm's length basis and that the terms are not more favourable than those generally available to the public, and that adequate and accurate disclosure was made in compliance with the AMLR; and
  - (e) Reviewed the Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction ("**RRPT Circular**") to Shareholders dated 26 July 2023 before recommending them to the Board for consideration and approval.
- External Auditors
  - (a) Reviewed and assessed the suitability and independence of the external auditors. To this end, the Committee had obtained confirmation from the External Auditors on their independence and were not aware of any potential conflict of interest situation;
  - (b) Reviewed the performance appraisal of the External Auditors and recommended the Board for their re-appointment for financial year ended 2023;

# Audit And Risk Management Committee Report (cont'd)

## Summary of Activities of the Committee (cont'd)

- External Auditors (cont'd)
  - (c) Reviewed and discussed the audit findings in relation to the audited financial statements for the financial year ended 31 March 2022 as well as few internal control areas that required improvement as recommended by the External Auditors. To this end, the Committee had reviewed the findings highlighted, deliberated on the Management's responses thereto and evaluated the recommended improvement action plans to ensure the areas of concern are adequately mitigated;
  - (d) Reviewed the scope of work and audit plan tabled by the External Auditors in relation to the statutory audit for the financial year ended 31 March 2023. The Committee had obtained updates from the External Auditors on the new accounting standards, auditing standards and other changes relating to the legal and regulatory requirements that came into effect during the financial year ended 31 March 2023; and
  - (e) Held private session (without the presence of the Executive Directors and Management) with the External Auditors twice during the financial year under review.
- Internal Auditors
  - (a) Reviewed the internal audit plans and scope of works submitted by the Internal Auditors engaged by the Group;
  - (b) Reviewed the internal audit reports submitted by the Internal Auditors, and discussed the findings and recommendations with the Management; and
  - (c) Reviewed the performance appraisal of the Internal Auditors and recommended the Board for their re-appointment.

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

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

- The audited financial statements of the Company and the Group for the financial year ended 31 March 2023;
- The Committee Report, Corporate Governance Overview Statement, Corporate Governance Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 March 2023;
- The RRPT Circular dated 26 July 2023; and
- The performance appraisal of the External Auditors for their re-appointment for the financial year ending 31 March 2024.

# Audit And Risk Management Committee Report (cont'd)

## Internal Audit Function

The Group has outsourced its internal audit function to an external professional internal audit firm, SH Associates Consulting Sdn Bhd (“Internal Auditors”).

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

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

During the financial year under review, the Internal Auditors have conducted a review on purchasing department, the findings and recommendations of which were reported to the Committee.

(a) Report dated April 2023

The areas/departments reviewed include:

i) Purchasing Management

The total internal audit fees payable for the abovementioned reviews carried out during the financial year under review amounted to RM16,000.

# Additional Compliance Information

## AUDIT AND NON-AUDIT FEES

	Financial Year Ended 31 March 2023	
	Group RM	Company RM
Audit fees paid and payable to the external auditors	214,500	32,000
Non-audit fees paid and payable to external auditors and its affiliate for advisory and corporate tax compliance services rendered	71,500	12,000
	<u>286,000</u>	<u>44,000</u>

## MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

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

### Proposed MG Furniture Acquisition<sup>(1)</sup>

On 25 October 2021, Heng Huat entered into the following agreements for Proposed acquisition of 1,020,000 ordinary shares in MG Furniture Sdn Bhd ("MGF"), representing 51% equity interest, from Ch'ng Chen Mong, Tan Poh Cheng and Ch'ng Boon Sin for a purchase consideration of RM28,000,000 to be satisfied via the issuance of 65,116,279 new ordinary shares in Heng Huat ("Consideration Shares") at RM0.43 each;

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

### Proposed Kulim Land Acquisition <sup>(2)</sup>

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

Notes:

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

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

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

# Additional Compliance Information (cont'd)

## MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST (CONT'D)

### Proposed Kulim Land Acquisition <sup>(2)</sup> (cont'd)

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

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

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

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

## CONTRACT RELATING TO LOAN BY THE COMPANY

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



# **Additional Compliance Information (cont'd)**

## **RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“RRPTs”)**

Details on the RRPTs entered into by the Group during the financial year under review are disclosed under Note 27 to the Financial Statements on pages 71 to 144 of this Annual Report. The Company is also seeking shareholders’ approval for the proposed renewal of shareholders’ mandate for RRPTs in the forthcoming AGM. The details of the RRPTs to be entered into by the Group with the related party are included in the Circular to Shareholders.

## **SHARE ISSUANCE SCHEME (“SIS”)**

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

Details of SIS is disclosed in the Directors’ Report appearing on Page 51 and under Note 31 to the Financial Statements on page 142 to 143 of this Annual Report.



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# Directors' Report

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended **31 March 2023**.

## CHANGE OF NAME

The Company changed its name from Heng Huat Resources Group Berhad to HHRG Berhad on 29 May 2023.

## PRINCIPAL ACTIVITIES

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

There have been no significant changes in the nature of these activities during the financial year other than as disclosed in Note 9 to the financial statements.

## RESULTS

	GROUP RM	COMPANY RM
Profit for the financial year	<u>30,012,289</u>	<u>24,053,144</u>
Attributable to:		
Owners of the Company	27,294,060	24,053,144
Non-controlling interests	<u>2,718,229</u>	<u>-</u>
	<u>30,012,289</u>	<u>24,053,144</u>

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 March 2023** have not been substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDEND

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

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

## RESERVES AND PROVISIONS

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

# Directors' Report (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

## SHARE CAPITAL AND DEBENTURE

During the financial year, the Company increased its issued and fully paid-up ordinary share capital from RM126,198,404 to RM140,078,436 through the following:

- (i) Issuance of 424,693,236 new ordinary shares on the basis of 3 bonus shares for every 2 existing ordinary shares ("Bonus Issue") as disclosed in Note 14 to the financial statements;
- (ii) Issuance of 86,349,864 new ordinary shares amounting to RM6,907,989 arising from the conversion of Warrants at an exercise price of RM0.08 per ordinary shares as disclosed in Note 14 to the financial statements;
- (iii) Issuance of 17,910,000 new ordinary shares for cash amounting to RM3,582,000 arising from the exercise of Share Issuance Scheme ("SIS") at an exercise price of RM0.20; and
- (iv) Transfer of RM2,158,747 from warrant reserve, RM1,325,340 from SIS reserve and setting off RM94,044 for share issuance expenses.

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

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

## WARRANTS

On 18 April 2022, the Company had adjusted the number of outstanding Warrants from 67,397,164 to 168,492,910 Warrants on the basis of 3 additional Warrants for every 2 existing Warrants held and the exercise price adjusted from RM0.20 to RM0.08 pursuant to the Bonus Issue.

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

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

## EMPLOYEES' SHARE OPTION SCHEME- SHARE ISSUANCE SCHEME ("SIS")

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

The movements of SIS during the financial year are as follows:

← Number of share options over ordinary shares →					
Grant date	Exercise price*	Balance at 1.4.2022	Effect of Bonus Issue*	Exercised	Balance at 31.3.2023
25.10.2021	RM0.20	41,600,000	62,400,000	(17,910,000)	86,090,000

\* Adjustment to the exercise price and number of options pursuant to the Company's Bonus Issue.

The salient features of the SIS are disclosed in Note 31 to the financial statements.

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

# Directors' Report (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

## DIRECTORS

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

### **Directors of the Company:**

Dato' H'ng Choon Seng  
Ng Chin Nam  
Cheah Swi Chun  
Ho Whye Chong  
Lee Yee Wooi  
Wong Wan Chin (appointed on 9.12.2022)  
Kee Swee Lai (retired on 30.11.2022)

### **Directors of the Subsidiaries:**

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

Ch'ng Chen Mong  
Ch'ng Su Yen ^^  
Chong Ewe Lian  
Datin Khor Mooi Kim  
Eng Chin Keong  
Khor Teik Boon  
Muhammad Adib Bin Zailani ^^  
Ruhani Binti Ismail  
Tan Poh Cheng  
Chuah Hang Chew (appointed on 19.5.2022) ^^  
Fong Chee Khuen (appointed on 16.10.2022) ^^  
Cheng Pek Tong (appointed on 23.11.2022) ^^  
Boo Chin Weng (appointed on 29.11.2022)  
Sim Kok Siang (appointed on 29.11.2022)  
Teh Chai Luang (appointed on 29.11.2022)

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

## DIRECTORS' INTERESTS IN SHARES

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

	← Number of ordinary shares →				
	Balance at 1.4.2022	Effect of Bonus Issue	Bought/ (sold)	Warrants/ SIS exercised	Balance at 31.3.2023
<b>The Company</b>					
<b>Direct Interest:</b>					
Dato' H'ng Choon Seng	23,361,921	35,042,881	(58,404,802)	33,232,764	33,232,764
Ho Whye Chong	14,186,142	21,279,213	-	3,246,250	38,711,605
Ng Chin Nam	10,000	15,000	-	-	25,000
Lee Yee Wooi	40,000	60,000	-	-	100,000

# Directors' Report (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

## DIRECTORS' INTERESTS IN SHARES (CONT'D)

### ← Number of ordinary shares →

	Balance at 1.4.2022	Effect of Bonus Issue	Bought/ (sold)	Warrants/ SIS exercised	Balance at 31.3.2023
<b>The Company</b>					
<b>Deemed Interest:</b>					
Dato' H'ng Choon Seng <sup>(1)</sup>	19,930,931	29,896,395	175,553,409	-	225,380,735
Ho Whye Chong <sup>(2)</sup>	13,953,488	20,930,232	-	-	34,883,720
Ng Chin Nam <sup>(3)</sup>	3,209,100	4,813,650	32,559,375	3,878,625	44,460,750
Lee Yee Wooli <sup>(4)</sup>	-	-	1,270,000	-	1,270,000

### ← Number of Warrants →

	Balance at 1.4.2022	Effect of Bonus Issue	Bought/ (sold)	Warrants/ SIS exercised	Balance at 31.3.2023
<b>The Company</b>					
<b>Direct Interest:</b>					
Dato' H'ng Choon Seng	12,074,131	18,111,196	3,047,437	(33,232,764)	-
Ho Whye Chong	1,538,550	2,307,825	-	-	3,846,375
Ng Chin Nam	42,700	64,050	-	-	106,750
<b>Direct Interest:</b>					
Dato' H'ng Choon Seng <sup>(5)</sup>	2,211,454	3,317,180	(3,039,875)	-	2,488,759
Ng Chin Nam <sup>(4)</sup>	1,551,450	2,327,175	-	(3,878,625)	-

### ← Number of shares options over ordinary shares →

	Balance at 1.4.2022	Effect of Bonus Issue	Exercised	Balance at 31.3.2023
<b>The Company</b>				
<b>Direct Interest:</b>				
Cheah Swi Chun		200,000	300,000	500,000
Ho Whye Chong		6,000,000	9,000,000	(3,246,250)
Ng Chin Nam		9,000,000	13,500,000	22,500,000

<sup>(1)</sup> Deemed interested by virtue of his shareholding in GH Consortium Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

<sup>(2)</sup> Deemed interested by virtue of his shareholding in Kulim Property Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

<sup>(3)</sup> Deemed interested by virtue of his shareholding in Polargas Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and shares held by his spouse.

<sup>(4)</sup> Deemed interested by virtue of shares held by his spouse.

<sup>(5)</sup> Deemed interested by virtue of his shareholding in GH Consortium Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and shares held by his spouse and daughter.

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

# Directors' Report (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

## DIRECTORS' REMUNERATION AND BENEFITS

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

	GROUP RM
Salaries, allowances and bonus	2,722,700
Fees	97,000
EPF	326,400
SOCSO and EIS	2,893
Benefits-in-kind	45,826
	<u>3,194,819</u>

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

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

## INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for directors and officers of the Group were approximately **RM5 million** and **RM11,600** respectively.

## OTHER STATUTORY INFORMATION

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

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

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

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

# Directors' Report (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

## OTHER STATUTORY INFORMATION (CONT'D)

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

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

In the opinion of the directors:

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

## EVENTS AFTER THE REPORTING PERIOD

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

## AUDITORS

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

The total amount of fees paid to or receivable by the auditors and its affiliate as remuneration for their services to the Group and the Company for the financial year ended 31 March 2023 are as follows:

	<b>GROUP RM</b>	<b>COMPANY RM</b>
Statutory audit	<b>214,500</b>	<b>32,000</b>
Assurance related and non-audit services	<b>71,500</b>	<b>12,000</b>
Total	<b>286,000</b>	<b>44,000</b>

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

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

.....  
**Dato' H'ng Choon Seng**

**Penang,**

**Date: 24 July 2023**

.....  
**Ng Chin Nam**



# Directors' Statement

In the opinion of the directors, the financial statements set out on pages 71 to 144 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 March 2023** and of their financial performance and cash flows for the financial year then ended.

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

.....  
**Dato' H'ng Choon Seng**

.....  
**Ng Chin Nam**

**Date: 24 July 2023**

# Statutory Declaration

I, **Cheng Pek Tong**, the officer primarily responsible for the financial management of **HHRG Berhad (formerly known as Heng Huat Resources Group Berhad)**, do solemnly and sincerely declare that the financial statements set out on pages 71 to 144 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the abovenamed at Penang, this **24th** )  
day of **July 2023** )

.....  
**Cheng Pek Tong**

**Before me,**

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

# Independent Auditors' Report

TO THE MEMBERS OF HHRG BERHAD (FORMERLY KNOWN AS HENG HUAT RESOURCES GROUP BERHAD)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of **HHRG Berhad (formerly known as Heng Huat Resources Group Berhad)**, which comprise the statements of financial position as at **31 March 2023** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including the summary of accounting policies, as set out on pages 71 to 144.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 March 2023** and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

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

### Independence and Other Ethical Responsibilities

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

### Key Audit Matters

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

# Independent Auditors' Report (Cont'd)

TO THE MEMBERS OF HHRG BERHAD (FORMERLY KNOWN AS HENG HUAT RESOURCES GROUP BERHAD)

## Key Audit Matters (Cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Revenue recognition</b> (Note 21 to the financial statements)</p> <p>The Group's revenue stream is derived mainly from sale of biomass materials and value-added products and furniture products.</p> <p>Revenue is recognised at the point in time when control of the goods has been transferred to customer, generally upon delivery of the goods to location specified by customer and acceptance of the goods by the customer.</p> <p>We focus on this area as the management may take an aggressive approach to the recognition of revenue, including improper 5-steps of revenue recognition under MFRS 15 Revenue from Contract with Customers.</p>	<p>Our audit procedures in relation to revenue recognition included:</p> <ul style="list-style-type: none"> <li>- obtaining an understanding of the Group's revenue recognition process and application. Thereafter review compliance to the revenue recognition policies in accordance with MFRS 15 Revenue from Contracts with Customers.</li> <li>- performing analytical procedures on the trend of revenue recognised to identify for any abnormalities.</li> <li>- reviewing controls over the recognition of revenue including evaluating the design and operating effectiveness of the system automated controls, manual controls surrounding the revenue cycle and restricted access of key functions.</li> <li>- verifying revenue on a sample basis to available evidence and to ensure that revenue is recognised in accordance with the Group's accounting policy on revenue recognition and MFRS 15 Revenue from Contract with Customers.</li> <li>- reviewing any revenue transactions posted using journal entries to identify for any abnormalities.</li> <li>- assessing the reliability of the cut-off system in place through assessing sales transactions taking place before and after the financial year end.</li> <li>- reviewing subsequent to year end credit notes issued and investigate if it pertains to sales recorded for the financial year.</li> </ul>

# Independent Auditors' Report (Cont'd)

TO THE MEMBERS OF HHRG BERHAD (FORMERLY KNOWN AS HENG HUAT RESOURCES GROUP BERHAD)

## Key Audit Matters (Cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Net valuation of inventories - biomass materials and value-added products and furniture products business segments</b> <i>(Note 7 to the financial statements)</i></p> <p>The Group holds significant inventories as at 31 March 2023 which exposes the Group to a risk that the inventories may become slow moving or recorded above their realisable value. Besides, it is also exposed to risks of inaccurate valuation due to inaccurate physical or costing records.</p> <p>The Group measures inventories at the lower of cost and net realisable value. Identifying and determining the appropriate write down of the inventories to net realisable value requires judgement by the management.</p> <p>We also focus on this area as it involves estimation uncertainty by the management in assessing the adequacy of inventories not stated at the lower of cost and net realisable value.</p>	<p>Our audit procedures in relation to net valuation of inventories included:</p> <ul style="list-style-type: none"> <li>- Attending year-end inventory count to observe the counting procedures and results.</li> <li>- Assessing the effectiveness of internal controls over the physical custody of inventories.</li> <li>- Reviewing the valuation of inventories in accordance with MFRS 102 Inventories.</li> <li>- Testing the net realisable value of inventories on sampling basis.</li> <li>- Reviewing management's assessment on the impairment of the net realisable value of its land held for development.</li> <li>- Reviewing for damaged and obsolete inventories, if any.</li> <li>- Reviewing the consistency of the application of management's methodology in determining and estimating the provision from year to year.</li> <li>- Evaluating the reasonableness and adequacy of the inventories write-downs recognised for identified exposures.</li> </ul>
<p><b>Impairment assessment on goodwill</b> <i>(Note 8 to the financial statements)</i></p> <p>As at the reporting date, the Group has goodwill amounting to RM7.49 million which has been allocated to its furniture products business segment as the cash generating unit ("CGU").</p> <p>The management is required to perform annual impairment assessment for the goodwill arising from consolidation. We focus on this area as management's assessment of the value in use of the CGU involves estimation uncertainty and judgements about the future results of the business and key assumptions applied to future cash flows projection.</p>	<p>Our audit procedures in relation to the impairment assessment on goodwill included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>- Evaluating the model used in determining the value in use of the CGU as well as assessing the discount rate used;</li> <li>- Assessing the reasonableness of key assumptions based on our knowledge of the business and industry;</li> <li>- Comparing actual performance of the CGU to assumptions applied in prior years model and assessing the accuracy of management's estimates;</li> <li>- Performing sensitivity analysis on the key assumptions inputted to the model and assessing the impact on the overall carrying value of goodwill with the alterations to the key assumptions; and</li> <li>- Assessing the adequacy of disclosures in the financial statements</li> </ul>

There are no key audit matters to be communicated in respect of the audit of the financial statements of the Company.

# Independent Auditors' Report (Cont'd)

TO THE MEMBERS OF HHRG BERHAD (FORMERLY KNOWN AS HENG HUAT RESOURCES GROUP BERHAD)

## Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

## Directors' Responsibilities for the Financial Statements

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

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

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# Independent Auditors' Report (Cont'd)

TO THE MEMBERS OF HHRG BERHAD (FORMERLY KNOWN AS HENG HUAT RESOURCES GROUP BERHAD)

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on Other Legal and Regulatory Requirements

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

## Other Matter

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

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

**Terence Lau Han Wen**  
**No. 03298/04/2025 J**  
**Chartered Accountant**

**Penang**

**Date: 24 July 2023**

# Statements Of Financial Position

AS AT 31 MARCH 2023

	NOTE	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	73,501,804	75,586,342	587,496	224,410
Investment properties	5	41,511,358	11,418,622	-	-
Right-of-use assets	6	6,238,023	6,657,209	-	-
Inventories	7	21,585,114	21,000,000	-	-
Intangible assets	8	19,205,853	20,520,967	-	-
Investment in subsidiaries	9	-	-	156,870,433	86,211,423
Keyman insurance contracts	10	620,690	590,378	-	-
		<u>162,662,842</u>	<u>135,773,518</u>	<u>157,457,929</u>	<u>86,435,833</u>
<b>Current assets</b>					
Inventories	7	12,274,848	15,236,557	-	-
Trade and other receivables	11	26,330,874	30,309,795	751,913	51,397,554
Derivative financial assets	12	83,843	-	-	-
Current tax assets		-	-	280	35,252
Cash and cash equivalents	13	49,853,185	34,263,929	17,477,591	3,442,668
		<u>88,542,750</u>	<u>79,810,281</u>	<u>18,229,784</u>	<u>54,875,474</u>
<b>TOTAL ASSETS</b>		<u>251,205,592</u>	<u>215,583,799</u>	<u>175,687,713</u>	<u>141,311,307</u>
<b>EQUITY AND LIABILITIES</b>					
Share capital	14	140,078,436	126,198,404	140,078,436	126,198,404
Other reserves	15	3,224,628	6,708,715	8,409,628	11,893,715
Retained profits/(Accumulated losses)	16	22,577,906	(4,716,154)	25,819,908	1,766,764
		<u>165,880,970</u>	<u>128,190,965</u>	<u>174,307,972</u>	<u>139,858,883</u>
Non-controlling interests		23,389,999	20,783,393	-	-
<b>Total equity</b>		<u>189,270,969</u>	<u>148,974,358</u>	<u>174,307,972</u>	<u>139,858,883</u>
<b>Non-current liabilities</b>					
Lease liabilities	6	2,195,050	3,216,191	-	-
Borrowings	17	28,977,408	18,230,099	345,414	3,555
Deferred tax liabilities	18	1,551,984	1,831,094	5,000	5,000
		<u>32,724,442</u>	<u>23,277,384</u>	<u>350,414</u>	<u>8,555</u>
<b>Current liabilities</b>					
Trade, other payables and provision	19	21,978,153	31,631,709	915,302	1,429,949
Contract liabilities	20	894,065	1,248,281	-	-
Borrowings	17	3,346,919	8,396,760	114,025	13,920
Lease liabilities	6	2,719,147	1,915,559	-	-
Derivative financial liabilities	12	106,311	-	-	-
Current tax liabilities		165,586	139,748	-	-
		<u>29,210,181</u>	<u>43,332,057</u>	<u>1,029,327</u>	<u>1,443,869</u>
<b>Total liabilities</b>		<u>61,934,623</u>	<u>66,609,441</u>	<u>1,379,741</u>	<u>1,452,424</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>251,205,592</u>	<u>215,583,799</u>	<u>175,687,713</u>	<u>141,311,307</u>

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

# Statements Of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

	NOTE	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
Revenue	21	155,268,337	103,501,966	27,558,500	13,079,000
Cost of sales		(101,314,359)	(65,835,326)	-	-
<b>Gross profit</b>		<b>53,953,978</b>	37,666,640	<b>27,558,500</b>	13,079,000
Other income		4,130,090	1,358,084	127,997	-
Administrative expenses		(18,074,931)	(19,625,475)	(3,588,489)	(6,579,402)
Selling and distribution expenses		(5,684,909)	(3,355,980)		
<b>Allowance for expected credit losses on trade receivables</b>					
- Addition		(75,615)	378,093	-	-
- Reversal		747,127	(710,131)	-	-
<b>Operating profit</b>		<b>34,995,740</b>	15,711,231	<b>24,098,008</b>	6,499,598
Finance income		256,656	40,838	123,498	87,831
Finance costs		(1,885,672)	(905,318)	(160,037)	(102,825)
<b>Profit before tax</b>	22	<b>33,366,724</b>	14,846,751	<b>24,061,469</b>	6,484,604
Taxation	23	(3,354,435)	(90,567)	(8,325)	13,472
<b>Profit for the financial year, representing total comprehensive income for the financial year</b>		<b>30,012,289</b>	14,756,184	<b>24,053,144</b>	6,498,076
<b>Profit for the financial year representing total comprehensive income attributable to:</b>					
Owners of the Company		27,294,060	14,724,915	24,053,144	6,498,076
Non-controlling interests		2,718,229	31,269	-	-
		<b>30,012,289</b>	14,756,184	<b>24,053,144</b>	6,498,076
<b>Earnings per share attributable to owners of the Company (sen)</b>					
- Basic	24	<b>3.68</b>	2.33		
- Diluted	24	<b>3.20</b>	2.12		

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



# Consolidated Statement Of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

NOTE	Attributable to Owners of the Company		Retained Profit/Losses		Non-controlling Interests		Total Equity RM
	Share Capital RM	Reorganisation Reserve RM	Warrants Reserve RM	SIS Reserve RM	Accumulated Losses RM	Total RM	
	126,198,404	(5,185,000)	4,249,237	7,644,478	(4,716,154)	128,190,965	148,974,358
Balance at beginning							
Total comprehensive income for the financial year	-	-	-	27,294,060	27,294,060	27,294,060	30,012,289
<i>Transactions with owners:</i>							
Acquisition of subsidiaries	-	-	-	-	-	-	(32,123)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(79,500)
Issuance of shares pursuant to:							
- Warrants exercised	9,066,736	(2,158,747)	-	-	-	6,907,989	6,907,989
- SIS exercised	4,907,340	-	(1,325,340)	-	-	3,582,000	3,582,000
Share issuance expenses	(94,044)	-	-	-	-	(94,044)	(94,044)
	13,880,032	(2,158,747)	(1,325,340)	-	-	10,395,945	10,284,322
Balance at end	140,078,436	(5,185,000)	2,090,490	6,319,138	22,577,906	165,880,970	189,270,969

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

# Consolidated Statement Of Changes In Equity (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

	Attributable to Owners of the Company		Non-distributable		Retained Profit/Losses		SIS Reserve		Warrants Reserve		Reorganisation Reserve		Share Capital		Total		Non-controlling Interests		Total Equity		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
2022																					
Balance at beginning	60,054,641	(5,185,000)	-	-	(19,441,069)	35,428,572	236,092	35,664,664													
Total comprehensive income for the financial year	-	-	-	-	14,724,915	14,724,915	31,269	14,756,184													
<i>Transactions with owners:</i>																					
Acquisition of subsidiaries	-	-	-	-	-	-	20,528,032	20,528,032													
Dividend paid to non-controlling interests	-	-	-	-	-	-	(12,000)	(12,000)													
Issuance of shares pursuant to:																					
- Rights issue	9,247,147	-	-	-	-	9,247,147	-	9,247,147													
- Warrants exercised	514,540	(123,255)	-	-	-	391,285	-	391,285													
- Settlement of multiple proposals	61,260,000	-	-	-	-	61,260,000	-	61,260,000													
Recognition of Warrants reserve	(4,372,492)	4,372,492	-	-	-	-	-	-													
Recognition of SIS reserve	-	-	-	-	7,644,478	7,644,478	-	7,644,478													
Share issuance expenses	(505,432)	-	-	-	-	(505,432)	-	(505,432)													
	66,143,763	4,249,237	7,644,478	78,037,478	20,516,032	98,553,510		98,553,510													
Balance at end	126,198,404	(5,185,000)	4,249,237	7,644,478	(4,716,154)	128,190,965	20,783,393	148,974,358													

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

# Statement Of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

	NOTE	Share Capital RM	Warrants Reserve RM	SIS Reserve RM	Retained Profits (Accumulated Losses) RM	Total Equity RM
<b>2023</b>						
Balance at beginning		126,198,404	4,249,237	7,644,478	1,766,764	139,858,883
Total comprehensive income for the financial year		-	-	-	24,053,144	24,053,144
<i>Transactions with owners:</i>						
Issuance of shares pursuant to:						
- Warrants exercised	14	9,066,736	(2,158,747)	-	-	6,907,989
- SIS exercised	14	4,907,340	-	(1,325,340)	-	3,582,000
Share issuance expenses	14	(94,044)	-	-	-	(94,044)
		13,880,032	(2,158,747)	(1,325,340)	-	10,395,945
Balance at end		140,078,436	2,090,490	6,319,138	25,819,908	174,307,972
<b>2022</b>						
Balance at beginning		60,054,641	-	-	(4,731,312)	55,323,329
Total comprehensive income for the financial year		-	-	-	6,498,076	6,498,076
<i>Transactions with owners:</i>						
Issuance of shares pursuant to:						
- Rights issue	14	9,247,147	-	-	-	9,247,147
- Settlement of multiple proposals	14	61,260,000	-	-	-	61,260,000
- Warrants exercised	14	514,540	(123,255)	-	-	391,285
Recognition of Warrants reserve	14	(4,372,492)	4,372,492	-	-	-
Recognition of SIS reserve	14	-	-	7,644,478	-	7,644,478
Share issuance expenses	14	(505,432)	-	-	-	(505,432)
		66,143,763	4,249,237	7,644,478	-	78,037,478
Balance at end		126,198,404	4,249,237	7,644,478	1,766,764	139,858,883

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

# Statements Of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

	GROUP		COMPANY		
	Note	2023 RM	2022 RM	2023 RM	2022 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax		<b>33,366,724</b>	14,846,751	<b>24,061,469</b>	6,484,604
Adjustments for:					
Allowance for expected credit losses					
- current year		<b>75,615</b>	378,093	-	-
- reversal		<b>(747,127)</b>	(710,131)	-	-
Amortisation of intangible assets					
- customer relationship		<b>1,290,400</b>	-	-	-
- trademarks		<b>24,714</b>	24,634	-	-
Depreciation of:					
- investment properties		<b>524,613</b>	-	-	-
- property, plant and equipment		<b>6,643,508</b>	3,658,262	<b>116,762</b>	72,422
- right-of-use assets		<b>2,394,204</b>	2,039,210	-	-
Fair value adjustment on derivative of financial instruments		<b>22,468</b>	-	-	-
Fair value gain on keyman insurance contracts		<b>(30,312)</b>	-	-	-
Gain on lease termination		<b>(778)</b>	(9,088)	-	-
Effects on rent concession		-	(127,410)	-	-
(Gain)/Loss on disposal of property, plant and equipment		<b>(17,284)</b>	(67,626)	<b>10,142</b>	-
Impairment loss on property, plant and equipment		<b>1,210,092</b>	1,180,357	-	-
Inventories written down					
- addition		<b>274,957</b>	274,278	-	-
- reversal		<b>(61,320)</b>	(353,326)	-	-
Inventories written off		-	140,309	-	-
Interest expense		<b>1,885,672</b>	905,318	<b>160,037</b>	102,825
Interest income		<b>(256,656)</b>	(40,838)	<b>(123,498)</b>	(87,831)
Property, plant and equipment written off		<b>75,158</b>	-	-	-
SIS expenses		-	7,644,478	-	3,181,256
Unrealised loss/(gain) on foreign exchange		<b>262,860</b>	(4,001)	-	-
Operating profit before working capital changes		<b>46,937,508</b>	29,779,270	<b>24,224,912</b>	9,753,276
Net changes in:					
Inventories		<b>2,162,958</b>	(8,515,666)	-	-
Receivables		<b>4,387,116</b>	(5,587,912)	<b>39,487</b>	(3,995,585)
Payables		<b>(7,638,212)</b>	6,492,585	<b>(510,040)</b>	48,114,879
Contract liabilities		<b>(354,216)</b>	68,140	-	-
Cash generated from operations		<b>45,495,154</b>	22,236,417	<b>23,754,359</b>	53,872,570
Income tax paid		<b>(4,248,550)</b>	(889,022)	<b>(8,325)</b>	(10,928)
Income tax refunded		<b>65,754</b>	886,175	<b>34,972</b>	-
Real property gain tax paid		<b>(57,694)</b>	-	-	-
Net cash from operating activities carried forward		<b>41,254,664</b>	22,233,570	<b>23,781,006</b>	53,861,642

# Statements Of Cash Flows (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

	Note	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
Net cash from operating activities brought forward		<b>41,254,664</b>	22,233,570	<b>23,781,006</b>	53,861,642
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Changes in fixed deposits pledged with licensed banks		<b>1,073,270</b>	(9,563,790)	<b>(500,000)</b>	-
Interest received		<b>256,656</b>	40,838	<b>123,498</b>	87,831
Investment in subsidiaries		-	-	<b>(70,659,010)</b>	-
Net cash (outflow)/inflow on acquisition of subsidiaries	<b>9</b>	<b>(6,490,974)</b>	9,870,269	-	-
Purchase of intangibles assets		-	(1,351)	-	-
Purchase of investment properties		<b>(19,472,883)</b>	(3,557,286)	-	-
Purchase of property, plant and equipment	<b>A</b>	<b>(7,261,620)</b>	(1,483,251)	<b>(145,990)</b>	(4,791)
Proceeds from disposal of investment properties		<b>369,563</b>	-	-	-
Proceeds from disposal of property, plant and equipment		<b>2,672,703</b>	488,906	<b>185,000</b>	-
Net cash (used in)/from investing activities		<b>(28,853,285)</b>	(4,205,665)	<b>(70,996,502)</b>	83,040
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividend paid to non-controlling interests		<b>(79,500)</b>	(12,000)	-	-
Drawdown of term loan	<b>B</b>	<b>7,000,000</b>	-	-	-
Interest paid		<b>(1,622,665)</b>	(603,372)	<b>(160,037)</b>	(102,825)
Net changes in directors' balance	<b>B</b>	<b>(2,111,437)</b>	4,160,580	-	-
Net changes in subsidiaries balance		-	-	<b>50,601,547</b>	(53,793,462)
Proceeds from exercise of SIS		<b>3,582,000</b>	-	<b>3,582,000</b>	-
Proceeds from exercise of Warrants		<b>6,907,989</b>	-	<b>6,907,989</b>	-
Proceeds from issuance of shares		-	9,638,432	-	-
Repayment of bankers' acceptance	<b>B</b>	<b>(3,141,000)</b>	(96,000)	-	-
Repayment of lease liabilities	<b>B</b>	<b>(2,454,800)</b>	(2,031,470)	-	-
Repayment of hire purchase	<b>B</b>	<b>(1,195,219)</b>	(1,256,218)	<b>(87,036)</b>	(13,283)
Repayment of term loans	<b>B</b>	<b>(2,530,634)</b>	(3,079,433)	-	-
Share issuance expenses paid		<b>(94,044)</b>	(505,432)	<b>(94,044)</b>	(505,432)
Net cash from/(used in) financing activities		<b>4,260,690</b>	6,215,087	<b>60,750,419</b>	(54,415,002)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>		<b>16,662,069</b>	24,242,992	<b>13,534,923</b>	(470,320)

# Statements Of Cash Flows (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	<b>16,662,069</b>	24,242,992	<b>13,534,923</b>	(470,320)
Effects of foreign exchange rate changes	<b>457</b>	3,135	-	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>	<b>23,749,928</b>	(496,199)	<b>3,442,668</b>	3,912,988
<b>CASH AND CASH EQUIVALENTS AT END</b>	<b>40,412,454</b>	23,749,928	<b>16,977,591</b>	3,442,668
<b>Represented by:</b>				
Cash and bank balances	<b>23,784,097</b>	21,749,928	<b>8,072,214</b>	3,442,668
Fixed deposits with a licensed bank	<b>9,440,731</b>	10,514,001	<b>500,000</b>	-
Short-term money market deposit	<b>600,000</b>	-	-	-
Short-term investment	<b>16,028,357</b>	2,000,000	<b>8,905,377</b>	-
Cash and cash equivalents per statement of financial position	<b>49,853,185</b>	34,263,929	<b>17,477,591</b>	3,442,668
Less: Fixed deposits pledged to licensed banks or maturity period more than 3 months	<b>(9,440,731)</b>	(10,514,001)	<b>(500,000)</b>	-
	<b>40,412,454</b>	23,749,928	<b>16,977,591</b>	3,442,668
<b>Note A</b>				
<b>Purchase of property, plant and equipment</b>				
Total purchases	<b>8,499,639</b>	15,755,481	<b>674,990</b>	4,791
Less: Acquired under hire purchase	<b>(1,238,019)</b>	(1,012,230)	<b>(529,000)</b>	-
Less: Acquired under equity-settled share based payment	-	(13,260,000)	-	-
	<b>7,261,620</b>	1,483,251	<b>145,990</b>	4,791

# Statements Of Cash Flows (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

## Note B

### Reconciliation of liabilities arising from financing activities

	Balance at beginning RM	Net Cash flows RM	Acquisition of subsidiaries RM	Others RM	Balance at end RM
<b>GROUP</b>					
<b>2023</b>					
Bankers' acceptance	3,141,000	(3,141,000)	-	-	-
Hire purchase	2,087,761	(1,195,219)	-	1,238,019 <sup>1</sup>	2,130,561
Term loans	21,398,098	4,469,366	4,326,302	-	30,193,766
Lease liabilities	5,131,750	(2,454,800)	-	2,237,247 <sup>2</sup>	4,914,197
Amount due to directors	4,196,580	(2,111,437)	-	-	2,085,143
	<u>35,955,189</u>	<u>(4,433,090)</u>	<u>4,326,302</u>	<u>3,475,266</u>	<u>39,323,667</u>
<b>2022</b>					
Bankers' acceptance	96,000	(96,000)	3,141,000	-	3,141,000
Hire purchase	2,133,724	(1,256,218)	198,025	1,012,230 <sup>1</sup>	2,087,761
Term loans	9,746,328	(3,079,433)	14,731,203	-	21,398,098
Lease liabilities	6,935,308	(2,031,470)	122,442	105,470 <sup>2</sup>	5,131,750
Amount due to directors	36,000	4,160,580	-	-	4,196,580
	<u>18,947,360</u>	<u>(2,302,541)</u>	<u>18,192,670</u>	<u>1,117,700</u>	<u>35,955,189</u>
<b>COMPANY</b>					
<b>2023</b>					
Hire purchase	<u>17,475</u>	<u>(87,036)</u>	<u>-</u>	<u>529,000 <sup>1</sup></u>	<u>459,439</u>
<b>2022</b>					
Hire purchase	<u>30,758</u>	<u>(13,283)</u>	<u>-</u>	<u>-</u>	<u>17,475</u>

<sup>1</sup> The amount represents the additions of hire purchase during the year.

<sup>2</sup> The amount consists of non-cash items represented by:

	<b>GROUP</b>	
	2023 RM	2022 RM
Accretion of interest	263,007	301,946
Additions during the year	1,994,972	39,907
Rent concession	-	(127,410)
Termination of lease contracts	<u>(20,732)</u>	<u>(108,973)</u>
	<u>2,237,247</u>	<u>105,470</u>

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

# Notes To The Financial Statements

31 MARCH 2023

## 1. CORPORATE INFORMATION

### General

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

The registered office of the Company is located at 51-8-A Menara BHL, Jalan Sultan Ahmad Shah, 10050 George Town, Pulau Pinang.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 July 2023.

### Principal Activities

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

There have been no significant changes in the nature of these activities during the financial year other than as disclosed in Note 9 to the financial statements.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

### 2.2 Basis of Measurement

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

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

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

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

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



# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 2. BASIS OF PREPARATION (CONT'D)

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

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

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

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

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

### 2.3 Functional and Presentation Currency

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

### 2.4 Adoption of Amendments to MFRSs

The accounting policies adopted by the Group and the Company are consistent with those of the previous financial year except for the adoption of the following amendments to MFRSs that are mandatory for the current financial year:

#### **Effective for annual periods beginning on or after 1 January 2022**

*Amendments to MFRS 3 Business Combination - 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*

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

### 2.5 Standards Issued But Not Yet Effective

The following are accounting standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:

#### **Effective for annual periods beginning on or after 1 January 2023**

*MFRS 17 Insurance Contracts and Amendments to MFRS 17 Insurance Contracts*  
*Amendments to MFRS 17 Insurance Contracts - Initial application of MFRS 17 and MFRS 9 - Comparative Information*  
*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*  
*Amendments to MFRS 112 Income Taxes - International Tax Reform - Pillar Two Model Rules*

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 Standards Issued But Not Yet Effective (cont'd)

#### **Effective for annual periods beginning on or after 1 January 2024**

*Amendments to MFRS 16 Leases - Lease Liability in a Sale and Leaseback*

*Amendments to MFRS 101 Presentation of Financial Statements - Non-Current Liabilities with Covenants*

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

#### **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 the Company upon adoption.

### 2.6 Significant Accounting Estimates and Judgements

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

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

#### 2.6.1 Judgements made in applying accounting policies

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

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

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

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

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

#### 2.6.2 Key sources of estimation uncertainty

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

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 2. BASIS OF PREPARATION (CONT'D)

### 2.6 Significant Accounting Estimates and Judgements (cont'd)

#### 2.6.2 Key sources of estimation uncertainty (cont'd)

##### (i) Useful life of depreciable assets

Assets including plant and machinery and intangible assets are depreciated on a straight-line basis over their estimated useful life. Management estimates the useful life of these assets to be within 2 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful life and residual values of these assets.

At the beginning of the financial year, the management of the Group had estimated a change in pattern of consumption of the economic benefits of motor vehicles. The useful life of motor vehicles has been revised from 5 to 10 years to 5 years and accordingly the depreciation rate for motor vehicles has been revised from 10% to 20% to 20%.

The effect of the change in depreciation rate for motor vehicles of the Group has resulted in an increase of current year depreciation expense by RM1,344,809 and decrease of profit before tax for the year by the same amount.

The carrying amount and depreciation/amortisation charges of plant and equipment and intangible assets are disclosed in Note 4 and Note 8 to the financial statements.

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

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

The provision for impairment loss on property, plant and equipment is disclosed in Notes 4 to the financial statements respectively.

There is no provision for impairment loss on investment properties and intangible assets.

##### (iii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in assumptions are disclosed in Note 8 to the financial statements.

##### (iv) Inventories

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

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

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 2. BASIS OF PREPARATION (CONT'D)

### 2.6 Significant Accounting Estimates and Judgements (cont'd)

#### 2.6.2 Key sources of estimation uncertainty (cont'd)

##### (v) Provision for expected credit loss ("ECL") of receivables

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

The information about the ECL on the Group's trade receivables is disclosed in Note 11 to the financial statements.

##### (vi) Leases - Estimating the incremental borrowing rate

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

## 3. ACCOUNTING POLICIES

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

### 3.1 Basis of Consolidation

#### (i) Subsidiaries

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

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

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 3. ACCOUNTING POLICIES (CONT'D)

### 3.1 Basis of Consolidation (cont'd)

#### (i) Subsidiaries (cont'd)

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

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

#### (ii) Basis of consolidation

The Group's financial statements consolidate the audited financial statements of the Company and its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 3.15 to the financial statements.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

#### (iii) Business combination

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

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

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

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

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

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

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 3. ACCOUNTING POLICIES (CONT'D)

### 3.1 Basis of Consolidation (cont'd)

#### (iv) Acquisitions of non-controlling interests

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

#### (v) Loss of control

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

#### (vi) Non-controlling interests

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

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

#### (vii) Transactions eliminated on consolidation

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

### 3.2 Property, Plant and Equipment

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

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

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

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

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

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment, except for those disclosed in Note 2.6.2 (i) to the financial statements.

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

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 3. ACCOUNTING POLICIES (CONT'D)

### 3.2 Property, Plant and Equipment (cont'd)

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

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

### 3.3 Investment Properties

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

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

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

<u>Categories</u>	<u>Years</u>
Buildings	50
Leasehold land	38 – 67

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

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

### 3.4 Leases

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

#### 3.4.1 Group as lessee

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

##### 3.4.1.1 Right-of-use assets

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

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

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

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

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 3. ACCOUNTING POLICIES (CONT'D)

### 3.4 Leases (cont'd)

#### 3.4.1.2 Lease liabilities

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

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

#### 3.4.1.3 Short term leases and leases of low-value assets

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

#### 3.4.2 Group as a lessor

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

### 3.5 Goodwill Arising on Consolidation

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

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

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



# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 3. ACCOUNTING POLICIES (CONT'D)

### 3.6 Intangible Assets

#### Trademarks

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

#### Customer relationship

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

### 3.7 Impairment of Non-Financial Assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group and the Company base its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Company estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 3. ACCOUNTING POLICIES (CONT'D)

### 3.7 Impairment of Non-Financial Assets (cont'd)

Goodwill is tested for impairment annually as at the end of each reporting period, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGU) to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful life are tested for impairment annually as at the end of each reporting period, either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

### 3.8 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### 3.8.1 Financial assets

##### (i) Initial recognition and measurement

Financial assets are measured at initial recognition at fair value and subsequently measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, its transaction costs.

In order for a financial asset to be classified and measured at AC or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's and the Company's business model for managing financial assets refers to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at AC are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group or the Company commits to purchase or sell the asset.

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 3. ACCOUNTING POLICIES (CONT'D)

### 3.8 Financial Instruments (cont'd)

#### 3.8.1 Financial assets (cont'd)

##### (ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at AC (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

##### **Financial assets at AC**

Financial assets at AC are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's and the Company's financial assets at AC include cash and cash equivalents, trade receivables, other receivables and refundable deposits and amount owing by subsidiaries.

##### **Financial assets at FVTPL**

Financial assets at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of comprehensive income.

This category includes derivative instruments which the Group and the Company had not irrevocably elected to classify at FVOCI.

The Group's financial assets at FVTPL include derivative financial assets and keyman insurance contracts.

##### (iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 3. ACCOUNTING POLICIES (CONT'D)

### 3.8 Financial Instruments (cont'd)

#### 3.8.1 Financial assets (cont'd)

##### (iv) Impairment

The Group and the Company recognise allowance for expected credit losses ("ECLs") on financial assets measured at AC, debt investments measured at FVOCI, contract assets, and lease receivables. ECLs are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss ("ECL"), except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECL. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the asset, while 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group estimates the ECLs on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at AC is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether the financial assets carried at AC and debt securities at FVOCI are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts owing. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery amounts due.

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 3. ACCOUNTING POLICIES (CONT'D)

### 3.8 Financial Instruments (cont'd)

#### 3.8.2 Financial liabilities

##### (i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables and accruals, amount due to a directors and shareholders, borrowings and derivative financial liabilities.

##### (ii) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at AC
- Financial liabilities at FVTPL

##### **Financial liabilities at AC**

This is the category most relevant to the Group and to the Company. After initial recognition, trade and other payables and accruals, amount due to a directors and shareholders and interest-bearing borrowings are subsequently measured at AC using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. AC is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of comprehensive income.

##### **Financial liabilities at FVTPL**

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statements of comprehensive income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group's financial liabilities at FVTPL include derivative financial liabilities.

##### (iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of comprehensive income.

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 3. ACCOUNTING POLICIES (CONT'D)

### 3.8 Financial Instruments (cont'd)

#### 3.8.3 Offsetting of financial instruments

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

#### 3.8.4 Derivative financial instruments

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

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

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

The Group has not designated any derivatives as hedging instruments.

#### 3.8.5 Financial guarantee contracts

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

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

### 3.9 Inventories

#### Inventory properties

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

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

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

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 3. ACCOUNTING POLICIES (CONT'D)

### 3.9 Inventories (cont'd)

#### Other inventories

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

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

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

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

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

### 3.10 Cash and Cash Equivalents

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

### 3.11 Provision for Liabilities and Warranty Costs

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

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

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

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

### 3.12 Borrowing Costs

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

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 3. ACCOUNTING POLICIES (CONT'D)

### 3.12 Borrowing Costs (cont'd)

Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use or sale are interrupted or completed.

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

### 3.13 Revenue Recognition

#### **Contract with customers**

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

#### ***Sale of goods***

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

#### ***Interest income***

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

#### ***Dividend income***

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

#### ***Rental income***

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

#### **Contract balances**

#### ***Trade receivables***

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

#### **Contract liabilities**

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



# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 3. ACCOUNTING POLICIES (CONT'D)

### 3.14 Employee Benefits

#### ***Short term benefits***

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

#### ***Defined contribution plans***

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

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

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

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

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

### 3.15 Income Tax

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

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

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

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 3. ACCOUNTING POLICIES (CONT'D)

### 3.15 Income Tax (cont'd)

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

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

### 3.16 Sales and Service Tax ("SST")

SST is recognised as part of the expense or cost of acquisition of the asset as SST is not recoverable.

The net SST payable to the taxation authority is included as part of payables in the statements of financial position. The rate for Sales Tax is fixed at 5% or 10%, while the rate for Service Tax is fixed at 6%.

### 3.17 Foreign Currency Transactions

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

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

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

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

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

### 3.18 Segment Reporting

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

### 3.19 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position but is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 3. ACCOUNTING POLICIES (CONT'D)

### 3.20 Share Capital, Share Issuance Costs and Dividends

#### Classification

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

#### Share issuance costs

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

#### Dividends

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

### 3.21 Related Parties

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

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) Has control or joint control over the Group;
- (ii) Has significant influence over the Group; or
- (iii) Is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

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

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 4. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM	Leasehold land RM	Buildings RM	Machinery and equipment RM	Office equipment, furniture and fittings RM	Electrical installation RM	Renovation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
<b>2023</b>										
<b>At cost</b>										
Balance at beginning	17,920,305	10,104,554	30,316,623	75,133,374	2,211,435	2,750,382	1,947,984	12,062,406	623,715	153,070,778
Additions	4,575	252,034	588,515	4,272,517	60,570	-	-	1,136,459	2,184,969	8,499,639
Disposals	-	-	-	(3,349,910)	-	-	-	(847,795)	-	(4,197,705)
Written off	-	-	-	(117,452)	-	-	-	-	-	(117,452)
Reclassification	-	-	-	-	2,544	-	-	-	(2,544)	-
Balance at end	17,924,880	10,356,588	30,905,138	75,938,529	2,274,549	2,750,382	1,947,984	12,351,070	2,806,140	157,255,260
<b>Accumulated depreciation</b>										
Balance at beginning	-	798,629	1,342,511	39,996,289	1,343,820	2,081,267	1,643,969	7,793,404	-	54,999,889
Current charge	-	250,109	635,988	2,648,719	210,044	32,788	82,997	2,782,863	-	6,643,508
Disposals	-	-	-	(282,402)	-	-	-	(510,742)	-	(793,144)
Written off	-	-	-	(42,294)	-	-	-	-	-	(42,294)
Balance at end	-	1,048,738	1,978,499	42,320,312	1,553,864	2,114,055	1,726,966	10,065,525	-	60,807,959
<b>Accumulated impairment</b>										
Balance at beginning	-	-	375,883	21,145,005	23,933	545,844	8,957	384,925	-	22,484,547
Additions	-	-	-	728,372	11,016	56,653	404,451	9,600	-	1,210,092
Disposals	-	-	-	(658,469)	-	-	-	(90,673)	-	(749,142)
Balance at end	-	-	375,883	21,214,908	34,949	602,497	413,408	303,852	-	22,945,497
<b>Carrying amount</b>	17,924,880	9,307,850	28,550,756	12,403,309	685,736	33,830	(192,390)	1,981,693	2,806,140	73,501,804

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### COMPANY

	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
<b>2023</b>			
<b>At cost</b>			
Balance at beginning	21,750	604,300	626,050
Additions	-	674,990	674,990
Disposals	-	(485,485)	(485,485)
	<u>21,750</u>	<u>793,805</u>	<u>815,555</u>
<b>Accumulated depreciation</b>			
Balance at beginning	13,390	388,250	401,640
Current charge	4,991	111,771	116,762
Disposals	-	(290,343)	(290,343)
	<u>18,381</u>	<u>209,678</u>	<u>228,059</u>
<b>Carrying amount</b>	<u>3,369</u>	<u>584,127</u>	<u>587,496</u>
<b>2022</b>			
<b>At cost</b>			
Balance at beginning	16,959	604,300	621,259
Addition	4,791	-	4,791
	<u>21,750</u>	<u>604,300</u>	<u>626,050</u>
<b>Accumulated depreciation</b>			
Balance at beginning	9,266	319,952	329,218
Current charge	4,124	68,298	72,422
	<u>13,390</u>	<u>388,250</u>	<u>401,640</u>
<b>Carrying amount</b>	<u>8,360</u>	<u>216,050</u>	<u>224,410</u>

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (i) The carrying amount of property, plant and equipment of the Group and of the Company which are acquired under hire purchase arrangements are as follows:

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Motor vehicle	1,715,016	916,754	584,127	-
Machine and equipment	1,314,657	1,895,643	-	-
	<u>3,029,673</u>	<u>2,812,397</u>	<u>584,127</u>	<u>-</u>

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

	GROUP	
	2023 RM	2022 RM
Freehold land	11,449,741	7,879,843
Leasehold land	977,472	3,363,013
Buildings	21,868,892	20,117,984
Machinery and equipment	1,090,052	1,895,643
	<u>35,386,157</u>	<u>33,256,483</u>

- (iii) The carrying amount of right-of-use asset is as follow:

	GROUP	
	2023 RM	2022 RM
Leasehold land	<u>9,307,850</u>	<u>9,305,925</u>

The right-of-use assets is included in the same item as where the corresponding underlying asset would be presented as it was owned.

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

	GROUP	
	2023 RM	2022 RM
<b>Business segments:</b>		
Biomass materials and value-added products	1,210,092	759,827
Furniture products	-	420,530
	<u>1,210,092</u>	<u>1,180,357</u>

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 5. INVESTMENT PROPERTIES

### GROUP

	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
<b>2023</b>				
<b>At cost</b>				
Balance at beginning	7,060,670	-	4,806,451	11,867,121
Acquisition of subsidiaries	-	6,547,674	4,966,355	11,514,029
Additions	1,642,341	2,560,260	15,270,282	19,472,883
Disposal	-	-	(369,563)	(369,563)
	<u>8,703,011</u>	<u>9,107,934</u>	<u>24,673,525</u>	<u>42,484,470</u>
<b>Accumulated depreciation</b>				
Balance at beginning	-	-	448,499	448,499
Current charge	-	157,573	365,970	524,613
	<u>-</u>	<u>157,573</u>	<u>815,539</u>	<u>973,112</u>
<b>Carrying amount</b>	<u>8,703,011</u>	<u>8,950,361</u>	<u>23,854,061</u>	<u>41,511,358</u>
<b>2022</b>				
<b>At cost</b>				
Acquisition of subsidiaries	5,075,700	-	187,943	5,263,643
Additions	1,411,768	-	2,145,518	3,557,286
Reclassified from property, plant and equipment	573,202	-	2,472,990	3,046,192
	<u>7,060,670</u>	<u>-</u>	<u>4,806,451</u>	<u>11,867,121</u>
<b>Accumulated depreciation</b>				
Reclassified from property, plant and equipment	-	-	448,499	448,499
<b>Carrying amount</b>	<u>7,060,670</u>	<u>-</u>	<u>4,357,952</u>	<u>11,418,622</u>



# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 5. INVESTMENT PROPERTIES (CONT'D)

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

	<b>GROUP</b>	
	<b>2023</b>	2022
	<b>RM</b>	RM
Freehold land	<b>4,291,670</b>	4,291,670
Buildings	<b>2,158,512</b>	<u>2,212,435</u>
	<b><u>6,450,182</u></b>	<u>6,504,105</u>

### (ii) Group as lessor

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

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

	<b>2023</b>	2022
	<b>RM</b>	RM
Rental income from investment properties	<b>1,108,745</b>	360,000
Direct operating expenses arising from:		
- income generating investment properties	<b>127,100</b>	34,927
- non-income generating investment properties	<b>7,458</b>	<u>-</u>

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	<b>2023</b>	2022
	<b>RM</b>	RM
Within one year	<b>1,184,208</b>	10,000
More than one year and less than five year	<b>465,750</b>	<u>-</u>
	<b><u>1,649,958</u></b>	<u>10,000</u>

- (iii) The fair value measurement of investment properties is disclosed in Note 29 to the financial statements.

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### Group as a lessee

The Group has lease contracts for the rental of land (without land title issued to the Group) and factory buildings used in its operations and hostel. Lease of land has lease term of 21 years. Leases of factory buildings have lease terms of 2 to 3 years, with options to extend the leases for another 1 to 2 years while the lease of hostel has a lease term of 2 years with an option to renew the lease for 2 to 3 years. The Group expects that it is reasonably certain that it will exercise the options to extend the leases and has factored the extension options as part of the lease term for leases of factory buildings. The lease contracts restrict the Group from assigning and subleasing the leased assets.

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

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

### Right-of-use assets

	Land RM	Factory buildings RM	Hostel RM	Total RM
<b>2023</b>				
Balance at beginning	1,700,000	4,841,980	115,229	6,657,209
Additions	1,988,926	-	6,046	1,994,972
Derecognition <sup>(1)</sup>	-	(19,954)	-	(19,954)
Depreciation	(472,450)	(1,874,821)	(46,933)	(2,394,204)
Balance at end	<u>3,216,476</u>	<u>2,947,205</u>	<u>74,342</u>	<u>6,238,023</u>
<b>2022</b>				
Balance at beginning	1,785,714	6,855,454	-	8,641,168
Acquisition of subsidiaries	-	-	115,229	115,229
Additions	-	39,907	-	39,907
Derecognition <sup>(1)</sup>	-	(99,885)	-	(99,885)
Depreciation	(85,714)	(1,953,496)	-	(2,039,210)
Balance at end	<u>1,700,000</u>	<u>4,841,980</u>	<u>115,229</u>	<u>6,657,209</u>

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)

### Lease liabilities

	2023 RM	2022 RM
Balance at beginning	5,131,750	6,935,308
Acquisition of subsidiaries	-	122,442
Additions	1,994,972	39,907
Accretion of interest	263,007	301,946
Payments	(2,454,800)	(2,031,470)
Derecognition <sup>(1)</sup>	(20,732)	(108,973)
Rent concession <sup>(2)</sup>	-	(127,410)
	<u>4,914,197</u>	<u>5,131,750</u>
Balance at end		
Represented by:		
Non-current liabilities	2,195,050	3,216,191
Current liabilities	2,719,147	1,915,559
	<u>4,914,197</u>	<u>5,131,750</u>

<sup>(1)</sup> Derecognition is due to early termination of factory building lease by a subsidiary of the Company.

<sup>(2)</sup> Rent concession was in relation to rental expenses waived by the landlord in the previous financial year.

The maturity analysis of lease liabilities is disclosed in Note 28.4 to the financial statements.

The following are the amounts recognised in profit or loss:

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Depreciation of right-of-use assets	2,394,204	2,039,210	-	-
Accretion of interest on lease liabilities	263,007	301,946	-	-
Gain on lease termination	(778)	(9,088)	-	-
Effects on rent concession	-	(127,410)	-	-
Expenses relating to short term leases	510,953	1,273,198	22,753	-
Expenses relating to lease of low value assets	14,202	10,836	3,553	1,258
	<u>3,181,588</u>	<u>3,488,692</u>	<u>26,306</u>	<u>1,258</u>
<b>Total amount recognised in profit or loss</b>				

The Group and the Company's total cash outflows for leases are amounted to **RM2,979,955** (2022: RM3,315,504) and **RM26,306** (2022: RM1,258) respectively.

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 7. INVENTORIES

	GROUP	
	2023	2022
	RM	RM
<b>Non-current assets</b>		
<u>Inventory properties</u>		
Land held for development	<b>21,585,114</b>	21,000,000
<b>Current assets</b>		
<u>Other inventories</u>		
Raw materials	<b>5,698,184</b>	6,229,292
Work-in-progress	<b>489,535</b>	777,403
Finished goods	<b>5,388,118</b>	7,643,649
Packing materials	<b>251,464</b>	370,604
Spare parts	<b>320,123</b>	215,609
Trading goods	<b>80,334</b>	-
Goods-in-transit	<b>47,090</b>	-
	<b>12,274,848</b>	15,236,557
<b>Total inventories</b>	<b>33,859,962</b>	36,236,557
Recognised in profit or loss:		
Inventories recognised as cost of sales	<b>101,308,350</b>	65,914,374
Inventories written down recognised as administrative expenses:		
- Addition	<b>274,957</b>	274,278
- Reversal	<b>(61,320)</b>	(353,326)
- Written off	<b>-</b>	140,309

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

The amount of RM6,000,000 included in the consideration is classified as prepayment, representing the consideration paid to the seller of Kulim Land for infrastructural works to be carried out on the said land as disclosed Note 11 to the financial statements. The seller of Kulim Land has yet to carry out any infrastructural works on the said land as at the date of this report.

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

## 8. INTANGIBLE ASSETS

	GROUP	
	2023	2022
	RM	RM
Goodwill on consolidation (Note 8.1)	<b>7,488,756</b>	7,488,756
Trademarks (Note 8.2)	<b>103,503</b>	128,217
Customer relationship (Note 8.3)	<b>11,613,594</b>	12,903,994
	<b>19,205,853</b>	20,520,967

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 8. INTANGIBLE ASSETS (CONT'D)

### 8.1 Goodwill on consolidation

	GROUP	
	2023	2022
	RM	RM
Balance at beginning	7,488,756	2,844
Arising from acquisition of a subsidiary (Note 9)	-	7,485,912
Balance at end	<u>7,488,756</u>	<u>7,488,756</u>

#### 2023

#### Impairment testing for cash-generating units containing goodwill

The goodwill is allocated to MG Furniture Sdn. Bhd. ("MGF"), a subsidiary of the Group within the furniture products segment as the cash-generating unit ("CGU").

For annual impairment testing purposes, the recoverable amount of the CGU is determined based on its value-in-use, which apply a discounted cash flow model using cash flow projections based on approved financial budget and projections covering a five (5)-year period.

#### Key assumptions used in value-in-use calculations

The key assumptions on which the management has based on for the computation of value-in-use are as follows:

(i) Cash flow projections and growth rate

The 5-year cash flow projections are prepared based on management's past experience. The revenue for the first year of the 5-year cash flow projections is prepared based on the most recent average trend of past 5-year financial performance approved by the Board of Directors and a growth rate of **4.20%** (2022: Nil) is applied.

(ii) Discount rate

The pre-tax discount rate of 11.03% (2022: Nil) is applied to the cash flow projections, which is based on the weighted average cost of capital of the Group for the financial year.

#### Sensitivity to changes in key assumptions

The management believes that any reasonable change in the key assumptions would not cause the recoverable amounts of the CGU to differ materially from their carrying amounts.

#### 2022

The recoverable amount of the CGU has been determined based on the fair value less cost to sell method since the acquisition of MGF was completed near to the previous financial year end i.e. on 30 March 2022. As such, the recoverable amount of the CGU is deemed to equal the carrying amount of the goodwill plus the identifiable assets and liabilities of the CGU.

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 8. INTANGIBLE ASSETS (CONT'D)

### 8.2 Trademarks

	GROUP	
	2023 RM	2022 RM
<b>At cost</b>		
Balance at beginning	193,209	191,858
Addition	-	1,351
Balance at end	<u>193,209</u>	<u>193,209</u>
<b>Accumulated amortisation</b>		
Balance at beginning	64,992	40,358
Current charge	24,714	24,634
Balance at end	<u>89,706</u>	<u>64,992</u>
<b>Carrying amount</b>	<u>103,503</u>	<u>128,217</u>

### 8.3 Customer relationship

	GROUP	
	2023 RM	2022 RM
<b>At cost</b>		
Balance at beginning	12,903,994	-
Arising from acquisition of a subsidiary (Note 9)	-	12,903,994
Balance at end	<u>12,903,994</u>	<u>12,903,994</u>
<b>Accumulated amortisation</b>		
Current charge/Balance at end	<u>1,290,400</u>	-
<b>Carrying amount</b>	<u>11,613,594</u>	<u>12,903,994</u>

## 9. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2023 RM	2022 RM
<b>Unquoted shares, at cost</b>		
Balance at beginning	97,711,422	65,248,200
Additions	10	28,000,000
Allocation of SIS expenses in respect of share options granted to the employees of subsidiaries	-	4,463,222
	<u>97,711,432</u>	<u>97,711,422</u>
Less: Accumulated impairment losses	<u>(11,499,999)</u>	<u>(11,499,999)</u>
	<u>86,211,433</u>	<u>86,211,423</u>
<b>Investment in Convertible Redeemable Preference Shares</b>		
Additions	<u>70,659,000</u>	-
Balance at end	<u>156,870,433</u>	<u>86,211,423</u>

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of Company	Effective Equity Interest		Principal Activities
	2023	2022	
	%	%	
<b>Direct</b>			
Alam Fibre Sdn. Bhd. ("AFSB")	100	-	Manufacturing and trading of coconut biomass materials and value-added products.
Heng Huat Industries Holdings Sdn. Bhd. ("HHIH")	100	100	Investment holdings.
Fibre Star (M) Sdn. Bhd. ("FSM")	100	100	Manufacturing and marketing of mattress and related products.
HK Gua Musang Sdn. Bhd. ("HKGM")	100	100	Manufacturing and trading of oil palm biomass materials and value-added products.
HK Power Sdn. Bhd. ("HKP")	100	100	Operator of power plant and boiler turbine system for electricity generation and steam production.
HH Land and Development Sdn. Bhd. ("HHLD")	100	100	Property developer, trading in real estate property and investment holding.
HH Properties Kulim Sdn. Bhd. ("HHPK")	100	100	Real property, property development, property management, property trading and investment holding but has not commence operation during the financial year
MG Furniture Sdn. Bhd. ("MGF")	51	51	Manufacturing and sale of furniture.
<b>Indirect - held through HHIH</b>			
HK Fibre Sdn. Bhd. ("HKF")	97	97	Manufacturing and trading of coconut biomass materials and value-added products.
HK Kitaran Sdn. Bhd. ("HKK")	100	100	Manufacturing and trading of oil palm biomass materials and value-added products.
Sabut Kelapa Terengganu Sdn. Bhd. ("SKT")	97	97	Manufacturing and trading of coconut biomass materials and value-added products. The Company has ceased its operation during the financial year.

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Company	Effective Equity Interest		Principal Activities
	2023	2022	
	%	%	
<b>Indirect - held through MGF</b>			
MG Furniture Innovation Sdn. Bhd. ("MGFI")	51	-	Manufacturing and sale of furniture.
<b>Indirect - held through HHL D</b>			
KNG Resource Enterprise Sdn. Bhd. ("KNG")	51	-	Property developer, trading in real estate property and investment holding.
HH Eastern Realty Sdn. Bhd. ("HHER")	100	-	Investment holding.
HH Supreme Realty Sdn. Bhd. ("HHSR")	100	-	Real estate activities with own or leased property and investment holding.
* HH Northern Point Sdn. Bhd. ("HHNP")	100	-	Processing and manufacturing of paints. The company has ceased its operation as at the end of financial year.

\* Not audited by Grant Thornton Malaysia PLT.

### 2023

#### (i) Acquisition of subsidiaries

##### AFSB

On 1 August 2022, the Company had acquired 10 ordinary shares, representing 100% equity interest in AFSB for a total cash consideration of RM10.

##### MGFI

On 22 July 2022, the subsidiary of the Company, MGF had acquired 2,500,100 ordinary shares, representing 100% equity interest in MGFI for a total cash consideration of RM10.

##### HHER

On 14 September 2022, the subsidiary of the Company, HHL D had acquired 100 ordinary shares, representing 100% equity interest in HHER for a total cash consideration of RM4,167,069.

##### HHSR

On 11 November 2022, the subsidiary of the Company, HHL D had incorporated a wholly-owned subsidiary, HHSR for a total cash consideration of RM100.

##### HHNP

On 30 September 2022, the subsidiary of the Company, HHL D had acquired 1,880,001 ordinary shares, representing 100% equity interest in HHER for a total cash consideration of RM2,370,000.



# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D)

- (ii) The financial information relevant to the acquisition of AFSB, MGFI, HHER and HHNP are as follows:

Fair value of identifiable assets acquired and liabilities assumed

	AFSB RM	MGFI RM	HHER RM	HHNP RM	Total RM
Investment properties	-	-	4,174,505	7,339,524	11,514,029
Current tax assets	-	-	-	58,254	58,254
Cash and cash equivalents	1,273	19,457	203	25,182	46,115
Deferred tax liabilities	-	-	-	(691,037)	(691,037)
Borrowings	-	-	-	(4,326,302)	(4,326,302)
Payables	(1,263)	(51,570)	(7,639)	(35,621)	(96,093)
Net identified assets acquired	10	(32,113)	4,167,069	2,370,000	6,504,966
Less: Non-controlling interests	-	32,123	-	-	32,123
	10	10	4,167,069	2,370,000	6,537,089
Less: Total purchase consideration transferred	(10)	(10)	(4,167,069)	(2,370,000)	(6,537,089)
	-	-	-	-	-

Net cash arising from acquisitions

	AFSB RM	MGFI RM	HHER RM	HHNP RM	Total RM
Purchase consideration settled in cash	10	10	4,167,069	2,370,000	6,537,089
Less: Cash and cash equivalents of subsidiaries acquired	(1,273)	(19,457)	(203)	(25,182)	(46,115)
Net cash (inflow)/outflow	(1,263)	(19,447)	4,166,866	2,344,818	6,490,974

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D)

### (iii) Investment in Convertible Redeemable Preference Shares ("CRPS")

During the financial year, the Company had capitalised the debts owing from its subsidiaries by way of subscribing to the CRPS issued by respective subsidiaries at an issue price of RM1.00 per share. The details of the CRPS are as follows:

Subsidiaries	Number of CRPS	Amount of CRPS RM
FSM	15,117,000	15,117,000
HHL D	17,323,000	17,323,000
HHPK	28,078,000	28,078,000
HHER	2,000,000	2,000,000
ALSB	2,134,000	2,134,000
HHSR	6,007,000	6,007,000
	<u>70,659,000</u>	<u>70,659,000</u>

The salient terms of the CRPS are as follows:

- (i) The CRPS shall rank *pari passu* among themselves and in priority to dividend payment to the ordinary shares of the respective subsidiaries but after all secured and unsecured obligations of the subsidiaries.
- (ii) The entitlement of dividend is at the absolute discretion of the Board of Directors of the respective subsidiaries and at a rate that shall not be less than RM0.01 per share.
- (iii) The CRPS shall be redeemed in whole or in part at the discretion of the respective Board of Directors of subsidiaries at any time by giving one month written notice up to an amount not more than 3 times of the issue price.
- (iv) The CRPS is convertible into ordinary shares at any time prior to the commencement of the winding up of the respective subsidiaries and before any date fixed for redemption. The Company shall be entitled to convert part or the whole of the CRPS into ordinary shares on the basis of one (1) CRPS for one (1) new fully paid-up ordinary share of the respective subsidiaries.
- (v) The CRPS shall not be assigned, offered, sold, transferred or otherwise disposed directly or indirectly in any manner whatsoever without first obtaining the written consent/approval of the Board of Directors of the respective subsidiaries.
- (vi) The CRPS rank *pari passu* with the ordinary shares as regards to the right to a return of capital in proportion to the amount of the total issue price paid or credited as being paid on the share on a winding up of the subsidiaries company and the right to participate in a distribution of surplus assets on a winding up of the respective subsidiaries. The CRPS has no voting rights in general meeting.

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D)

2022

### (i) Acquisition of subsidiaries

KNG

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

MGF

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

In accordance with the Profit Guarantee Agreement and Supplemental Profit Guarantee Agreement ("Profit Guarantee Agreements") dated 25 October 2021 and 23 February 2022 respectively entered by the Company with the previous shareholders and the existing minority shareholder, CFamilie Holdings Sdn. Bhd. (collectively referred to as "Vendors"), the Vendors have guaranteed that the aggregate profit after tax of MGF attributable to the Company for the 12-months ending 31 July 2022 and 31 July 2023 ("Guarantee Period") will be no less than RM5,999,640 ("Profit Guaranteed Amount"). The profit guarantee is secured against 13,952,651 ordinary shares of the Company ("Pledged Shares") belonging to the Vendors.

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

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

#### Fair value of identifiable assets acquired and liabilities assumed

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

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D)

2022 (cont'd)

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

### Goodwill arising from acquisitions

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

### Net cash arising from acquisitions

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

### **Subsidiary with material non-controlling interests ("NCI")**

The Group's subsidiary, namely MGF has material non-controlling interests which are set out below. The equity interests held by non-controlling interests are as follows:

	Carrying amount of NCI RM	Profit/(Loss) allocated to NCI RM	Equity interest held by NCI	
			2023 %	2022 %
MGF	23,407,011	3,092,012	49	49
Others*	<u>(17,012)</u>	<u>(373,783)</u>	-	-
	<u>23,389,999</u>	<u>2,718,229</u>		

\* Others comprise of individually immaterial non-controlling interests' subsidiaries, namely MGFI, KNG, HKF and SKT.

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D)

### Subsidiary with material non-controlling interests ("NCI") (Cont'd)

Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before intercompany elimination.

#### GROUP

	<b>MGF RM</b>
<b>As at 31 March 2023</b>	
Non-current assets	<b>43,384,585</b>
Non-current liabilities	<b>(13,526,205)</b>
Current assets	<b>27,238,563</b>
Current liabilities	<b><u>(9,327,533)</u></b>
Net assets	<b><u>47,769,410</u></b>
<b>Year ended 31 March 2023</b>	
Revenue	<b><u>57,118,237</u></b>
Profit for the financial year, representing total comprehensive income for the financial year	<b><u>6,310,229</u></b>
Net cash generated from/(used in):	
Operating activities	<b>8,980,165</b>
Investing activities	<b>771,777</b>
Financing activities	<b><u>(6,841,415)</u></b>
Net change in cash and cash equivalents	<b><u>2,910,527</u></b>
<b>As at 31 March 2022</b>	
Non-current assets	45,661,386
Non-current liabilities	(12,718,248)
Current assets	27,647,212
Current liabilities	<u>(19,131,169)</u>
Net assets	<u>41,459,181</u>

\* Only net assets information was presented as at 31 March 2022 as the acquisition of MGF was completed near to the financial year end i.e. on 30 March 2022.

## 10. KEYMAN INSURANCE CONTRACTS

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

The keyman insurance contracts represent the expected cash value from the life insurance policies which have been assigned to licensed banks as security for banking facilities granted to a subsidiary as disclosed in Note 17 to the financial statements.

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

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 11. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
<b>Trade receivables</b>				
Third parties	10,385,324	14,840,738	-	-
Less: Allowance for expected credit loss	(408,480)	(1,061,674)	-	-
	<b>9,976,844</b>	13,779,064	-	-
<b>Other receivables</b>				
Third parties	5,575,640	4,503,751	-	11,669
Less: Allowance for expected credit loss	-	(18,318)	-	-
	<b>5,575,640</b>	4,485,433	-	11,669
Amount owing by subsidiaries	-	-	<b>719,959</b>	51,326,113
Non-refundable deposit	<b>608,949</b>	-	-	-
Refundable deposits	<b>2,969,862</b>	4,634,862	<b>7,146</b>	-
Prepayments	<b>7,199,579</b>	7,410,436	<b>24,808</b>	59,772
	<b>26,330,874</b>	30,309,795	<b>751,913</b>	51,397,554

- (i) The normal credit terms granted to trade receivables range from **30 to 120 days** (2022: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (ii) Amount owing by subsidiaries are non-trade related, unsecured, bears interest at **4.16% to 5.30%** (2022: 4.16% to 5.30%) and classified based on the expected timing of realisation.
- (iii) Included in the Group's other receivables is an amount of **RM3,316,644** (2022: RM2,611,798) due from a company in which a connected person of a director of the Group has substantial financial interests.
- (iv) Included in the Group's prepayment is an amount of **RM6,000,000** (2021: RM6,000,000) representing consideration paid to the seller of Kulim Land for infrastructural works to be carried out on the said land.

The seller of the land will have 18 months from 30 March 2022 to fulfil its obligations or any extended period as may be mutually agreed by the seller and the Group. In the event if the seller fails to fulfil its obligations, the Group will have the right to claim the entire prepayment per the clause stated in the Sales and Purchase agreement. The seller of Kulim Land has yet to carry out any infrastructural works on the said land as at the date of this report.

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

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Ringgit Malaysia	<b>23,525,275</b>	25,809,635	<b>751,913</b>	51,397,554
US Dollar	<b>2,805,599</b>	4,500,160	-	-
	<b>26,330,874</b>	30,309,795	<b>751,913</b>	51,397,554

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 11. TRADE AND OTHER RECEIVABLES (CONT'D)

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

	GROUP	
	2023 RM	2022 RM
<b>Trade receivables</b>		
Balance as at beginning	1,061,674	21,372,272
Current year	75,615	378,093
Reversal	(728,809)	(710,131)
Written off	-	(19,978,560)
	<u>408,480</u>	<u>1,061,674</u>
Balance at end		
<b>Other receivables</b>		
Balance at beginning	18,318	28,318
Reversal	(18,318)	-
Written off	-	(10,000)
	<u>-</u>	<u>(10,000)</u>
Balance at end	<u>-</u>	<u>18,318</u>

## 12. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

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

During the financial year, the group recognised a loss of **RM22,468** (2022: RM Nil) arising from fair value changes of derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rate. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 29 to the financial statements.

Notional amount	Derivative assets/ (liabilities) amount RM	Settlement date	Terms	Forward rates
<b>2023</b>				
<b>RM7,970,166 (equivalent to USD1,790,445)</b>	<b>83,843</b>	<b>17.1.2023</b>	<b>158 days</b>	<b>RM4.4515/USD</b>
<b>RM4,217,850 (equivalent to USD980,576)</b>	<b>(106,311)</b>	<b>14.4.2023 to 8.5.2023</b>	<b>87 to 138 days</b>	<b>RM4.2935 to RM4.4040/USD</b>

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 13. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Cash and bank balances	<b>23,784,097</b>	21,749,928	<b>8,072,214</b>	3,442,668
Fixed deposits with licensed banks	<b>9,440,731</b>	10,514,001	<b>500,000</b>	-
Short-term money market deposit	<b>600,000</b>	-	-	-
Short-term investment	<b>16,028,357</b>	2,000,000	<b>8,905,377</b>	-
	<b>49,853,185</b>	34,263,929	<b>17,477,591</b>	3,442,668

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

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Ringgit Malaysia	<b>49,625,914</b>	34,055,356	<b>17,477,591</b>	3,442,668
US Dollar	<b>199,713</b>	87,351	-	-
Chinese Renminbi	<b>734</b>	111,196	-	-
Others	<b>26,824</b>	10,026	-	-
	<b>49,853,185</b>	34,263,929	<b>17,477,591</b>	3,442,668

(ii) The fixed deposits are pledged to licensed banks as security for banking facilities granted to the Group. The effective interest rates and maturities of fixed deposits at the end of the reporting period ranged from **0.25% to 3.70%** (2022: 1.00% to 3.70%) per annum and **1 month to 60 months** (2022: 1 month to 60 months).

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

## 14. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2023	2022	2023 RM	2022 RM
<b>Issued and fully paid with no par value:</b>				
Balance at beginning	<b>283,128,874</b>	92,471,601	<b>126,198,404</b>	60,054,641
Issuance of shares pursuant to:				
- Bonus Issue	<b>424,693,236</b>	-	-	-
- Rights issue	-	46,235,733	-	9,247,147
- Settlement of multiple proposals	-	142,465,115	-	61,260,000
- Warrants exercised	<b>86,349,864</b>	1,956,425	<b>9,066,736</b>	514,540
- SIS exercised	<b>17,910,000</b>	-	<b>4,907,340</b>	-
Recognition of Warrants reserve	-	-	-	(4,372,492)
Share issuance expenses	-	-	<b>(94,044)</b>	(505,432)
Balance at end	<b>812,081,974</b>	283,128,874	<b>140,078,436</b>	126,198,404



# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 14. SHARE CAPITAL (CONT'D)

### 2023

During the financial year, the Company increased its issued and fully paid-up ordinary share capital from RM126,198,404 to RM140,078,436 through the following:

- (i) Issuance of 424,693,236 new ordinary shares on the basis of 3 bonus shares for every 2 existing ordinary shares ("Bonus Issue");
- (ii) Issuance of 86,349,864 new ordinary shares amounting to RM6,907,989 arising from the conversion of Warrants at an exercise price of RM0.08 per ordinary shares;
- (iii) Issuance of 17,910,000 new ordinary shares for cash amounting to RM3,582,000 arising from the exercise of Share Issuance Scheme ("SIS") at an exercise price of RM0.20; and
- (iv) Transfer of RM2,158,747 from warrant reserve, RM1,325,340 from SIS reserve and setting off RM94,044 for share issuance expenses.

### 2022

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

- (i) Rights issue of 46,235,733 ordinary shares amounting to RM9,247,147 at an issue price of RM0.20 per ordinary shares on the basis of 1 rights share for every 2 existing shares held, together with 69,353,589 free detachable warrants amounting to RM4,372,492 on the basis of 3 warrants for every 2 rights shares subscribed;
- (ii) Issuance of 1,956,425 ordinary shares amounting to RM391,285 at an issue price of RM0.20 per ordinary shares arising from the exercise of warrant;
- (iii) Issuance of 142,465,115 ordinary shares amounting to RM61,260,000 at an issue price of RM0.43 per ordinary shares as settlement for the multiple proposals; and
- (iv) Transfer of RM123,255 from warrant reserve and setting off RM505,432 for share issuance expenses.

## 15. OTHER RESERVES

	Note	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
<b>Non-distributable:</b>					
Reorganisation reserve	15.1	<b>(5,185,000)</b>	(5,185,000)	-	-
Warrants reserve	15.2	<b>2,090,490</b>	4,249,237	<b>2,090,490</b>	4,249,237
SIS reserve	15.3	<b>6,319,138</b>	7,644,478	<b>6,319,138</b>	7,644,478
Balance at end		<b>3,224,628</b>	6,708,715	<b>8,409,628</b>	11,893,715

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 15. OTHER RESERVES (CONT'D)

### 15.1 Reorganisation reserve

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

### 15.2 Warrants reserve

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

On 18 April 2022, the Company had adjusted the number of outstanding Warrants from 67,397,164 to 168,492,910 Warrants on the basis of 3 additional Warrants for every 2 existing Warrants held and the exercise price adjusted from RM0.20 to RM0.08 pursuant to the Bonus Issue.

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

The movement of warrants reserve during the financial year:

	Number of Warrants		Amount	
	2023	2022	2023 RM	2022 RM
Balance at beginning	<b>67,397,164</b>	-	<b>4,249,237</b>	-
- Fair value on issuance of Warrants	-	69,353,589	-	4,372,492
- Reversal of fair value upon conversion	-	(1,956,425)	-	(123,255)
- Additional Warrants pursuant to Bonus Issue	<b>101,095,710</b>	-	-	-
- Warrant exercised	<b>(86,349,864)</b>	-	<b>(2,158,747)</b>	-
Balance at end	<b>82,143,010</b>	67,397,164	<b>2,090,490</b>	4,249,237

The main features of the Warrants are as follows:

- Each Warrant entitles the registered holder at any time during the exercise period to subscribe for one new ordinary share each in the Company at an exercise price of RM0.08 per ordinary share.
- The exercise price and the number of Warrants are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the provisions set out in the deed poll.
- The Warrants shall be exercisable at any time within the period commencing on and including the date of issue of the Warrants until the last market day prior to the fifth anniversary of the date of issue of the Warrants.
- Upon exercise of the Warrants into new ordinary shares, such shares shall rank pari passu in all respects with the ordinary shares of the Company in issue at the time of exercise except that they shall not be entitled to any dividends, rights, allotments and other distributions on or prior to the date of allotment of the new ordinary shares arising from the exercise of the Warrants.

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 15. OTHER RESERVES (CONT'D)

### 15.2 Warrants reserve (cont'd)

- The Warrants holders are not entitled to any voting right or to participate in any form of distribution and/or offer of further securities in the Company until and unless such Warrants holders exercise their Warrants and new ordinary shares have been allotted and issued to the holders.
- At the expiry of the exercise period, any Warrants which have not been exercised will lapse and cease to be valid for any purpose.

### 15.3 SIS reserve

The SIS reserve represents the equity-settled share options granted to employees of certain subsidiaries and the Company's directors. The share option reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of the share options and is reduced by the expiry or exercise of the share options. Further details of the SIS are disclosed in the Note 31 to the financial statements.

## 16. RETAINED PROFITS

The franking of dividends of the Company is under the single tier system and therefore there is no restriction on the Company to distribute dividends subject to the availability of retained profits.

## 17. BORROWINGS

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
<b>Secured:</b>				
<b>Non-current liabilities</b>				
Hire purchase	1,335,876	1,032,061	345,414	3,555
Term loans	27,641,532	17,198,038	-	-
	<u>28,977,408</u>	<u>18,230,099</u>	<u>345,414</u>	<u>3,555</u>
<b>Secured:</b>				
<b>Current liabilities</b>				
Bankers' acceptance	-	3,141,000	-	-
Hire purchase	794,685	1,055,700	114,025	13,920
Term loans	2,552,234	4,200,060	-	-
	<u>3,346,919</u>	<u>8,396,760</u>	<u>114,025</u>	<u>13,920</u>
<b>Total borrowings</b>	<u>32,324,327</u>	<u>26,626,859</u>	<u>459,439</u>	<u>17,475</u>

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 17. BORROWINGS (CONT'D)

The borrowings (except for hire purchase) are secured by way of:

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

The hire purchase are secured over the leased assets as disclosed in Note 4 to the financial statements.

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

	Average effective interest rate per annum (%)	Total RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 years and less than 5 years RM	More than 5 years RM
<b>GROUP</b>						
<b>2023</b>						
Hire purchase	<b>2.06 to 4.94</b>	<b>2,130,561</b>	<b>794,685</b>	<b>744,689</b>	<b>591,187</b>	-
Term loans	<b>4.12 to 7.81</b>	<b>30,193,766</b>	<b>2,552,234</b>	<b>1,915,250</b>	<b>5,822,518</b>	<b>19,903,764</b>
<b>2022</b>						
Bankers' acceptance	2.53 to 3.86	3,141,000	3,141,000	-	-	-
Hire purchase	2.06 to 4.94	2,087,761	1,055,700	561,007	471,054	-
Term loans	3.12 to 6.81	21,398,098	4,200,060	1,899,519	3,815,294	11,483,225
	Average effective interest rate per annum (%)	Total RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 years and less than 5 years RM	More than 5 years RM
<b>COMPANY</b>						
<b>2023</b>						
Hire purchase	<b>2.35 to 2.53</b>	<b>459,439</b>	<b>114,025</b>	<b>117,216</b>	<b>228,198</b>	
<b>2022</b>						
Hire purchase	2.53	17,475	13,920	3,555		-

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 18. DEFERRED TAX LIABILITIES

The movement in deferred tax liabilities during the year is as follows:

	Property, plant and equipment RM	Unabsorbed tax losses RM	Unabsorbed capital allowances RM	Others RM	Total RM
<b>GROUP</b>					
<b>2023</b>					
Balance at beginning	1,960,094	(63,000)	(38,000)	(28,000)	1,831,094
Acquisition of a subsidiary	691,037	-	-	-	691,037
Recognised in profit or loss	<u>(925,466)</u>	<u>63,000</u>	<u>(133,857)</u>	<u>26,176</u>	<u>(970,147)</u>
Balance at end	<u>1,725,665</u>	<u>-</u>	<u>(171,857)</u>	<u>(1,824)</u>	<u>1,551,984</u>
<b>2022</b>					
Balance at beginning	938,200	-	-	(80,200)	858,000
Acquisition of a subsidiary	1,412,594	-	-	-	1,412,594
Recognised in profit or loss	<u>(390,700)</u>	<u>(63,000)</u>	<u>(38,000)</u>	<u>52,200</u>	<u>(439,500)</u>
Balance at end	<u>1,960,094</u>	<u>(63,000)</u>	<u>(38,000)</u>	<u>(28,000)</u>	<u>1,831,094</u>
<b>COMPANY</b>					
<b>2023</b>					
Balance at beginning/ end	<u>6,000</u>	<u>-</u>	<u>(1,000)</u>	<u>-</u>	<u>5,000</u>
<b>2022</b>					
Balance at beginning	18,400	-	-	-	18,400
Recognised in profit or loss	<u>(12,400)</u>	<u>-</u>	<u>(1,000)</u>	<u>-</u>	<u>(13,400)</u>
Balance at end	<u>6,000</u>	<u>-</u>	<u>(1,000)</u>	<u>-</u>	<u>5,000</u>

# Notes To The Financial Statements (cont'd)

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## 19. TRADE, OTHER PAYABLES AND PROVISION

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
<b>Trade payables</b>				
Third parties	<b>6,007,161</b>	10,758,805	-	-
<b>Other payables</b>				
Amount due to subsidiaries	-	-	-	4,607
Amount due to directors	<b>2,085,143</b>	4,196,580	-	-
Amount due to shareholders	<b>427,043</b>	-	-	-
Other payables	<b>2,726,968</b>	3,868,583	<b>17,613</b>	629,469
Advance received	<b>251,529</b>	2,614,228	-	-
Deposits received	<b>1,543,779</b>	-	-	-
SST payable	<b>165,484</b>	206,302	-	-
Accruals	<b>7,972,173</b>	9,068,909	<b>897,689</b>	795,873
Provision for warranty	<b>798,873</b>	918,302	-	-
	<b>15,970,992</b>	20,872,904	<b>915,302</b>	1,429,949
	<b>21,978,153</b>	31,631,709	<b>915,302</b>	1,429,949

- (i) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from **30 to 120 days** (2022: 30 to 90 days) from the date of invoice.
- (ii) The amount due to subsidiaries was non-trade related, unsecured, borne interest ranging from 4.16% to 5.30% and classified based on the expected timing of realisation.
- (iii) The amount due to directors is unsecured, non-interest bearing and repayable on demand.
- (iv) The amount due to shareholders is unsecured, non-interest bearing and repayable on demand.
- (v) The currency profile of trade and other payables are as follows:

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Ringgit Malaysia	<b>21,709,287</b>	31,631,709	<b>915,302</b>	1,429,949
US Dollar	<b>268,866</b>	-	-	-
	<b>21,978,153</b>	31,631,709	<b>915,302</b>	1,429,949

# Notes To The Financial Statements (cont'd)

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## 20. CONTRACT LIABILITIES

	GROUP	
	2023 RM	2022 RM
Balance at beginning	1,248,281	-
Additions	894,065	-
Arising from acquisition of subsidiary	-	1,248,281
Decrease on recognition of revenue	<u>(1,248,281)</u>	<u>-</u>
Balance at end	<u>894,065</u>	<u>1,248,281</u>

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

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

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

## 21. REVENUE

### Disaggregated revenue information

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
<b>Types of goods or services</b>				
Sale of goods	154,648,592	103,501,966	-	-
Rental income	619,745	-	-	-
Dividend income received from subsidiaries	<u>-</u>	<u>-</u>	<u>27,558,500</u>	<u>13,079,000</u>
Total revenue from contracts with customers	<u>155,268,337</u>	<u>103,501,966</u>	<u>27,558,500</u>	<u>13,079,000</u>

Revenue information based on geographical location of customers and business segments are disclosed in Note 26 to the financial statements.

### Timing of revenue recognition

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

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 21. REVENUE (CONT'D)

### Contract balances

	GROUP	
	2023 RM	2022 RM
Trade receivables (Note 11)	9,976,844	13,779,064
Contract liabilities (Note 20)	<u>894,065</u>	<u>1,248,281</u>

### Performance obligations

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

## 22. PROFIT BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
After charging:				
<b>Fees for statutory audit:</b>				
Grant Thornton Malaysia PLT				
Current year	<b>214,500</b>	156,000	<b>32,000</b>	32,000
- Over provision in prior year	<b>(3,500)</b>	-	-	-
Other auditor				
Current year	<b>15,000</b>	-	-	-
- Over provision in prior year	<b>(1,000)</b>	-	-	-



# Notes To The Financial Statements (cont'd)

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## 22. PROFIT BEFORE TAX (CONT'D)

This is arrived at: (cont'd)

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
<b>Fees for assurance related and non-audit services:</b>				
Grant Thornton Malaysia PLT	<b>28,000</b>	48,395	<b>8,000</b>	5,000
Affiliate of Grant Thornton Malaysia PLT	<b>43,500</b>	34,600	<b>4,000</b>	1,800
- Over provision in prior year	<b>(4,045)</b>	-	-	-
Allowance for expected credit losses				
- current year	<b>76,472</b>	378,093	-	-
- reversal	<b>(747,984)</b>	(710,131)	-	-
Amortisation of intangible assets				
- customer relationship	<b>1,290,400</b>	-	-	-
- trademarks	<b>24,714</b>	24,634	-	-
Depreciation:				
- investment properties	<b>524,613</b>	-	-	-
- property, plant and equipment	<b>6,643,508</b>	3,658,262	<b>116,762</b>	72,422
- right-of-use assets	<b>2,394,204</b>	2,039,210	-	-
Fair value loss on derivative financial instruments	<b>22,468</b>	-	-	-
Impairment loss on property, plant and equipments	<b>1,210,092</b>	1,180,357	-	-
Interest expenses:				
- bank overdraft	<b>57,204</b>	134,300	<b>28,478</b>	-
- bankers' acceptance	<b>41,813</b>	3,596	-	-
- hire purchase	<b>117,752</b>	110,955	<b>14,996</b>	-
- lease liabilities	<b>263,007</b>	301,946	-	-
- term loan interest	<b>1,370,048</b>	353,679	-	-
- others	<b>35,848</b>	842	-	-
- inter-company loan interest	-	-	<b>116,563</b>	102,825
Inventories written down				
- addition	<b>274,957</b>	274,428	-	-
- reversal	<b>(61,320)</b>	(353,326)	-	-
- written off	-	140,309	-	-
Loss on disposal of property, plant and equipment	-	35,969	<b>10,142</b>	-
Property, plant and equipment written off	<b>75,158</b>	-	-	-
Realised loss on foreign exchange	-	8,841	-	-
Expenses relating to lease of low value assets	<b>14,202</b>	10,836	<b>3,553</b>	1,258
Expenses relating to short term leases	<b>510,953</b>	1,273,198	<b>22,753</b>	-
*Staff costs	<b>26,170,822</b>	29,675,908	<b>2,280,445</b>	5,047,629
Unrealised loss on foreign exchange	<b>262,860</b>	-	-	-

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 22. PROFIT BEFORE TAX (CONT'D)

This is arrived at: (cont'd)

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
And crediting:				
Deposit forfeited	4,955	-	-	-
Dividend income from short-term investments	265,778	-	-	-
Fair value gain on keyman insurance contracts	30,312	-	-	-
Fair value gain on short-term investments	97,054	-	-	-
Gain on disposal of property, plant and equipment	17,284	103,595	-	-
Gain on lease termination	778	9,088	-	-
Realised gain on foreign exchange	2,136,373	16,449	-	-
Rent concession	-	127,410	-	-
Rental income			-	-
- investment properties	489,030	360,000	-	-
- machineries	31,300	28,800	-	-
Unrealised gain on foreign exchange	-	4,001	-	-
Waiver of debt	155,910	-	-	-
<b>* Staff costs</b>				
- Salaries, wages, allowance and bonus	23,977,847	20,181,931	2,090,528	1,735,928
- EPF	1,815,554	1,544,750	179,927	121,198
- SOCSO and EIS	267,451	179,691	9,990	9,247
- SIS expenses	-	7,644,478	-	3,181,256
- Other employee benefits	109,970	125,058	-	-
	<b>26,170,822</b>	<b>29,675,908</b>	<b>2,280,445</b>	<b>5,047,629</b>

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 22. PROFIT BEFORE TAX (CONT'D)

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

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
<b>Directors of the Company:</b>				
<b>Executive:</b>				
- Salaries, allowances and bonus	2,720,000	2,378,871	2,720,000	173,871
- EPF	326,400	279,690	326,400	20,865
- SOCSO and EIS	2,893	2,325	2,893	385
- SIS expenses	-	2,167,685	-	-
	<u>3,049,293</u>	<u>4,828,571</u>	<u>3,049,293</u>	<u>195,121</u>
- Benefits-in-kind	45,826	39,229	45,826	2,479
	<u>3,095,119</u>	<u>4,867,800</u>	<u>3,095,119</u>	<u>197,600</u>
<b>Non-executive:</b>				
- Allowance	2,700	21,800	2,700	21,800
- Fee	97,000	60,000	97,000	60,000
- SIS expenses	-	1,162,500	-	1,162,500
	<u>99,700</u>	<u>1,244,300</u>	<u>99,700</u>	<u>1,244,300</u>
<b>Executive Director of subsidiaries:</b>				
- Salaries and bonus	2,287,413	618,401	-	-
- EPF	334,600	69,400	-	-
- SOCSO and EIS	10,512	3,847	-	-
	<u>2,632,525</u>	<u>691,648</u>	<u>-</u>	<u>-</u>
- Benefits-in-kind	74,820	24,500	-	-
	<u>2,707,345</u>	<u>716,148</u>	<u>-</u>	<u>-</u>
<b>Analysed by:</b>				
Present directors	5,539,517	6,795,798	2,832,172	1,409,450
Former directors	362,647	32,450	362,647	32,450
	<u>5,902,164</u>	<u>6,828,248</u>	<u>3,194,819</u>	<u>1,441,900</u>

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 23. TAXATION

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Malaysia income tax				
Based on results for the financial year				
- Current tax	<b>(4,093,912)</b>	(769,700)	<b>(8,325)</b>	-
- Deferred tax relating to the origination and reversal of temporary differences	<b>386,412</b>	220,800	-	2,000
	<b>(3,707,500)</b>	(548,900)	<b>(8,325)</b>	2,000
Over provision in prior year				
- Current tax	<b>(172,976)</b>	239,633	-	72
- Deferred tax	<b>583,735</b>	218,700	-	11,400
	<b>410,759</b>	458,333	-	11,472
Real property gains tax	<b>(57,694)</b>	-	-	-
	<b>(3,354,435)</b>	(90,567)	<b>(8,325)</b>	13,472

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

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit before tax	<b>33,366,724</b>	14,846,751	<b>24,061,469</b>	6,484,604
Income tax at Malaysian statutory tax rate of 24%	<b>(8,008,014)</b>	(3,563,220)	<b>(5,774,752)</b>	(1,556,305)
Income not subject to tax	<b>492,781</b>	124,225	<b>6,614,040</b>	3,138,960
Expenses not deductible for tax purpose	<b>(2,084,195)</b>	(3,180,180)	<b>(847,613)</b>	(1,580,655)
Movement of deferred tax assets not recognised	<b>844,951</b>	3,522,366	-	-
Pioneer income not subject to tax	<b>5,046,977</b>	2,547,909	-	-
	<b>(3,707,500)</b>	(548,900)	<b>(8,325)</b>	2,000
Over provision in prior year	<b>410,759</b>	458,333	-	11,472
Real property gains tax	<b>(57,694)</b>	-	-	-
	<b>(3,354,435)</b>	(90,567)	<b>(8,325)</b>	13,472

One of the Group's subsidiaries, HK Gua Musang Sdn. Bhd. has been granted pioneer status from year of assessment 2022 to 2027 by the Ministry of International Trade and Industry ("MITI") for the exemption of 100% of the statutory income in relation to manufacturing and trading of oil palm biomass material.

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 23. TAXATION (CONT'D)

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

	<b>GROUP</b>	
	<b>2023</b>	2022
	<b>RM</b>	RM
Property, plant and equipment	<b>7,216,721</b>	7,455,175
Unabsorbed tax losses	<b>(19,588,098)</b>	(20,352,066)
Unabsorbed capital allowances	<b>(13,074,462)</b>	(15,848,837)
Provisions	<b>(1,218,258)</b>	-
Others	<b>(1,615,707)</b>	(3,054,706)
	<b><u>(28,279,804)</u></b>	<u>(31,800,434)</u>

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

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

	<b>GROUP</b>	
	<b>2023</b>	2022
	<b>RM</b>	RM
Unabsorbed tax losses	<b>19,588,098</b>	20,614,574
Unabsorbed capital allowances	<b><u>13,790,533</u></b>	<u>16,007,173</u>

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

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

	<b>GROUP</b>	
	<b>2023</b>	2022
	<b>RM</b>	RM
YA 2028	<b>738,878</b>	738,878
YA 2030	<b>3,583,043</b>	4,721,772
YA 2031	<b>6,411,198</b>	6,411,198
YA 2032	<b>8,426,009</b>	8,426,009
YA 2033	<b>54,217</b>	316,717
YA 2034	<b><u>374,753</u></b>	<u>-</u>
	<b><u>19,588,098</u></b>	<u>20,614,574</u>

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 24. EARNINGS PER SHARE

### GROUP

#### (a) Basic earnings per share

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

	<b>GROUP</b>	
	<b>2023</b>	2022
Profit attributable to owners of the Company (RM)	<u>27,294,060</u>	<u>14,724,915</u>
Weighted average number of ordinary shares in issue	<u>742,553,374</u>	<u>630,788,355</u>
Basic earnings per share (sen)	<u>3.68</u>	<u>2.33*</u>

\* Comparative number of shares was restated to take into account the effect of Bonus Issue.

#### (b) Diluted earnings per share

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

	<b>GROUP</b>	
	<b>2023</b>	2022
Profit attributable to owners of the Company (RM)	<u>27,294,060</u>	<u>14,724,915</u>
Weighted average number of ordinary shares in issue	<u>742,553,374</u>	<u>630,788,355</u>
Adjustment for dilutive effects of:		
- Warrants	<u>66,333,947</u>	48,320,236
- SIS	<u>44,668,270</u>	<u>15,124,011</u>
	<u>853,555,591</u>	<u>694,232,602</u>
Diluted earnings per share (sen)	<u>3.20</u>	<u>2.12*</u>

\* Comparative number of shares was restated to take into account the effect of Bonus Issue.

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 25. CAPITAL COMMITMENTS

	GROUP	
	2023	2022
	RM	RM
Contracted but not provided for:		
- Property, plant and equipment	130,730	10,366,000
Approved but not contracted for:		
- Property, plant and equipment	2,420,000	106,980
	<u>2,550,730</u>	<u>10,472,980</u>

## 26. SEGMENTAL INFORMATION

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

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

### Business Segments

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

The Group has arrived at three (3) reportable segments that are organised and managed separately according to the nature of products, specific expertise and technologies requirements, which requires different business and marketing strategies. The Group had made changes to its reportable segments during the financial year to reflect a better overview of the business activities carried out by each reportable segment. The reportable segments are summarised as follows:

- (i) Biomass materials and value-added products  
Manufacturing and trading of coconut fibre and related products, bio-oil and oil palm EFB (empty fruit bunches) fibre and related products.
- (ii) Furniture products  
Manufacturing and trading of furniture products.
- (iii) Investment holdings and others  
Investment holdings and property investment.

Performance is measured based on segment operating profit as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current financial period and previous financial year.

Segment assets exclude current tax assets and unallocated assets.

Segment liabilities exclude current tax liabilities and unallocated liabilities.

# Notes To The Financial Statements (cont'd)

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## 26. SEGMENTAL INFORMATION (CONT'D)

### By business segments

	Biomass materials and value- added products RM	Furniture products RM	Investment holdings and others RM	Adjustment RM	Note	Total RM
<b>2023</b>						
<b>Revenue</b>						
External customers	76,864,939	77,783,653	619,745			155,268,337
Inter-segment revenue	8,267,839	41,971	6,858,500	(15,168,310)	A	-
<b>Total revenue</b>	<b>85,132,778</b>	<b>77,825,624</b>	<b>7,478,245</b>			<b>155,268,337</b>
<b>Results</b>						
Segment results	24,826,728	14,479,273	2,548,239	(6,858,500)		34,995,740
Interest income	57,848	142,322	137,980	(81,494)		256,656
Interest expense	(456,151)	(962,924)	(548,091)	81,494		(1,885,672)
<b>Profit before tax</b>	<b>24,428,425</b>	<b>13,658,671</b>	<b>2,138,128</b>	<b>(6,858,500)</b>		<b>33,366,724</b>
Taxation	(951,395)	(3,045,068)	642,028			(3,354,435)
<b>Profit for the financial year</b>	<b>23,477,030</b>	<b>10,613,603</b>	<b>2,780,156</b>			<b>30,012,289</b>
<b>Assets</b>						
Segment assets	41,055,703	46,261,960	114,034,744			201,352,407
Cash and cash equivalents	14,586,255	14,410,356	20,856,574			49,853,185
<b>Total assets</b>	<b>55,641,958</b>	<b>60,672,316</b>	<b>134,891,318</b>			<b>251,205,592</b>
<b>Liabilities</b>						
Segment liabilities	13,320,730	11,976,175	2,595,821			27,892,726
Borrowings	2,821,258	17,980,459	11,522,610			32,324,327
Current tax (assets)/ liabilities	(456)	278,633	(112,591)			165,586
Deferred tax liabilities	-	1,539,202	12,782			1,551,984
<b>Total liabilities</b>	<b>16,141,532</b>	<b>31,774,469</b>	<b>14,018,622</b>			<b>61,934,623</b>
<b>Other information</b>						
Additions to non-current assets	6,833,544	986,530	32,729,257		B	40,549,331
Depreciation and amortisation	6,957,997	3,331,989	587,453			10,877,439
Non-cash items other than depreciation and amortisation	1,358,788	(40,816)	10,142		C	1,328,114



# Notes To The Financial Statements (cont'd)

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## 26. SEGMENTAL INFORMATION (CONT'D)

By business segments

	Biomass materials and value- added products RM	Furniture products RM	Investment holdings and others RM	Adjustment RM	Note	Total RM
2022						
Revenue						
External customers	80,984,937	22,517,029	-			103,501,966
Inter-segment revenue	3,583,252	-	13,079,000	(16,662,252)	A	-
<b>Total revenue</b>	<b>84,568,189</b>	<b>22,517,029</b>	<b>13,079,000</b>			<b>103,501,966</b>
Results						
Segment results	26,583,682	(3,636,871)	5,988,162	(13,223,742)		15,711,231
Interest income	119,396	623	26,306	(105,487)		40,838
Interest expense	(716,049)	(225,571)	(12,196)	48,498		(905,318)
<b>Profit/(Loss) before taxation</b>	<b>25,987,029</b>	<b>(3,861,819)</b>	<b>6,002,272</b>	<b>(13,280,731)</b>		<b>14,846,751</b>
Taxation	(511,401)	394,150	26,684			(90,567)
<b>Profit/(Loss) for the financial year</b>	<b>25,475,628</b>	<b>(3,467,669)</b>	<b>6,028,956</b>			<b>14,756,184</b>
Assets						
Segment assets	46,206,987	67,840,319	67,272,564			181,319,870
Cash and cash equivalents	19,396,974	11,194,286	3,672,669			34,263,929
<b>Total assets</b>	<b>65,603,961</b>	<b>79,034,605</b>	<b>70,945,233</b>			<b>215,583,799</b>
Liabilities						
Segment liabilities	20,171,489	33,977,127	(16,136,876)			38,011,740
Borrowings	4,011,712	22,597,672	17,475			26,626,859
Current tax liabilities	166,006	72,181	(98,439)			139,748
Deferred tax liabilities	414,000	1,412,094	5,000			1,831,094
<b>Total liabilities</b>	<b>24,763,207</b>	<b>58,059,074</b>	<b>(16,212,840)</b>			<b>66,609,441</b>
Other information						
Additions to non-current assets	1,837,904	66,095,828	3,822,077		B	71,755,809
Depreciation and amortisation	5,105,558	544,126	72,422			5,722,106
Non-cash items other than depreciation and amortisation	3,158,116	2,445,005	3,181,256		C	8,784,377

# Notes To The Financial Statements (cont'd)

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## 26. SEGMENTAL INFORMATION (CONT'D)

Notes to segment information:

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

	<b>GROUP</b>	
	<b>2023</b>	2022
	<b>RM</b>	RM
Accretion of interest on lease liabilities	<b>263,007</b>	301,946
Expected credit losses - current year	<b>75,615</b>	378,093
- reversal	<b>(747,127)</b>	(710,131)
Fair value loss on derivative financial instruments	<b>22,468</b>	-
Fair value gain on keyman insurance contracts	<b>(30,312)</b>	-
Gain on disposal of property, plant and equipment	<b>(17,284)</b>	(67,626)
Impairment loss on property, plant and equipment	<b>1,210,092</b>	1,180,357
Inventories written down - addition	<b>274,957</b>	274,278
- reversal	<b>(61,320)</b>	(353,326)
Inventories written off	-	140,309
Property, plant and equipment written off	<b>75,158</b>	-
SIS expenses	-	7,644,478
Unrealised loss/(gain) on foreign exchange	<b>262,860</b>	(4,001)
	<b><u>1,328,114</u></b>	<u>8,784,377</u>

### Geographical information

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

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

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

	<b>Revenue</b>	
	<b>2023</b>	2022
	<b>RM</b>	RM
Malaysia	<b>97,215,998</b>	98,783,193
United Kingdom	<b>37,319,348</b>	-
Japan	<b>14,295,981</b>	-
China	<b>1,526,388</b>	4,718,773
Others	<b>4,910,622</b>	-
	<b><u>155,268,337</u></b>	<u>103,501,966</u>

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 26. SEGMENTAL INFORMATION (CONT'D)

### Major customers

Total revenue from **Nil** (2022: 2) major customers which individually contributed to 10% or more of Group revenue amounted to **RM Nil** (2022: RM29,962,302 ), arising from sales by the biomass material and value-added products segment.

## 27. RELATED PARTY DISCLOSURES

### (i) Identity of related parties

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

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

### (ii) Related party transactions

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

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Rental expenses paid to HHFSB	-	602,244	-	-
Purchase of leasehold land and factory building from HHFSB	-	13,000,000	-	-
Purchase of leasehold land from HJM	-	260,000	-	-
Purchase of land held for development from KPSB	-	27,000,000	-	-
Transactions with subsidiaries:				
- Interest income	-	-	<b>67,151</b>	73,811
- Dividend income	-	-	<b>27,558,500</b>	13,079,000
- Interest expenses	-	-	<b>(116,563)</b>	(102,825)

# Notes To The Financial Statements (cont'd)

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## 27. RELATED PARTY DISCLOSURES (CONT'D)

### (iii) Compensation of key management personnel

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

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Short term employee benefits	<b>9,221,776</b>	6,237,112	<b>4,645,968</b>	947,014
SIS expenses	-	7,644,478	-	3,181,256
Contribution to defined contribution plan	<b>1,194,074</b>	701,395	<b>521,298</b>	95,050
Benefits-in-kind	<b>127,246</b>	63,729	<b>47,626</b>	2,479
	<b><u>10,543,096</u></b>	<u>14,646,714</u>	<b><u>5,214,892</u></b>	<u>4,225,799</u>
Analysed as:				
- Directors	<b>5,902,164</b>	6,828,248	<b>3,194,819</b>	1,441,900
- Other key management personnel	<b>4,640,932</b>	7,818,466	<b>2,020,073</b>	2,783,899
	<b><u>10,543,096</u></b>	<u>14,646,714</u>	<b><u>5,214,892</u></b>	<u>4,225,799</u>

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 28. FINANCIAL INSTRUMENTS

### 28.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as AC and FVTPL

	Carrying amount RM	AC RM	FVTPL RM
<b>2023</b>			
<b>GROUP</b>			
<b>Financial assets</b>			
Keyman insurance contracts	620,690	-	620,690
Trade receivables	9,976,844	9,976,844	-
Other receivables and refundable deposits	8,545,502	8,545,502	-
Derivative financial assets	83,843	-	83,843
Cash and cash equivalents	49,853,185	49,853,185	-
	<b>69,080,064</b>	<b>68,375,531</b>	<b>704,533</b>
<b>Financial liabilities</b>			
Trade payables	6,007,161	6,007,161	-
Other payables and accruals	15,006,635	15,006,635	-
Derivative financial liabilities	106,311	-	106,311
Borrowings	32,324,327	32,324,327	-
	<b>53,444,434</b>	<b>53,338,123</b>	<b>106,311</b>
<b>2022</b>			
<b>GROUP</b>			
<b>Financial assets</b>			
Keyman insurance contracts	590,378	-	590,378
Trade receivables	13,779,064	13,779,064	-
Other receivables and refundable deposits	9,120,295	9,120,295	-
Cash and cash equivalents	34,263,929	34,263,929	-
	<b>57,753,666</b>	<b>57,163,288</b>	<b>590,378</b>
<b>Financial liabilities</b>			
Trade payables	10,758,805	10,758,805	-
Other payables and accruals	19,748,300	19,748,300	-
Borrowings	26,626,859	26,626,859	-
	<b>57,133,964</b>	<b>57,133,964</b>	<b>-</b>

# Notes To The Financial Statements (cont'd)

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## 28. FINANCIAL INSTRUMENTS (CONT'D)

### 28.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as AC and FVTPL (cont'd)

	Carrying amount RM	AC RM
<b>2023</b>		
<b>COMPANY</b>		
<b>Financial assets</b>		
Amount owing by subsidiaries	719,959	719,959
Refundable deposits	7,146	7,146
Cash and cash equivalents	<b>17,477,591</b>	<b>17,477,591</b>
	<b>18,204,696</b>	<b>18,204,696</b>
<b>Financial liabilities</b>		
Other payables and accruals	915,302	915,302
Borrowings	<b>459,439</b>	<b>459,439</b>
	<b>1,374,741</b>	<b>1,374,741</b>
<b>2022</b>		
<b>COMPANY</b>		
<b>Financial assets</b>		
Other receivables	11,669	11,669
Amount owing by subsidiaries	51,326,113	51,326,113
Cash and cash equivalents	<b>3,442,668</b>	<b>3,442,668</b>
	<b>54,780,450</b>	<b>54,780,450</b>
<b>Financial liabilities</b>		
Other payables and accruals	1,425,342	1,425,342
Amount due to subsidiaries	4,607	4,607
Borrowings	<b>17,475</b>	<b>17,475</b>
	<b>1,447,424</b>	<b>1,447,424</b>

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### 28.2 Financial Risk Management

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

### 28.3 Credit Risk

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

#### *Trade receivables*

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

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

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

	Expected loss rate %	Gross RM	Expected credit losses RM	Net RM
<b>2023</b>				
Not past due	0.15	7,048,563	(10,239)	7,038,324
1 to 30 days past due	0.36	2,620,599	(9,537)	2,611,062
More than 30 days past due	2.03	279,745	(5,681)	274,064
More than 60 days past due	16.42	39,947	(6,560)	33,387
More than 90 days past due	80.47	102,433	(82,426)	20,007
		3,042,724	(104,204)	2,938,520
Individually impaired	100	294,037	(294,037)	-
		<b>10,385,324</b>	<b>(408,480)</b>	<b>9,976,844</b>

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### 28.3 Credit Risk (cont'd)

#### *Trade receivables (cont'd)*

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

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

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

The Group has trade receivables amounting to **RM2,938,520** (2022: RM4,767,477) that are past due at the end of the reporting period but management is of the view that these past due amounts will be collected in due course and no impairment is necessary.

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

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

#### ***Intercompany balances***

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

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

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



# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### 28.3 Credit Risk (cont'd)

#### *Financial guarantees*

The Company provides unsecured financial guarantees to financial institutions in respect of banking facilities granted to certain subsidiaries up to a limit of **RM24,310,620** (2022: RM55,364,000) and the maximum exposure to credit risk is **RM9,645,496** (2022: RM6,666,895) representing the outstanding facilities utilised by the said subsidiaries as at the end of the reporting period.

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

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

### 28.4 Liquidity risk

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

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

	Carrying amount	Contractual cash flows	Within one year	More than one year and less than two years	More than two years and less than five years	More than five years
	RM	RM	RM	RM	RM	RM
<b>GROUP</b>						
<b>2023</b>						
<i>Non-derivative financial liabilities</i>						
Lease liabilities	4,914,197	5,147,000	2,898,000	1,949,000	300,000	-
Borrowings	32,324,327	43,903,104	4,870,966	5,651,685	12,845,893	20,534,560
Trade payables	6,007,161	6,007,161	6,007,161	-	-	-
Other payables and accruals	15,006,635	15,006,635	15,006,635	-	-	-
	<b>58,252,320</b>	<b>70,063,900</b>	<b>28,782,762</b>	<b>7,600,685</b>	<b>13,145,893</b>	<b>20,534,560</b>
<i>Derivative financial liabilities</i>						
Derivative financial liabilities	106,311	106,311	106,311	-	-	-
<b>Total undiscounted financial liabilities</b>	<b>58,358,631</b>	<b>70,170,211</b>	<b>28,889,073</b>	<b>7,600,685</b>	<b>13,145,893</b>	<b>20,534,560</b>

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### 28.4 Liquidity risk (cont'd)

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
<b>GROUP</b>						
2022						
<i>Non-derivative financial liabilities</i>						
Lease liabilities	5,131,750	5,483,200	2,130,800	2,128,400	1,224,000	-
Borrowings	26,626,859	33,504,812	10,151,099	3,204,673	6,029,710	14,119,330
Trade payables	10,758,805	10,758,805	10,758,805	-	-	-
Other payables and accruals	19,748,300	19,748,300	19,748,300	-	-	-
Total undiscounted financial liabilities	62,265,714	69,495,117	42,789,004	5,333,073	7,253,710	14,119,330
		Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM
<b>COMPANY</b>						
2023						
<i>Non-derivative financial liabilities</i>						
Borrowings		459,439	502,490	132,808	130,428	239,254
Other payables and accruals		915,302	915,302	915,302	-	-
* Financial guarantee		-	9,645,496	9,645,496	-	-
		1,374,741	11,063,288	10,693,606	130,428	239,254

# Notes To The Financial Statements (cont'd)

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## 28. FINANCIAL INSTRUMENTS (CONT'D)

### 28.4 Liquidity risk (cont'd)

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM
<b>COMPANY</b>					
2022					
<i>Non-derivative financial liabilities</i>					
Borrowings	17,475	18,006	14,424	3,582	-
Other payables and accruals	1,425,342	1,425,342	1,425,342	-	-
Amount due to subsidiaries	4,607	4,607	4,607	-	-
* Financial guarantee	-	6,666,895	6,666,895	-	-
	<u>1,447,424</u>	<u>8,114,850</u>	<u>8,111,268</u>	<u>3,582</u>	<u>-</u>

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

### 28.5 Interest rate risk

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

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

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
<b>Fixed rate instruments</b>				
Financial assets	<b>10,040,731</b>	10,514,001	<b>500,000</b>	-
Financial liabilities	<b>2,130,561</b>	2,087,761	<b>459,439</b>	17,475
<b>Floating rate instruments</b>				
Financial assets	<b>16,028,357</b>	-	<b>9,625,336</b>	51,326,113
Financial liabilities	<b>30,193,766</b>	24,539,098	-	4,607

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### 28.5 Interest rate risk (cont'd)

#### *Sensitivity analysis for fixed rate instruments*

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

#### *Sensitivity analysis for variable rate instruments*

An increase of 25 basis point at the end of the reporting period would have decreased the Group's and the Company's profit before tax and equity as follows:

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM	RM	RM	RM
Decrease in profit before tax	<b>35,539</b>	61,348	<b>24,063</b>	128,079
Decrease in equity	<b>27,010</b>	46,624	<b>18,288</b>	97,340

These changes are considered to be reasonably possible based on observation of current market conditions. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

### 28.6 Foreign currency risk

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

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

#### *Sensitivity analysis for foreign currency risk*

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

	2023	2022
	RM	RM
USD	<b>163,709</b>	229,376
Others	<b>1,378</b>	6,061
Decrease in profit before tax	<b>165,087</b>	235,437
Decrease in equity	<b>125,466</b>	178,932

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 29. FAIR VALUE MEASUREMENT

### 29.1 Fair value measurement of financial instruments

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

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

### 29.2 Fair value measurement of non-financial assets

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>GROUP</b>				
<b>2023</b>				
Investment properties	-	-	<b>60,490,532</b>	<b>60,490,532</b>
<b>2022</b>				
Investment properties	-	-	11,418,622	11,418,622

#### Investment properties

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

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

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

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 29. FAIR VALUE MEASUREMENT (CONT'D)

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

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

	Fair value of financial instruments			Total RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM		
<b>GROUP</b>					
<b>2023</b>					
<b>Financial assets</b>					
Forward contract ( <i>assets</i> )	-	83,843	-	83,843	83,843
Keyman insurance contracts	-	-	620,690	620,690	620,690
	-	83,843	620,690	704,533	704,533
<b>Financial liabilities</b>					
Forward contract ( <i>liabilities</i> )	-	106,311	-	-	106,311
<b>2022</b>					
<b>Financial assets</b>					
Keyman insurance contracts	-	-	590,378	590,378	590,378

#### Forward contract

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

#### Keyman insurance contracts

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

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

#### Policy on transfer between levels

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

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 30. CAPITAL MANAGEMENT

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it, considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objective, policies or process during the financial year ended.

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

### Net debts to equity ratio

	GROUP	
	2023	2022
	RM	RM
Borrowings	<b>32,324,327</b>	26,626,859
Trade and other payables	<b>21,179,280</b>	30,713,407
	<b>53,503,607</b>	57,340,266
Less: Cash and cash equivalents	<b>(49,853,185)</b>	(34,263,929)
Net debts	<b>3,650,422</b>	23,076,337
Total equity	<b>165,880,970</b>	128,190,965
Net debts to equity	<b>0.02</b>	0.18

## 31. EMPLOYEES' SHARE OPTION SCHEME- SHARE ISSUANCE SCHEME ("SIS")

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

The salient features of the SIS are as follows:

- The total number of new ordinary shares pursuant to the exercise of the SIS options under the SIS shall not in aggregate exceed 30% of the total number of issued and paid-up capital of the Company (excluding any treasury shares) at any point in time during the duration of the SIS.
- The number of new ordinary shares of the Company allocated to any employee or director ("Eligible Persons") of the Group, either singly or collectively through persons connected with such Eligible Persons who holds 20% or more of the issued and paid-up share capital of the Company (excluding any treasury shares) does not exceed 10% of the total number of new ordinary shares to be issued under the SIS.

# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 31. EMPLOYEES' SHARE OPTION SCHEME- SHARE ISSUANCE SCHEME ("SIS") (CONT'D)

- (c) The new ordinary shares of the Company allocated to the directors and senior management of the Company and of its subsidiaries (excluding dormant subsidiaries) shall not exceed 80% of the total number of new ordinary shares to be issued under the SIS.
- (d) The director and senior management of the Group shall not participate in the deliberation or discussion of their respective allocation.
- (e) Any employee or director of the Group shall be eligible to participate in the SIS if, as at the date of offer, the employee is at least eighteen (18) years of age or above; and is not an undischarged bankrupt or subject to any bankruptcy proceedings and is employed or a director of any company within the Group (excluding companies which are dormant).
- (f) The option price shall be determined at a discount of not more than 10% or such lower or higher limit in accordance with any prevailing guidelines issued by Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of the offer.
- (g) The new ordinary shares of the Company shall, upon allotment and issuance, rank *pari passu* in all respects with the existing shares of the Company, save and except that they will not be entitled to any dividends, rights, allotments and/or any other distributions prior to the date of allotment and issuance of new ordinary shares arising from the exercise of the SIS.

The details of the outstanding share options granted to the Group's employees and directors and its exercise price are as follows:

Grant date	Exercise price*	← Number of share options over ordinary shares →			
		Balance at 1.4.2022	Effect of Bonus Issue*	Exercised	Balance at 31.3.2023
25.10.2021	RM0.20	41,600,000	62,400,000	(17,910,000)	86,090,000

\* Adjustment to the exercise price and number of options pursuant to the Company's Bonus Issue.

The fair value of the share options granted was estimated at the grant date using Trinomial Option Pricing model, taking into account the terms and conditions upon which the instruments were granted.

The following table are inputs relevant in deriving the fair value of the share options:

Fair value (RM)	0.1875
Expected volatility (%)	60 - 100
Risk-free interest rate (% p.a)	3.0379
Expected life of option (years)	5
Weighted average share price (RM)	0.5280

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.



# Notes To The Financial Statements (cont'd)

31 MARCH 2023

## 32. EVENTS AFTER THE REPORTING PERIOD

### (i) Disposal of a property

On 3 April 2023, a wholly owned subsidiary of the Company, HH Northern Point Sdn. Bhd. (formerly known as WPC Coatings Sdn. Bhd.) had entered into a Sale and Purchase Agreement with All Cables Sdn. Bhd. to dispose of a piece of leasehold land together with a building erected thereon ("the disposal") for a total cash consideration of RM10,500,000.

The disposal has not been completed as of the date of this report, pending the approval from Penang Development Corporation.

### (ii) Acquisition of properties

- On 11 April 2023, a wholly owned subsidiary of the Company, HH Land and Development Sdn. Bhd. had entered into several Sales and Purchase Agreements with a director of a subsidiary, Mr Ch'ng Chen Mong to acquire five parcels of land ("the acquisition") for a total cash consideration of RM2,420,000.

The acquisition has been completed subsequent to the financial year end on 17 April 2023.

- On 23 June 2023, the Company had accepted the Letter of Irrevocable Offer from Jeenuat Foodstuffs Industries Sdn. Berhad as an acceptance to acquire a piece of vacant industrial leasehold land ("the proposed acquisition") for a total cash consideration of RM15,742,250.

The proposed acquisition has not been completed as of the date of this report.

# Analysis Of Shareholdings

AS AT 20 JUNE 2023

Total number of issued shares : 860,632,548  
 Class of Shares : Ordinary shares  
 Voting Rights : One vote per ordinary share

## DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	234	10.36	7,499	0.00
100 - 1,000	253	11.20	112,789	0.01
1,001 - 10,000	867	38.40	4,223,745	0.49
10,001 - 100,000	668	29.59	24,369,830	2.83
100,001 - 43,031,626 (*)	233	10.32	409,976,912	47.64
43,031,627 AND ABOVE (**)	3	0.13	421,941,773	49.03
<b>TOTAL :</b>	<b>2,258</b>	<b>100.00</b>	<b>860,632,548</b>	<b>100.00</b>

### REMARKS :

\* - LESS THAN 5% OF ISSUED SHARES

\*\* - 5% AND ABOVE OF ISSUED SHARES

## LIST OF LARGEST SHAREHOLDERS AS AT 20 JUNE 2023

NO.	NAME	HOLDINGS	%
1	GH CONSORTIUM SDN BHD	225,380,735	26.19
2	CFAMILLIE HOLDINGS SDN. BHD.	152,849,433	17.76
3	PACIFIC TRUSTEES BERHAD EXEMPT AN FOR KULIM PROPERTY SDN.BHD.	34,883,720	4.05
4	POLARGAS SDN. BHD.	34,059,175	3.96
5	H'NG CHOON SENG	33,232,764	3.86
6	CHEAH AH HOCK	26,370,476	3.06
7	HO WHYE CHONG	24,418,605	2.84
8	SKYLITECH RESOURCES SDN. BHD.	22,257,500	2.59
9	HO WHYE CHONG	19,293,000	2.24
10	CH'NG BOON HOCK	17,067,100	1.98

# Analysis Of Shareholdings (cont'd)

AS AT 20 JUNE 2023

## LIST OF LARGEST SHAREHOLDERS AS AT 20 JUNE 2023 (CONT'D)

NO.	NAME	HOLDINGS	%
11	NG CHIN NAM	16,499,000	1.92
12	YANTI	14,736,575	1.71
13	NG BACK TENG	14,424,052	1.68
14	KELVIN TAN CHUN KHAI	10,228,500	1.19
15	PACIFIC TRUSTEES BERHAD EXEMPT AN FOR CFAMILLIE HOLDINGS SDN BHD	9,941,264	1.16
16	KEE YAN KAI	9,807,400	1.14
17	CHENG PEK TONG	9,095,055	1.06
18	KOE GAIK TIANG	8,401,375	0.98
19	OOI PHAIK SEE	7,851,941	0.91
20	CH'NG CHEN MONG	7,415,875	0.86
21	KEE SWEE LAI	7,000,000	0.81
22	OOI PHAIK SEE	5,316,684	0.62
23	CHA HOO PENG	5,136,192	0.60
24	HONG SENG HOUSING SDN. BHD.	4,839,000	0.56
25	TAY MC'WAY	3,911,210	0.45
26	OOI CHIENG SIM	3,750,000	0.44
27	TAN BOON WY	3,500,000	0.41
28	OOI CHEE SENG	3,247,925	0.38
29	CHING MENG HAK	3,230,335	0.38
30	FONG CHEE KHUEN	3,170,000	0.37
<b>TOTAL</b>		<b>741,314,891</b>	<b>86.16</b>

# Analysis Of Shareholdings (cont'd)

AS AT 20 JUNE 2023

## DIRECTORS' SHAREHOLDINGS

AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 20 JUNE 2023

Name	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Dato' H'ng Choon Seng	33,232,764	3.86	225,380,735 <sup>(1)</sup>	26.19
Ho Whye Chong	43,711,605	5.08	34,883,720 <sup>(2)</sup>	4.05
Ng Chin Nam	16,499,000	1.92	42,460,550 <sup>(3)</sup>	4.93
Lee Yee Wooi	100,000	0.01	1,270,000 <sup>(4)</sup>	0.15

## SUBSTANTIAL SHAREHOLDERS

AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 20 JUNE 2023

Name	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
GH Consortium Sdn Bhd	225,380,735	26.19	-	-
Cfamillie Holdings Sdn Bhd	162,790,697	18.92	-	-
Dato' H'ng Choon Seng	33,232,764	3.86	225,380,735 <sup>(1)</sup>	26.19
Ho Whye Chong	43,711,605	5.08	34,883,720 <sup>(2)</sup>	4.05
Ng Chin Nam	16,499,000	1.92	42,460,550 <sup>(3)</sup>	4.93
Goh Boon Leong	1,500,000	0.17	260,264,455 <sup>(5)</sup>	30.24
Ch'ng Chen Mong	7,415,875	0.86	162,790,697 <sup>(6)</sup>	18.92
Tan Poh Cheng	-	-	162,790,697 <sup>(6)</sup>	18.92

Notes:

(1) Deemed Interested through GH Consortium Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

(2) Deemed interested through Kulim Property Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

(3) Deemed interested pursuant to Section 59(11)(c) of the Companies Act 2016 via his spouse Koe Gaik Tiang and pursuant to Section 8 of the Companies Act 2016 via his shareholding in Polargas Sdn Bhd.

(4) Deemed interested pursuant to Section 59(11)(c) of the Companies Act 2016 via his spouse, Lim Wun Lee.

(5) Deemed interested through GH Consortium Sdn Bhd and Kulim Property Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

(6) Deemed interested through Cfamillie Holdings Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

# Analysis Of Warrants Holdings

AS AT 20 JUNE 2023

## DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No. of Warrants Holders	%	No. of Warrants	%
1 - 99	41	15.77	1,819	0.00
100 - 1,000	37	14.23	12,799	0.02
1,001 - 10,000	111	42.70	478,438	0.60
10,001 - 100,000	44	16.92	1,491,086	1.88
100,001 - 3,970,052 (*)	20	7.69	16,906,933	21.29
3,970,053 AND ABOVE (**)	7	2.69	60,509,998	76.21
<b>TOTAL :</b>	<b>260</b>	<b>100.00</b>	<b>79,401,073</b>	<b>100.00</b>

### REMARKS :

\* - LESS THAN 5% OF ISSUED WARRANTS

\*\* - 5% AND ABOVE OF ISSUED WARRANTS

## LIST OF LARGEST SHAREHOLDERS AS AT 20 JUNE 2023

NO.	NAME	HOLDINGS	%
1	GOH BOON LEONG	21,956,500	27.65
2	SKYLITECH RESOURCES SDN. BHD.	11,250,000	14.17
3	GOH VINCENT	7,320,187	9.22
4	OOI PHAIK SEE	5,833,812	7.35
5	KEE SWEE LAI	5,591,687	7.04
6	KELVIN TAN CHUN KHAI	4,296,500	5.41
7	CH'NG CHEN MONG	4,261,312	5.37
8	HO WHYE CHONG	3,846,375	4.84
9	HONG SENG HOUSING SDN. BHD.	2,514,750	3.17
10	OOI CHIENG SIM	1,875,000	2.36

# Analysis Of Warrants Holdings (cont'd)

AS AT 20 JUNE 2023

## LIST OF LARGEST SHAREHOLDERS AS AT 20 JUNE 2023 (CONT'D)

NO.	NAME	HOLDINGS	%
11	TEH CHAI LUANG	1,394,020	1.76
12	KHOR MOOI KIM	1,269,105	1.60
13	H'NG CHOON SENG	1,160,155	1.46
14	LIM YAU CHONG	1,090,000	1.37
15	LIM KEAN WAH	1,086,082	1.37
16	TAN HAN KHENG	365,300	0.46
17	YAP SHUE YEE	334,312	0.42
18	KHOR TEIK BOON	322,312	0.41
19	CHEANG KEAT PING	300,000	0.38
20	LIM SIEW HEONG	219,600	0.28
21	H'NG LEE MOOI	189,280	0.24
22	TAN KEAN AIK	159,375	0.20
23	LIM YAU CHONG	150,000	0.19
24	CHEW TAN JOO LEE @ CHEW JOO LEE	137,650	0.17
25	BOO CHIN WENG	136,500	0.17
26	KHOR MUI KEE	131,342	0.17
27	LEE KOK HOONG	119,025	0.15
28	NG CHIN NAM	106,750	0.13
29	GOH LAI CHAI	90,000	0.11
30	LO KUM HO. ADRIAN	88,000	0.11
<b>TOTAL</b>		<b>77,594,931</b>	<b>97.73</b>

## DIRECTORS' WARRANTS HOLDINGS AS AT 20 JUNE 2023

Name	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Dato' H'ng Choon Seng	1,160,155	1.46	1,328,604 <sup>(1)</sup>	1.67
Ho Whye Chong	3,846,375	4.84	-	-
Ng Chin Nam	106,750	0.13	-	-

Notes:

(1) Deemed Interested pursuant to Section 59(11)(c) of the Companies Act 2016 via his spouse Datin Khor Mooi Kim and his daughter H'ng Jia Qi and pursuant to Section 8 of the Companies Act 2016 via his shareholding in GH Consortium Sdn Bhd.

## List of Properties

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure/ Approximate age of Building (Year)	Land Area/ Built-up Area (sq ft)	Audited NBV as at 31 March 2023 RM'000	Date of Acquisition
Fibre Star	Title: No. H.S.(D) 8763 Lot No. 2489, Mukim 5 Daerah Seberang Perai Selatan Pulau Pinang  Address: Lot 2489, Lorong Bakau Kawasan Perindustrian Perabut Sungai Baong, Mukim 5, 14200 Sungai Bakap Seberang Perai Selatan Penang	Single storey factory building/ Temporarily used as warehouse	Freehold/ 10 years	69,696/ 30,000	2,548	11.05.2012
Fibre Star	Title: PM 705 Lot 1222 Mukim 11, District of Seberang Perai Selatan Pulau Pinang  PM 513 Lot 1223 Mukim 11, District of Seberang Perai Selatan Pulau Pinang  Address: No. 3843 (Lot 1223), Mukim 11, Luar Desa Jawi, 14200 Sungai Jawi, Seberang Perai, Pulau Pinang	2-storey office block with a single storey detached factory warehouse / Used as factory warehouse	60 years, Expiring on 24.10.2051/ 1 year  99 years, Expiring on 22.03.2069/ 1 year	107,639/ 53,760	13,248	30.03.2022
HK Fibre	Title: HSM 2/97A, PT 345 Kg Kemayang, Mukim Senak Jajahan Bachok Kelantan Darul Naim  Address: Lot 345, Kg. Kemayang Tawang 16020 Bachok Kelantan Darul Naim	Double storey office cum staff accommodation and a single storey detached factory/Used for coconut fibre, coconut peat and coconut fibre sheets manufacturing	99 years, Expiring on 18.08.2096/ 16 years	89,690/ 40,483	717	24.04.2012
HK Fibre	Title: HSM 1/97A, PT 344 Kg Kemayang, Mukim Senak Jajahan Bachok Kelantan Darul Naim	Land / Vacant Industrial Land	99 years, Expiring on 18.08.2096/ 1 year	104,593/ N/A	643	01.12.2021

## List of Properties (cont'd)

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure/ Approximate age of Building (Year)	Land Area/ Built-up Area (sq ft)	Audited NBV as at 31 March 2023 RM'000	Date of Acquisition
HK Gua Musang	Title: PN 1828, Lot 551 Bandar Gua Musang Jajahan Gua Musang Negeri Kelantan  Address: Lot 551, Kawasan Perindustrian Gua Musang Bandar Gua Musang, Jajahan Gua Musang, 18300 Gua Musang Kelantan Darul Naim	Double storey office annexed with a single storey detached factory/ Used for oil palm EFB fibre manufacturing	66 years, Expiring on 24.07.2051/ 7 years	478,574/ 152,460	14,669	19.08.2015
MG Furniture	Title: GM 1512 Lot 2780 Tempat Jalan Bukit Panchor Mukim 07 Daerah Seberang Perai Selatan, Pulau Pinang  GM 1513 Lot 2781 Tempat Jalan Bukit Panchor Mukim 07, Daerah Seberang Perai, Pulau Pinang  GRN 59066 Lot 2791 Mukim 07, Daerah Seberang Perai Selatan, Negeri Pulau Pinang	One unit of three storey office building with an annexed single storey factory building / Used for own factory	Freehold/ 11 years	131,707/ 100,922	7,704	28.04.2015
MG Furniture	Title: GRN 22533 Lot 2176 Mukim Parit Buntar Daerah Kerian, Perak	Land/ Vacant Agricultural Land	Freehold/ 6 years	280,959/ N/A	3,623	29.06.2016
MG Furniture	Title: GM 981 Lot 2651 Mukim 10, Daerah Seberang Perai Selatan, Pulau Pinang	Land/ Vacant Agricultural Land	Freehold/ 8 years	92,957/ N/A	380	05.09.2014



## List of Properties (cont'd)

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure/ Approximate age of Building (Year)	Land Area/ Built-up Area (sq ft)	Audited NBV as at 31 March 2023 RM'000	Date of Acquisition
MG Furniture	Title: GM 895 Lot 3960 Tali Air Parit Kasa Mukim 09, Daerah Seberang Perai Selatan, Negeri Pulau Pinang	Land/ Vacant Agricultural Land	Freehold/ 7 years	71,860/ N/A	600	27.07.2015
MG Furniture	Title: GRN 129553 Lot 7171 Mukim 11 Daerah Seberang Perai Selatan, Pulau Pinang.	Land/ Vacant Agricultural Land	Freehold/ 3 years	173,084/ N/A	4,719	12.09.2019
HH Land	Title: GM 214 Lot 288 Mukim 02 District of Seberang Perai Selatan, Pulau Pinang	Land/ Vacant land	Freehold/ 2 years	198,470/ N/A	2,384	13.08.2020
HH Land	Title: GM 1146 Lot 1712 Mukim 05 District of Seberang Perai Tengah, Pulau Pinang  GM 1147 Lot 1713 Mukim 05 District of Seberang Perai Tengah, Pulau Pinang	Land/ Vacant land	Freehold/ 2 year	88,856/ N/A	1,443	13.08.2020
HH Land	Title: GRN 44188 Lot 471 Section 1 Town of Butterworth District of Seberang Perai Utara, Pulau Pinang  Address: No. 11, Tingkat Melur 3 Taman Sin Tatt 12300 Butterworth, Pulau Pinang	A double storey intermediate terrace house / Used for investment property	Freehold/ 1 year	1,300/ 1,822	503	23.03.2022
HH Land	Title: No.H.S.(D) 32795 Lot No 1617 Section 6 Town of Bukit Mertajam District of Seberang Perai Tengah, Pulau Pinang  Address: No. 124F, Jalan Teratai Taman Jaya 14000 Bukit Mertajam Seberang Perai, Pulau Pinang	Double storey split-level semi-detached house with roof top / Used for investment property	Freehold/ 1 year	6,044/ 8,160	1,215	23.03.2022

## List of Properties (cont'd)

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure/ Approximate age of Building (Year)	Land Area/ Built-up Area (sq ft)	Audited NBV as at 31 March 2023 RM'000	Date of Acquisition
HH Land	Title: Lot Nos 2343 & 2344 Town of Kulim District of Kulim, Kedah  Address: No. 565, Jalan Waja 6 09000 Kulim Kedah	A single storey detached factory / Used for investment property	Freehold/ 1 year	12,723/ 7,792	1,777	23.03.2022
HH Land	Title: GM13959/M1/14/75 Petak No. 75, No. Tingkat 14, No. Bangunan M1 Lot No.60002 Seksyen 63 Bandar Sungai Petani Daerah Kuala Muda, Negeri Kedah Darul Aman  Address: No. A-14-3, No. 12B-3, Petak A-14-3, Cinta Sayang Residences, 08000 Sungai Petani, Kedah	A 2-Bedroom apartment / Used for investment property	Freehold/ Less than 1 year	1,302/ N/A	392	28.04.2022
HH Land	Title: Lot No. 2326 Tempat Taman Industri Waja Bandar Kulim Daerah Kulim, Kedah  Address: No. 565, Jalan Waja 6 09000 Kulim Kedah	A 1½ storey semi-detached factory / Used for investment property	Freehold/ Less than 1 year	8,396/ 6,789	1,489	28.04.2022
HH Land	Title: No. Hakmilik Geran 11043/ M1/4/508 Petak No. 508 No. Tingkat 4 No. Bangunan M1 Lot No.1197 Seksyen 67 Bandar Kuala Lumpur Daerah Kuala Lumpur Negeri Wilayah Persekutuan  Address: No. S-090, Sungai Wang Plaza, Jalan Sultan Ismail, 55100 Wilayah Persekutuan	A unit of shoplot / Used for investment property	Freehold/ Less than 1 year	334/ N/A	501	28.04.2022

## List of Properties (cont'd)

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure/ Approximate age of Building (Year)	Land Area/ Built-up Area (sq ft)	Audited NBV as at 31 March 2023 RM'000	Date of Acquisition
HH Land	Title: Geran No. Hakmilik 25537 & 25538 Lot Nos. 161 & 162 Bandar Nibong Tebal Daerah Seberang Perai Selatan Pulau Pinang  Address: No. 1672, Jalan Baru, 14300 Nibong Tebal, Pulau Pinang	A two-storey detached factory with one storey annexe / Used for investment property	Freehold/ Less than 1 year	11,971/ N/A	1,416	30.06.2022
HH Land	Title: Lot No. 3005 Mukim 11 Daerah Seberang Perai Tengah Pulau Pinang  Address: No. 1234, Jalan Padang Lallang, Taman Desa Damai, 14000 Bukit Mertajam, Pulau Pinang	A double storey shophouse / Used for investment property	Freehold/ Less than 1 year	1,765/ N/A	753	21.11.2022
KNG Resource Enterprise	Title: H.S.(M) 19721, PT 8574 Town of Sungai Petani District of Kuala Muda Kedah Darul Aman  Address: No. 8574, Kawasan Industri Bakar Arang, 08000 Sungai Petani, Kedah Darul Aman	A unit of double and single storey detached factory / Used for investment property	99 years, Expiring on 12.03.2089/ Less than 1 year	130,680/ 100,838	8,707	30.06.2022
HH Eastern Realty	Title: Country Lease No. 105241129 Tawau Sabah	Land/ Vacant land	99 years, Expiring on 06.04.2060/ Less than 1 year	665,533/ N/A	4,095	25/07/2022

## List of Properties (cont'd)

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure/ Approximate age of Building (Year)	Land Area/ Built-up Area (sq ft)	Audited NBV as at 31 March 2023 RM'000	Date of Acquisition
HH Northern Point	Title: PN 10341 Lot No. 7035 Mukim 13 Daerah Seberang Perai Tengah Negeri Pulau Pinang  Address: No. 1030, Lengkok Perindustrian Bukit Minyak 2, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang	A double-storey office building annexed with a single storey detached factory / Used for investment property	60 years, Expiring on 26.08.2068/ Less than 1 year	43,594/ 30,368	5,136	30/09/2022
HH Supreme Realty	Title: Lot 10146 Mukim 18 Daerah Timor Laut Negeri Pulau Pinang  Address: Parcel No. 1-1-2, 1-1-3, 1-1-3A & 1-1-9, The Peak Commercial, Persiaran Halia 3, 10470 Tanjung Bungah, Penang	Commercial shoplots / Used for investment property	Freehold/ Less than 1 year	N/A/ 3,760	1,133	29/11/2022
HH Supreme Realty	Title: Lot 10147 Mukim 18 Daerah Timor Laut Negeri Pulau Pinang  Address: Parcel No. 2-1-2, 2-1-3A, 2-1-5, 2-1-10, 2-1-12, 2-1-13, 2-1-13A, 2-1-18, 2-1-19 & 2-1-20, The Latitude Complex, Persiaran Halia 3, 10470 Pulau Pinang	Commercial shoplots / Used for investment property	Freehold/ Less than 1 year	N/A/ 17,610	4,460	29/11/2022
HH Properties Kulim	Title: Note <sup>(1)</sup>	Land/ Vacant land	99 years, Expiring on 23.10.2095/ 1 year	839,132/ N/A	21,585	30/03/2022

## List of Properties (cont'd)

Note:

<sup>(1)</sup> : PM 251 Lot 7632, PM 252 Lot 7633, PM 253 Lot 7634, PM 254 Lot 7635, PM 255 Lot 7636, PM 256 Lot 7637, PM 257 Lot 7638, PM 258 Lot 7639, PM 259 Lot 7640, PM 260 Lot 7641, PM 261 Lot 7642, PM 262 Lot 7643, PM 263 Lot 7644, PM 264 Lot 7645, PM 282 Lot 7650, PM 283 Lot 7651, PM 286 Lot 7655, PM 287 Lot 7656, PM 288 Lot 7657, PM 289 Lot 7658, PM 290 Lot 7659, PM 291 Lot 7660, PM 292 Lot 7661, PM 293 Lot 7662, PM 294 Lot 7663, PM 295 Lot 7664, PM 296 Lot 7665, PM 297 Lot 7666, PM 298 Lot 7667, PM 299 Lot 7668, PM 300 Lot 7669, PM 301 Lot 7670, PM 302 Lot 7671, PM 303 Lot 7672, PM 304 Lot 7673, PM 305 Lot 7674, PM 306 Lot 7675, PM 307 Lot 7676, PM 308 Lot 7677, PM 309 Lot 7678, PM 310 Lot 7679, PM 311 Lot 7680, PM 357 Lot 7689, PM 358 Lot 7690, PM 359 Lot 7691, PM 360 Lot 7692, PM 361 Lot 7693, PM 362 Lot 7694, PM 369 Lot 7701, PM 370 Lot 7702, PM 371 Lot 7703, PM 372 Lot 7704, PM 373 Lot 7705, PM 374 Lot 7706, PM 342 Lot 7707, PM 344 Lot 7709, PM 345 Lot 7710, PM 346 Lot 7711, PM 347 Lot 7712, PM 348 Lot 7713, PM 350 Lot 7715, PM 351 Lot 7716, PM 352 Lot 7717, PM 353 Lot 7718, PM 354 Lot 7719, PM 355 Lot 7720, PM 356 Lot 7722, PM 375 Lot 7725, PM 376 Lot 7726, PM 382 Lot 7732, PM 269 Lot 7734, PM 270 Lot 7735, PM 271 Lot 7736, PM 272 Lot 7737, PM 273 Lot 7738, PM 274 Lot 7739, PM 275 Lot 7740, PM 276 Lot 7741, PM 277 Lot 7742, PM 278 Lot 7743, PM 279 Lot 7744, PM 280 Lot 7745, PM 281 Lot 7746, PM 319 Lot 7747, PM 320 Lot 7748, PM 321 Lot 7749, PM 322 Lot 7750, PM 332 Lot 7760, PM 333 Lot 7761, PM 334 Lot 7762, PM 335 Lot 7763, PM 336 Lot 7764, PM 337 Lot 7765, PM 338 Lot 7766, PM 339 Lot 7767, PM 340 Lot 7768, PM 341 Lot 7769, PM 384 Lot 7771, PM 385 Lot 7772, PM 396 Lot 7773, PM 397 Lot 7774, PM 398 Lot 7775, PM 399 Lot 7776, PM 400 Lot 7777, PM 401 Lot 7778, PM 402 Lot 7779, PM 403 Lot 7780, PM 404 Lot 7781, PM 405 Lot 7782, PM 406 Lot 7783, PM 407 Lot 7784, PM 386 Lot 7789, PM 387 Lot 7790, PM 410 Lot 7791, PM 411 Lot 7792, PM 412 Lot 7793, PM 413 Lot 7794, PM 414 Lot 7795, PM 415 Lot 7796, PM 416 Lot 7797, PM 417 Lot 7798, PM 418 Lot 7799, PM 419 Lot 7800, PM 420 Lot 7801, PM 421 Lot 7802, PM 424 Lot 7805, PM 388 Lot 7818, PM 389 Lot 7819, PM 390 Lot 7820, PM 391 Lot 7821, PM 392 Lot 7822, PM 393 Lot 7823, HS(M) 1936 PT 157 Bandar Kulim, Daerah Kulim, Kedah.

# Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE TWELFTH ANNUAL GENERAL MEETING ("AGM") OF HHRG BERHAD (FORMERLY KNOWN AS HENG HUAT RESOURCES GROUP BERHAD) (THE "COMPANY" OR "HHRG") WILL BE HELD AT MAJESTIC HALL, 1ST FLOOR, BUKIT JAWI GOLF RESORT BERHAD, LOT 414, MK 6, JALAN PAYA KEMIAN SEMPAYI, 14200 SUNGAI JAWI, SEBERANG PERAI SELATAN, PULAU PINANG ON FRIDAY, 25 AUGUST 2023 AT 9.00 A.M. FOR THE FOLLOWING PURPOSES:-

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## AGENDA

- |    |  |                                       |
|----|--|---------------------------------------|
| 1. | To receive the Audited Financial Statements of the Company for the financial year ended 31 March 2023 together with the Reports of the Directors and of the Auditors thereon.        | Please refer to the Explanatory Notes |
| 2. | To approve the payment of Directors' fees and benefits up to an aggregate amount of RM200,000.00 for the financial year ending 31 March 2024.  | Ordinary Resolution 1                 |
| 3. | To re-elect Mr. Ho Whye Chong, a Director who retires in accordance with Article 18.3 of the Constitution of the Company and being eligible, has offered himself for re-election.    | Ordinary Resolution 2                 |
| 4. | To re-elect Madam Wong Wan Chin, a Director who retires in accordance with Article 18.10 of the Constitution of the Company and being eligible, has offered herself for re-election. | Ordinary Resolution 3                 |
| 5. | To re-appoint Messrs. Grant Thornton Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.                          | Ordinary Resolution 4                 |

## SPECIAL BUSINESS

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

### ORDINARY RESOLUTIONS

- |    |   |                       |
|----|---|-----------------------|
| 6. | <b>Authority to Allot and Issue Shares Pursuant to Sections 75 And 76 of the Companies Act, 2016 and Waiver of Pre-Emptive Rights</b> | Ordinary Resolution 5 |
|----|---|-----------------------|

"THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 (the "Act") and subject always to the approval of all the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorised to issue and allot from time to time such number of shares of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company for the time being.

THAT pursuant to Section 85(1) of the Act be read together with Article 13.2 of the Company's Constitution, that approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares ranking equally to the existing issued shares arising from any issuance of new shares pursuant to this mandate.

AND THAT the Directors are also empowered to obtain the approval from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier."

# Notice Of Annual General Meeting (cont'd)

## 7. Authority to Purchase its own Shares

Ordinary  
Resolution 6

"That subject to the Companies Act 2016, provisions of the Company's Constitution and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:-

- i. The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total number of issued shares in the ordinary share capital of the Company at any point in time;
- ii. The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits of the Company. As at the latest financial year ended 31 March 2023, the audited retained profits of the Company stood at RM25,819,908;
- iii. The authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;
- iv. Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-
  - to cancel the shares so purchased; or
  - to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
  - retain part of the shares so purchased as treasury shares and cancel the remainder.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluation, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Act, provisions of the Company's Constitution, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals.

# Notice Of Annual General Meeting (cont'd)

Ordinary  
Resolution 7

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

"That subject to the provisions of the Company's Constitution and the ACE Market Listing Requirements of Bursa Securities, approval be hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related party as set out in Section 2.3 of the Circular to Shareholders dated 26 July 2023, provided that such transactions are necessary for the day-to-day operations; and undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company.

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

- (a) the conclusion of the next AGM of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the AGM, the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company after that date is required by law to be held pursuant to Section 340(2) of the Companies Act, 2016 ("Act") (but shall not extend to such extension as may be allowed by law pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by a resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Board be and is hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Mandate."

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board,

WONG YEE LIN (MIA15898)  
SSM PC NO. 201908001793  
HING POE PYNG (MAICSA 7053526)  
SSM PC NO. 202008001322  
Secretaries

Penang  
Date: 26 July 2023



# Notice Of Annual General Meeting (cont'd)

## Notes:

1. A member entitled to attend and vote at the meeting may appoint not more than two (2) proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy save that the proxy must be of full age.
2. When a member appoints more than one (1) proxy, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act. Where a member is a corporation, it may appoint a proxy or proxies under the Proxy Form, or appoint such person as its representative at the meeting in accordance with section 333 of the Companies Act 2016.
5. The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointer. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
6. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 51-8-A, Menara BHL, Jalan Sultan Ahmad Shah, 10050 George Town, Pulau Pinang or by fax at 04-373 6615 or email to enquiry@braxton.com.my, not less than twenty-four (24) hours before the time appointed for holding the AGM or any adjournment thereof.
7. For the purpose of determining a member who shall be entitled to attend the meeting, a Record of Depositors ("ROD") as at 17 August 2023 has been requested. Only a depositor whose name appears on the ROD shall be entitled to attend, speak and vote at this meeting or appoint proxies to attend and/or speak and/or vote in his/her behalf.
8. Pursuant to Paragraph 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by poll.

## Explanatory Notes on Ordinary Business:

1. **Agenda 1 - To receive the Audited Financial Statements of the Company for the financial year ended 31 March 2023 together with the Reports of the Directors and of the Auditors thereon.**  
This item is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require shareholders' approval for the audited financial statements. Therefore, this item will not be put forward for voting.
2. **Ordinary Resolution 1 - To approve the payment of Directors' fees and benefits up to an aggregate amount of RM200,000 for the financial year ending 31 March 2024.**  
The proposed Ordinary Resolution 1 is to facilitate payment of Directors' fees and Directors' benefits calculated based on the number of scheduled Board and Committee meetings for financial year ending 31 March 2024 and assuming that all Directors will hold office until the end of the financial year. In the event the Directors' fees and Directors' benefits proposed is insufficient (e.g. due to additional unscheduled Board/Committee meetings or enlarged Board size), approval will be sought at the next AGM for additional fees and benefits to meet the shortfall.

## Explanatory Notes on Special Business:

1. **Ordinary Resolution 5 – Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act, 2016 and Waiver of Pre-emptive Rights**  
The proposed Ordinary Resolution 5 is for the purpose of granting a new and renewed general mandate (the "Mandate") and waiver of pre-emptive rights under Section 85(1) of the Act read together with Article 13.2 of the Company's Constitution, if passed, will give authority to the Directors to issue and allot shares up to 10% of the total number of issued shares of the Company at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier and will exclude the shareholders' pre-emptive rights over all new shares to be issued under the Mandate.

The Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

# Notice Of Annual General Meeting (cont'd)

## Explanatory Notes on Special Business:(Cont'd)

### 1. **Ordinary Resolution 5 – Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act, 2016 and Waiver of Pre-emptive Rights (Cont'd)**

As at the date of this Notice, there were no new shares issued pursuant to the mandate granted to the Directors at the 11<sup>th</sup> AGM held on 25 August 2022 and which will lapse at the conclusion of the 12<sup>th</sup> AGM.

Pursuant to Section 85(1) of the Act be read together with Article 13.2 of the Company's Constitution, shareholders have pre-emptive rights to be offered any new shares in the Company which rank equally to the existing issued shares in the Company or other convertible securities.

<u>Section 85(1) of the Act</u> <b>Pre-Emptive Rights to New Shares</b>	<u>Article 13.2 of the Company's Constitution</u> <b>Issue of New Shares to Members</b>
Subject to the constitution, where a company issue shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.	Subject to any direction to the contrary that may be given by the Company in a meeting of Members, all new shares or other convertible securities of whatever kind, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of meetings of Members in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted shall be deemed to be declined and after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Board may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Board may also dispose of any new shares or securities which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Board, be conveniently offered under this Article.

### 2. **Ordinary Resolution 6 - Authority to Purchase its own Shares**

The proposed Ordinary Resolution 6, if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the total number of issued shares of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next AGM.

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

The proposed Ordinary Resolution 7, if passed, will enable the Company and/or its subsidiaries ("Group") to enter into recurrent transactions involving the interest of related parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transaction being carried out in the ordinary course of business at arm's length basis and on normal commercial terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Mandate is set out in the Circular to shareholders dated 26 July 2023.

## **PERSONAL DATA POLICY**

By submitting the duly executed Form of Proxy, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the AGM, and any adjournment thereof.

# Statement Accompanying Notice Of AGM

(Pursuant to Rule 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad)

**1. Details of individuals who are standing for election as Directors (excluding Directors standing for re-election)**

No individual is standing for election as a Director at the forthcoming 12<sup>th</sup> AGM of the Company.

**2. Renewal of general mandate for issue of securities in accordance with Paragraph 6.04(3) of Listing Requirements**

The Company is seeking for shareholders' approval on the general mandate for issue of securities. The details of the proposed authority for Directors to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note on Special Business (Resolution 5) of the Notice of AGM.

# Share Buy-Back Statement

## 1. DISCLAIMER STATEMENT

This Share Buy-back Statement (Statement) is important and if you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad (Bursa Securities) has not perused this Statement prior to its issuance, takes no responsibility for the contents of the Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Statement.

## 2. RATIONALE FOR THE PROPOSED PURCHASE BY HHRG BERHAD (FORMERLY KNOWN AS HENG HUAT RESOURCES GROUP BERHAD) ("HHRG" OR THE "COMPANY") OF ITS OWN ORDINARY SHARES (SHARES) REPRESENTING UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES AT ANY GIVEN POINT IN TIME (PROPOSED SHARE BUY-BACK)

The Proposed Share Buy-Back, if exercised, would potentially benefit the Company and its shareholders as follows:

- i) The Proposed Share Buy-Back would enable the Company to utilize its surplus financial resources to purchase Shares when appropriate, and at prices which the Board of Directors of the Company (the Board) view as favourable to the Company;
- ii) The Proposed Share Buy-Back would effectively reduce the number of Shares carrying voting and participation rights unless the Share brought back by the Company ("Purchased Shares") are resold on Bursa Securities or distributed as share dividends). Consequently, all else being equal, the Earnings Per Share (EPS) of the HHRG Group (the Group) may be enhanced as the earnings of the Group would be divided by a reduced number of Shares; and
- iii) The Purchased Shares which will be retained as treasury shares may potentially be resold on Bursa Securities at a higher price and therefore realizing a potential gain in reserves without affecting the total number of issued shares of the Company. The treasury shares may also be distributed to shareholders as dividends and, if undertaken, would serve to reward the shareholders of the Company.

## 3. RETAINED PROFITS

Based on the audited financial statements of HHRG as at 31 March 2023, the retained profits of the Company stood at RM25,819,908. The maximum fund to be allocated by the Company for the purpose of Proposed Share Buy-Back shall not exceed the retained profits of the Company.

## 4. SOURCE OF FUNDING

The Proposed Share Buy-Back will be funded from internally generated funds. The Company has adequate resources to undertake the Proposed Share Buy-Back in view that the Company has net cash and cash equivalent balance of approximately RM17,477,591 based on the audited financial statements of HHRG as at 31 March 2023. Any funds utilized by HHRG for the Proposed Share Buy-Back will consequentially reduce the resources available to HHRG for its operations by a corresponding amount for shares bought back.

# Share Buy-Back Statement (cont'd)

## 5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER(S) AND PERSONS CONNECTED TO THEM

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors and Major Shareholders of HHRG nor persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of the treasury shares.

Based on the Register of Directors and the Register of Substantial Shareholders of HHRG as at 20 June 2023 and assuming that HHRG implements the Proposed Share Buy-Back in full, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors, Substantial Shareholders and Person Connected to Director of HHRG are as follows:

### Directors

Name	Existing as at 20 June 2023				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%*	No. of Shares	%*	No. of Shares	%*	No. of Shares	%*
Dato' H'ng Choon Seng	33,232,764	3.86	225,380,735 <sup>(1)</sup>	26.19	33,232,764	4.29	225,380,735 <sup>(1)</sup>	29.10
Ho Whye Chong	43,711,605	5.08	34,883,720 <sup>(2)</sup>	4.05	43,711,605	5.64	34,883,720 <sup>(2)</sup>	4.50
Ng Chin Nam	16,499,000	1.92	42,460,550 <sup>(3)</sup>	4.93	16,499,000	2.13	42,460,550 <sup>(3)</sup>	5.48
Lee Yee Wooi	100,000	0.01	1,270,000 <sup>(4)</sup>	0.15	100,000	0.01	1,270,000 <sup>(4)</sup>	0.16
Cheah Swi Chun	-	-	-	-	-	-	-	-
Wong Wan Chin	-	-	-	-	-	-	-	-

### Substantial Shareholders

Name	Existing as at 20 June 2023				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%*	No. of Shares	%*	No. of Shares	%*	No. of Shares	%*
GH Consortium Sdn Bhd	225,380,735	26.19	-	-	225,380,735	29.10	-	-
Cfamillie Holdings Sdn Bhd	162,790,697	18.92	-	-	162,790,697	21.02	-	-
Dato' H'ng Choon Seng	33,232,764	3.86	225,380,735 <sup>(1)</sup>	26.19	33,232,764	4.29	225,380,735 <sup>(1)</sup>	29.10
Ho Whye Chong	43,711,605	5.08	34,883,720 <sup>(2)</sup>	4.05	43,711,605	5.64	34,883,720 <sup>(2)</sup>	4.50
Ng Chin Nam	16,499,000	1.92	42,460,550 <sup>(3)</sup>	4.93	16,499,000	2.13	42,460,550 <sup>(3)</sup>	5.48
Goh Boon Leong	1,500,000	0.17	260,264,455 <sup>(5)</sup>	30.24	1,500,000	0.19	260,264,455 <sup>(5)</sup>	33.60
Ch'ng Chen Mong	7,415,875	0.86	162,790,697 <sup>(6)</sup>	18.92	7,415,875	0.96	162,790,697 <sup>(6)</sup>	21.02
Tan Poh Cheng	-	-	162,790,697 <sup>(6)</sup>	18.92	-	-	162,790,697 <sup>(6)</sup>	21.02

Notes:

- (1) Deemed Interested through GH Consortium Sdn Bhd pursuant to Section 8 of the Companies Act 2016.
  - (2) Deemed interested through Kulim Property Sdn Bhd pursuant to Section 8 of the Companies Act 2016.
  - (3) Deemed interested pursuant to Section 59(11)(c) of the Companies Act 2016 via his spouse Koe Gaik Tiang and pursuant to Section 8 of the Companies Act 2016 via his shareholding in Polargas Sdn Bhd.
  - (4) Deemed interested pursuant to Section 59(11)(c) of the Companies Act 2016 via his spouse, Lim Wun Lee.
  - (5) Deemed interested GH Consortium Sdn Bhd and Kulim Property Sdn Bhd pursuant to Section 8 of the Companies Act 2016.
  - (6) Deemed interested through Cfamillie Holdings Sdn Bhd pursuant to Section 8 of the Companies Act 2016.
- \* Percentage shareholding computed based on 860,632,548 HHRG Shares in issue.
- ^ Percentage shareholding computed based on 774,569,294 HHRG Shares assuming that the Proposed Share Buy-Back is carried out in full and all the shares so purchased are held as treasury shares

# Share Buy-Back Statement (cont'd)

## 6. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

### 6.1 Potential Advantages of the Proposed Share Buy-Back

The potential advantages of the Proposed Share-Buy Back are as set out in Section 2 of the Statement.

### 6.2 Potential disadvantages of the Proposed Share Buy-Back

The potential disadvantages of the Proposed Share Buy-Back are as follows:

- i) The Proposed Share Buy-Back, if implemented, would reduce the financial resources of the Group. This may result in the Group having to forego better future investment or business opportunities and/or any interest income that may be derived from the deposit of such funds in interest bearing instruments; and
- ii) The Proposed Share Buy-Back may also result in a reduction of financial resources available for distribution in the form of cash dividends to shareholders of HHRG in the immediate future.

However, the financial resources of the Group may increase pursuant to the resale of the Purchased Shares held as treasury shares at prices higher than the purchase price. In this connection, the Board will be mindful of the interests of the Group and shareholders of HHRG in implementing the Proposed Share Buy-Back and in subsequent resale of the treasury shares on Bursa Securities, if any.

## 7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

The material financial effects of the Proposed Share Buy-Back on the share capital, consolidated Net Tangible Assets (NTA), working capital, earnings, dividends and the substantial shareholders' shareholdings in HHRG are set out below:

### 7.1 Share Capital

As at 20 June 2023, the total number of issued shares was 860,632,548 Shares. In the event that the 86,063,254 Shares representing 10% of the total number of issued shares of the Company are purchased and cancelled, the effect on the share capital of the Company are illustrated as follows:

	<b>Number of Shares</b>
Total number of issued shares as at 20 June 2023	860,632,548
Assumed the Shares purchased and cancelled	<u>86,063,254</u>
Resultant total number of issued shares	<u>774,569,294</u>

If the Shares so purchased are retained as treasury shares, the total number of issued shares of the Company will not be reduced but the rights attaching to the treasury shares as to voting, dividends and participation in other distributions or otherwise will be suspended. While these Shares remain as treasury shares, the Section 127 of the Act prohibits the taking into account of such Shares in calculating the number of percentage of Shares for a purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

### 7.2 NTA

The effects of the Proposed Share Buy-Back on the consolidated NTA of the Group would depend on the purchase price and number of purchased Shares, the effective funding cost to HHRG to finance the purchased Shares or any loss in interest income to HHRG.

The Proposed Share Buy-Back will reduce the consolidated NTA per Share at the time of purchase if the purchase price exceeds the consolidated NTA per Share and conversely will increase the consolidated NTA per Share at the time of purchase if the purchase price is less than the consolidated NTA per Share.

Should the Purchased Shares be resold, the consolidated NTA will increase if the Company realizes a capital gain from the resale, and vice-versa. However, the quantum of the increase in NTA will depend on the selling prices of the purchased Shares and the number of purchased Shares resold.

# Share Buy-Back Statement (cont'd)

## 7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK (CONT'D)

### 7.3 Working Capital

The Proposed Share Buy-Back is likely to reduce the working capital and cash flow of the Group, the quantum of which would depend on the purchase price of the purchased Shares, the number of purchased Shares and any associated costs incurred in making the purchase.

For the purchased Shares which are kept as treasury shares, upon their resale, the working capital and the cash flow of the Group will increase upon the receipt of the proceeds of the resale. The quantum of the increase in the working capital and cash flow will depend on the actual selling price(s) of the treasury shares and the number of treasury shares resold.

### 7.4 Earnings

The effects of the Proposed Share Buy-Back on the earnings of the Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to HHRG to finance the Purchased Shares or any loss in interest income to HHRG.

Assuming the purchased Shares would be retained as treasury shares, the reduction in the number of Shares applied in the computation of the EPS pursuant to the Proposed Share Buy-Back may generally, all else being equal, have a positive impact on the EPS for the financial year ending 31 March 2024.

Should the purchased Shares be resold, the extent of the impact to the EPS of the Group will depend on the actual selling price, the number of treasury shares resold, and any effective funding cost from the Proposed Share Buy-Back.

### 7.5 Dividends

Assuming the Proposed Share Buy-Back is implemented in full, dividends would be paid on the remaining total number of issued shares of HHRG (excluding the Shares already purchased). The Proposed Share Buy-Back may have an impact on the Company's dividend policy for the financial year ending 31 March 2024 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by HHRG in the future would depend on, *inter-alia*, the profitability and cash flow position of the Group.

### 7.6 Substantial Shareholders

Shares bought back by the Company under the Proposed Share Buy-Back that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the Substantial Shareholders in the Company. Please refer to Section 5 of this Statement for further details.

## 8. IMPLICATIONS OF THE PROPOSED SHARE BUY-BACK RELATING TO THE RULES ON TAKE-OVERS, MERGER AND COMPULSORY ACQUISITIONS (THE RULES)

As it is not intended for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory offer under the Rules by any of the Company's shareholders and/or parties acting in concert with them, the Board will ensure that such number of Shares purchased, retained as treasury shares, cancelled or distributed pursuant to the Proposed Share Buy-Back would not result in triggering any mandatory offer obligation on the part of its shareholders and/or parties acting in concert with them.

In this connection, the Board will be mindful of the Rules when making any purchase of the Shares pursuant to the Proposed Share Buy-Back.

## 9. PURCHASES, RESOLD, TRANSFER AND CANCELLATION MADE BY THE COMPANY OF ITS OWN SHARES IN THE PRECEDING 12 MONTHS

There was no treasury share held and the Company had not purchased, resold, transferred or cancelled any shares in the preceding 12 months.

# Share Buy-Back Statement (cont'd)

## 10. PROPOSED INTENTION OF THE DIRECTORS TO DEAL WITH THE SHARES SO PURCHASED

The Proposed Share Buy-Back, if exercised, the shares shall be dealt with in the following manner:

- to cancel the shares so purchased; or
- to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
- retain part of the shares so purchased as treasury shares and cancel the remainder.

## 11. PUBLIC SHAREHOLDING SPREAD

According to the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at 20 June 2023, approximately 255,989,809 Shares representing 29.74% of the total number of issued shares of the Company were held by the public shareholders. In this regard, the Board undertakes to purchase Shares only to the extent that the public shareholding spread of HHRG shall not fall below 25% of the total number of issued shares of the Company (excluding treasury shares) at all times pursuant to the Proposed Share Buy-Back, in accordance with Rule 8.02(1) and 12.14 of the Bursa Securities ACE Market Listing Requirements.

## 12. DIRECTORS' STATEMENT

After taking into consideration all relevant factors, the Board is of the opinion that the Proposed Share Buy-Back described above is in the best interest of the Company.

## 13. DIRECTORS' RECOMMENDATION

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming 12<sup>th</sup> Annual General Meeting to give effect to the Proposed Share Buy-Back.

## 14. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of HHRG Shares traded on Bursa Securities for the preceding twelve (12) months are as follows:

	High RM	Low RM
<b>2022</b>		
April	0.380	0.276
May	0.400	0.305
June	0.370	0.300
July	0.330	0.295
August	0.355	0.315
September	0.415	0.335
October	0.450	0.365
November	0.485	0.400
December	0.510	0.430
<b>2023</b>		
January	0.495	0.420
February	0.580	0.460
March	0.550	0.380
Last transacted market price as at 20 June 2023 (being the latest practical date prior to the printing of this Statement) was RM0.305		
(Source: Bursa Malaysia)		



# Share Buy-Back Statement (cont'd)

## 15. RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

## 16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at 51-8-A, Menara BHL, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang during normal office hours from Monday to Friday (except for public holidays) from the date of this Statement up to and including the date of the forthcoming AGM :

- (i) Constitution of HHRG; and
- (ii) The audited consolidated financial statements of HHRG for the past two (2) financial years ended 31 March 2022 and 2023 respectively.

## 17. FURTHER INFORMATION

There is no other information concerning the Proposed Share Buy-Back as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Share Buy-Back and the extent of the risks involved in doing so.

# Proxy Form



**HHRG BERHAD**  
(Formerly known as Heng Huat Resources Group Berhad)  
Company No.: 201101041555 (969678-D)  
(Incorporated in Malaysia)

No. of Ordinary Shares held		CDS Account No.	
Contact No.		Email Address	

I/We \_\_\_\_\_ (NRIC no./Passport No. \_\_\_\_\_)  
of \_\_\_\_\_  
being a member of HHRG Berhad (Formerly known as Heng Huat Resources Group Berhad) hereby appoint (Proxy 1) \_\_\_\_\_ (NRIC no./Passport No. \_\_\_\_\_) and\* or failing him\* (Proxy 2), \_\_\_\_\_ (NRIC no./Passport No. \_\_\_\_\_) of \_\_\_\_\_ and\*/or failing him\*\*, the Chairman of the Meeting, as my/our proxy(ies), to vote for me/us on my/our behalf at the Twelfth Annual General Meeting of the Company to be held at Majestic Hall, 1st Floor, Bukit Jawi Golf Resort Berhad, Lot 414, Mk 6, Jalan Paya Kemian Sempayi, 14200 Sungai Jawi, Seberang Perai Selatan, Pulau Pinang on Friday, 25 August 2023 at 9.00 a.m. and at any adjournment thereof as indicated below:

The proportions of \*my/our holdings to be represented by \*my/our proxy(ies) are as follows:

Proxy 1	%	Proxy 2	%
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In case of a vote by show of hands, Proxy 1\*/Proxy 2\* shall vote on my/our behalf. \*I/We hereby indicate with an "X" in the spaces provided how \*I/we wish \*my/our votes to be cast. (Unless otherwise instructed, the proxy may vote, as he thinks fit)

\* Strike out whichever is inapplicable

No.	Resolutions	For	Against
1.	To approve the payment of Directors' fees and benefits up to an aggregate amount of RM200,000.00 for the financial year ending 31 March 2024.		
2.	To re-elect Mr. Ho Whye Chong as Director.		
3.	To re-elect Madam Wong Wan Chin as Director.		
4.	To re-appoint Messrs. Grant Thornton Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
5.	To authorise Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016 and Waiver of Pre-emptive Rights.		
6.	To approve the authority to purchase company's own share.		
7.	To approve the proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

Signature / Common Seal of Shareholder \_\_\_\_\_

## Notes:

- A member entitled to attend and vote at the meeting may appoint not more than two (2) proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy save that the proxy must be of full age.
- When a member appoints more than one (1) proxy, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
- An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act. Where a member is a corporation, it may appoint a proxy or proxies under the Proxy Form, or appoint such person as its representative at the meeting in accordance with section 333 of the Companies Act 2016.
- The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointer. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at 51-8-A, Menara BHL, Jalan Sultan Ahmad Shah, 10050 George Town, Pulau Pinang or by fax at 04-373 6615 or email to enquiry@braxton.com.my, not less than twenty-four (24) hours before the time appointed for holding the AGM or any adjournment thereof.
- For the purpose of determining a member who shall be entitled to attend the meeting, a Record of Depositors ("ROD") as at 17 August 2023 has been requested. Only a depositor whose name appears on the ROD shall be entitled to attend, speak and vote at this meeting or appoint proxies to attend and/or speak and/or vote in his/her behalf.
- Pursuant to Paragraph 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by poll.

## PERSONAL DATA POLICY

By submitting the duly executed Form of Proxy, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the AGM, and any adjournment thereof.

*Please fold across the line and close*

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stamp  
here

To:

The Company Secretary

**HHRG BERHAD**

Company No. 201101041555 (969678-D)

51-8-A Menara BHL

Jalan Sultan Ahmad Shah

10050 Penang, Malaysia

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*Please fold across the line and close*



**HHRG BERHAD** 201101041555 (969678-D)

Formerly known as Heng Huat Resources Group Berhad

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