



## **HHRG BERHAD**

Formerly known as Heng Huat Resources Group Berhad  
Registration No. 201101041555 (969678-D)  
(Incorporated in Malaysia under the Companies Act 2016)

# **INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2024**

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

	Individual Quarter		Cumulative Period	
	Current Year Quarter 31.03.2024 <sup>(1)</sup> RM'000	Preceding Year Corresponding Quarter 31.03.2023 RM'000	Current Year Period 31.03.2024 <sup>(1)</sup> RM'000	Preceding Year Corresponding Period 31.03.2023 RM'000
Revenue	29,441	34,227	124,322	155,268
Cost of sales	(23,364)	(16,207)	(90,059)	(101,314)
Gross profit	6,077	18,020	34,263	53,954
Other income	755	436	2,243	4,122
Administrative expenses	(3,971)	(5,976)	(20,201)	(18,075)
Selling and distribution expenses	(2,001)	(1,741)	(4,391)	(5,685)
Allowance for expected credit losses on trade receivables				
- Addition	58	(1)	-	(75)
- Reversal	(54)	186	10	747
Operating profit	864	10,924	11,924	34,988
Finance income	221	46	694	265
Finance costs	(637)	(503)	(1,983)	(1,886)
Profit before tax	448	10,467	10,635	33,367
Taxation	(206)	(1,609)	(2,892)	(3,354)
<b>Total comprehensive income</b>	<b>242</b>	<b>8,858</b>	<b>7,743</b>	<b>30,013</b>
<b>Total comprehensive income attributable to:</b>				
- Owners of HHRG	133	9,905	6,966	27,294
- Non-controlling interests	109	(1,047)	777	2,719
	<b>242</b>	<b>8,858</b>	<b>7,743</b>	<b>30,013</b>
<b>Earnings per share (sen) attributable to owners of HHRG:</b>				
- Basic <sup>(2)</sup>	0.02	1.23	0.81	3.68
- Diluted <sup>(2)</sup>	0.01	1.07	0.75	3.20

Notes:

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

<sup>(2)</sup> Kindly refer to Note **B8** for further details.

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

	As at 31.03.2024 <sup>(1)</sup> RM'000 (unaudited)	As at 31.03.2023 RM'000 (audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	68,459	72,748
Investment properties	32,500	41,511
Right-of-use assets	3,638	6,238
Inventories	26,083	21,585
Intangible assets	18,084	19,206
Keyman insurance contracts	449	621
	149,213	161,909
<b>Current assets</b>		
Inventories	12,364	12,275
Trade and other receivables	43,971	26,330
Asset held for sales	7,252	-
Derivative financial assets	-	84
Deferred tax asset	954	-
Keyman insurance contracts	207	-
Current tax assets	2,066	-
Cash and cash equivalents	52,457	49,853
	119,271	88,542
<b>TOTAL ASSETS</b>	<b>268,484</b>	<b>250,451</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	153,799	140,079
Other reserves	(431)	3,224
Retained profits	29,543	21,823
	182,911	165,126
Non-controlling interests	22,385	23,390
<b>Total equity</b>	<b>205,296</b>	<b>188,516</b>
<b>Non-current liabilities</b>		
Lease liabilities	299	2,195
Borrowings	21,216	28,977
Deferred tax liabilities	1,863	1,552
	23,378	32,724
<b>Current liabilities</b>		
Trade, other payables and provision	24,068	21,979
Contract liabilities	1,594	894
Borrowings	11,085	3,347
Lease liabilities	2,016	2,719
Derivative financial liabilities	-	106
Current tax liabilities	1,047	166
	39,810	29,211
<b>Total liabilities</b>	<b>63,188</b>	<b>61,935</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>268,484</b>	<b>250,451</b>
<b>NET ASSETS PER SHARE (RM)</b>	<b>0.24<sup>(2)</sup></b>	<b>0.23<sup>(3)</sup></b>

Notes:

- <sup>(1)</sup> The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2023 and the accompanying explanatory notes attached to this interim financial report.
- <sup>(2)</sup> Calculated based on the Company's existing issued share capital for the financial period ended as at 31 March 2024 of 867,835,759 ordinary shares.
- <sup>(3)</sup> Calculated based on the Company's existing issued share capital for the financial year ended as at 31 March 2023 of 812,081,974 ordinary shares.

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

[----- Attributable to Owners of the Company -----]  
[----- Non-distributable -----]

	Share Capital RM'000	Reorganisation Reserve RM'000	Warrants Reserve RM'000	SIS Reserve RM'000	Retained Profits/ (Accumulated Losses) RM'000	Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
At 1 April 2023	140,079	(5,185)	2,090	6,319	22,577	165,880	23,390	189,270
Acquisition of subsidiaries	-	-	-	-	-	-	70	70
Total comprehensive income for the financial period	-	-	-	-	6,966	6,966	777	7,743
Dividend paid to non-controlling interests	-	-	-	-	-	-	(1,852)	(1,852)
Issuance of shares pursuant to:								
- Warrant exercised	949	-	(226)	-	-	723	-	723
- SIS exercised	12,771	-	-	(3,429)	-	9,342	-	9,342
At 31 March 2024	153,799	(5,185)	1,864	2,890	29,543	182,911	22,385	205,296
At 1 April 2022	126,199	(5,185)	4,249	7,644	(4,717)	128,190	20,783	148,973
Acquisition of subsidiaries	-	-	-	-	-	-	(32)	(32)
Total comprehensive income for the financial period	-	-	-	-	27,294	27,294	2,719	30,013
Issuance of shares pursuant to:								
- Warrant exercised	9,067	-	(2,159)	-	-	6,908	-	6,908
- SIS exercised	4,907	-	-	(1,325)	-	3,582	-	3,582
Share issuance expenses	(94)	-	-	-	-	(94)	-	(94)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(80)	(80)
At 31 March 2023	140,079	(5,185)	2,090	6,319	22,577	165,880	23,390	189,270

Note:

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2023 and the accompanying explanatory notes attached to this interim financial report.

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

	Year-to-date ended	
	31.03.2024	31.03.2023
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	10,635	33,367
<u>Adjustments for:</u>		
Allowance for expected credit losses		
- current year	-	127
- reversal	(162)	(774)
Amortisation of intangible assets		
- customer relationship	1,290	1,290
- trademarks	34	25
Depreciation of:		
- investment properties	638	470
- property, plant and equipment	7,445	6,925
- right-of-use assets	1,839	2,424
Fair value adjustment on derivative of financial instruments	-	22
Fair value loss/(gain) on keyman insurance contracts	(35)	(39)
Gain on disposal of investment properties	(59)	-
Loss on disposal of investment properties	167	-
Gain on disposal of property, plant and equipment	(164)	(220)
Property, plant and equipment written off	255	-
Gain on derecognition of right of use and lease liabilities	-	(1)
Loss on modification	57	-
Impairment loss on goodwill	-	96
Impairment loss / (Reversal) of impairment on property, plant and equipment	-	1,210
Interest expense	1,983	1,880
Interest income	(676)	(265)
Unrealised loss/(gain) on foreign exchange	(12)	263
	<hr/>	<hr/>
Operating profit before working capital changes	23,235	46,800
Decrease in inventories	(98)	2,424
Decrease/(Increase) in trade and other receivables	(17,466)	7,282
Decrease in trade, other payables and provision	2,068	(17,363)
Decrease in contract liabilities	700	(354)
	<hr/>	<hr/>
Cash (used in)/generated from operations	8,439	38,789
Income tax paid	(5,337)	(4,240)
Real property gains tax paid	(205)	-
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<b>Net cash from operating activities</b>	<b>2,897</b>	<b>34,549</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Changes in fixed deposits pledged with licensed banks	3,817	1,108
Interest received	676	265
Proceeds from disposal of property, plant and equipment	747	448
Proceeds from investment properties	8,002	-
Proceeds from written off property, plant and equipment	(304)	-
Subscription for shares in subsidiary in investing activities	(4,760)	-
Purchase of property, plant and equipment	(6,133)	(8,248)
Purchase of investment properties	(3,031)	(19,103)
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<b>Net cash used in investing activities</b>	<b>(986)</b>	<b>(25,530)</b>
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)**  
**(UNAUDITED)**

	Year-to-date ended	
	31.03.2024 RM'000	31.03.2023 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to non-controlling interests	(1,852)	(80)
Interest paid	(1,983)	(1,880)
Proceeds from exercise of warrants	723	6,908
Proceeds from exercise of SIS	9,343	3,582
Proceeds from exercise of ordinary shares	200	-
Drawdown of term loan	-	7,000
Drawdown of finance lease liabilities	-	428
Repayment of bankers' acceptance	-	(3,141)
Repayment of term loans	(8,611)	(2,431)
Repayment of hire purchase	(502)	(385)
Repayment of lease liabilities	(1,897)	(2,222)
Share issuance expenses paid	-	(94)
<b>Net cash from financing activities</b>	<b>(4,579)</b>	<b>7,685</b>
Net (decrease)/increase in cash and cash equivalents	(2,668)	16,704
Cash and cash equivalents at beginning of the financial period	40,412	23,697
<b>Cash and cash equivalents at end of the financial period</b>	<b>37,744</b>	<b>40,401</b>
Cash and cash equivalents comprise the following:		
Cash and bank balances	15,583	23,183
Fixed deposits with licensed banks	12,266	9,406
Short-term money market deposit	24,608	17,219
Cash and cash equivalents per statement of financial position	52,457	49,808
Less: Bank overdraft	(9,090)	(1)
Less: Fixed deposits pledged to financial institutions	(5,623)	(9,406)
	<b>37,744</b>	<b>40,401</b>

Note:

*The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2023 and the accompanying explanatory notes attached to this interim financial report.*

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

**A1. BASIS OF PREPARATION**

The condensed consolidated interim financial statements as contained in this interim financial report are unaudited and have been prepared in accordance with applicable Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act 2016 in Malaysia and Part K, Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements (“ACE LR”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”).

These unaudited interim financial statements are prepared under the historical cost convention unless otherwise indicated in the summary of accounting policies.

These unaudited interim financial statements should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2023 and the accompanying explanatory notes attached to this interim financial report. The explanatory notes contained herein provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2023.

**A2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and methods of computation applied in the preparation of these unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 March 2023 as disclosed below:

**Adoption of Amendments to MFRSs**

**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.

**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:

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## A2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

#### **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*

#### **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.

## A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the Group's most recent annual audited financial statements for the financial year ended 31 March 2023 were not subject to any qualification.

## A4. SEASONALITY OR CYCLICALITY OF OPERATION

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

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

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**A5. UNUSUAL ITEMS**

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

**A6. MATERIAL CHANGES IN ESTIMATES**

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

**A7. DEBTS AND EQUITY SECURITIES**

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

**A8. DIVIDEND PAID/ DECLARED**

The Board of Directors did not recommend any payment of dividend during the current quarter and financial period under review. (For Financial Year Ended *31 March 2023*: Nil)

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

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

**A10. CHANGES IN THE COMPOSITION OF THE GROUP**

On 12 September 2023, the Group had completed the acquisition of 100,000 ordinary shares in HHRG Capital Sdn Bhd ("HHC") (formerly known as H&K Enterprise Sdn Bhd), representing 100% equity interest in HHC, for a cash consideration of RM130,000. The company is principally involved in Licensed Money Lending Activities.

On 6 October 2023, the Group had incorporated new subsidiary, namely HHRG Biotech Sdn Bhd. ("HHBio") With 10 ordinary shares, representing 65% equity interest in HHBio. The company is principally involved in manufacture, produce, refine, process, formulate, buy, sell, import, export, or otherwise to deal in Bio-compost, Bio fertilisers and other accessory products in relation of Biomass.

On 17 November 2023, the Group had completed the acquisition of 1,176,471 ordinary shares in Kulim Property Sdn Bhd ("KPSB"), representing 100% equity interest in KPSB, for a cash consideration of RM4,500,000. The company is principally involved in property development.

Save for the above, there were no changes in the composition of the Group during the current quarter and financial year under review.

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## A11. CHANGES IN CONTINGENT LIABILITIES

### **Proposed Disposal: Announcement dated 16 May 2024**

Refer to announcement dated 16 May 2024, save for the RM1,530,000 contingent liabilities arrived from Profit Guarantee Agreement sign on 16 May 2024, pursuant to or in connection with the Share Sale Agreement, there are no liabilities (including contingent liabilities and/or guarantees) which will remain with HHRG and/or HHHH as a result of the Disposal.

## A12. CAPITAL COMMITMENTS

There are no material capital commitments as at the date of this report.

## A13. SEGMENT INFORMATION

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

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

(i) Biomass materials and related products

Manufacturing and trading of coconut fibre and related products, and oil palm EFB fibre and related products.

(ii) Furniture, mattresses and related products

Manufacturing and trading of furniture, mattresses and related products.

(iii) Property development and management

Real property, property development, property management, property renting and trading and investment holding.

	Current quarter ended		Year-to-date ended	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	RM'000	RM'000	RM'000	RM'000
<b><u>Segment Revenue</u></b>				
Biomass materials and related products	17,018	20,707	72,501	88,843
Furniture, mattresses and related products	14,096	17,667	60,004	77,836
Property development and management	770	335	1,852	619
	31,884	38,709	134,357	167,298
Elimination of intragroup transactions	(2,443)	(4,482)	(10,035)	(12,030)
<b>Revenue from external customers</b>	<b>29,441</b>	<b>34,227</b>	<b>124,322</b>	<b>155,268</b>

**A13. SEGMENT INFORMATION (cont'd)**

	Current quarter ended		Year-to-date ended	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	RM'000	RM'000	RM'000	RM'000
<b><u>Segment Results</u></b>				
Biomass materials and related products	798	8,615	13,596	27,703
Furniture, mattresses and related products	493	2,343	1,965	10,384
Property development and management	261	251	(429)	(1,215)
	1,552	11,209	15,132	36,872
Unallocated corporate income and expenses (net)	(104)	10,926	7,431	30,924
Elimination of intragroup transactions and profits	(1,000)	(11,668)	(11,928)	(34,429)
<b>Profit before tax of the Group</b>	<b>448</b>	<b>10,467</b>	<b>10,635</b>	<b>33,367</b>

	Current quarter ended		Year-to-date ended	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	RM'000	RM'000	RM'000	RM'000
<b><u>Segment Assets</u></b>				
Biomass materials and related products	69,073	63,372	69,073	63,372
Furniture, mattresses and related products	73,087	77,181	73,087	77,181
Property development and management	92,508	68,872	92,508	68,872
	234,668	209,425	234,668	209,425
Tax assets	2,066	-	2,066	-
Unallocated assets	41,397	19,549	41,397	19,549
Elimination of intragroup balances	(9,647)	21,477	(9,647)	21,477
<b>Total assets of the Group</b>	<b>268,484</b>	<b>250,451</b>	<b>268,484</b>	<b>250,451</b>

<b><u>Segment Liabilities</u></b>				
Biomass materials and related products	19,474	17,991	19,474	17,991
Furniture, mattresses and related products	28,464	29,770	28,464	29,770
Property development and management	39,375	14,913	39,375	14,913
	87,313	62,674	87,313	62,674
Tax liabilities	2,910	1,718	2,910	1,718
Unallocated liabilities	6,777	2,813	6,777	2,813
Elimination of intragroup balances	(33,812)	(5,270)	(33,812)	(5,270)
<b>Total liabilities of the Group</b>	<b>63,188</b>	<b>61,935</b>	<b>63,188</b>	<b>61,935</b>

**A14. RELATED PARTY TRANSACTIONS**

	Current quarter ended		Year-to-date ended	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	RM'000	RM'000	RM'000	RM'000
Purchase of coconut fibre	522	-	2,375	4,066
Purchase of furniture semi part	1,406	975	5,920	5,804
	<b>1,928</b>	<b>975</b>	<b>8,295</b>	<b>9,870</b>

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

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

**B1. ANALYSIS OF PERFORMANCE**

Profit and loss	Individual Quarter		Changes		Cumulative Period		Changes	
	Current 31.03.2024	Preceding 31.03.2023			Current 31.03.2024	Preceding 31.03.2023		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	29,441	34,227	(4,786)	(13.98)	124,322	155,268	(30,946)	(19.93)
Profit before tax	448	10,467	(10,019)	(95.72)	10,635	33,367	(22,732)	(68.13)
Profit after tax	242	8,858	(8,616)	(97.27)	7,743	30,013	(22,270)	(74.20)

**Revenue**

For the current quarter and financial period ended 31 March 2024, the group recorded revenue of RM29.44 million and RM124.32 million during the current quarter and financial period, representing decrease of RM4.79 million or 13.98% and RM30.95 million or 19.93% respectively as compared to the preceding year corresponding quarter and financial period.

**Current Quarter and Financial Period Under Review**

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

- i. Decrease in sales volume of coconut division, where total quantities sold during the current quarter and financial period under review has reduced by approximately 29.15% and 39.97% respectively as compared to the preceding year corresponding quarter and financial period.
- ii. Decrease in average selling price of bio-oil division, which average selling price sold during the current quarter and financial period under review has reduced by approximately 0.75% and 18.73% respectively as compared to the preceding year corresponding quarter and period. The decrease can be attributed to a price adjustment returning to normalcy, following the previous impact from the geopolitical situation, particularly the Ukraine conflict, which affected the demand for crude palm oil in the market; and
- iii. Decrease in sales demand of furniture and mattress division, where total sales demand sold during the current quarter and financial period under review has reduced by approximately 16.01% and 21.95% respectively as compared to the preceding year corresponding quarter and financial period. The decline can be attributed to market conditions influenced by factors such as inflation and red sea crisis by disruptions at critical shipping routes and also slow of demand from market.

**Profit Before Tax**

Our Group reported a profit before tax of approximately RM0.45 million for the current quarter and a profit before tax of approximately RM10.64 million for the financial period ended 31 March 2024, representing a decrease of approximately 95.72% and 68.13% respectively as compared to the preceding year corresponding quarter and financial period.

### **Current Quarter and Financial Period Under Review**

Loss before tax for the current quarter and the moderation of profit before tax for the financial period under review as compared to the preceding year corresponding quarter and financial period, was primarily due to the increase in cost of sales as a result of higher production costs and moderation of sales performance as explain above.

### **Profit After Tax**

In line with the moderation of profit before tax as explained above, our Group reported a profit after tax of approximately RM0.24 million and profit after tax RM7.74 million respectively for the current quarter and financial period ended 31 March 2024, representing a decrease of approximately 97.27% and 74.20% respectively as compared to the preceding year corresponding quarter and financial period.

## **B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER**

	<b>Current quarter ended 31.03.2024</b>	<b>Preceding quarter ended 31.12.2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	448	3,613

Our Group recorded a profit before tax of approximately RM0.45 million for the current quarter ended 31 March 2024, decreased by approximately RM3.17 million or 87.60% as compared to the preceding quarter ended 31 December 2023. The moderation in performance was primarily due to lower gross profit recorded, which was moderation in revenue from biomass, furniture and mattress divisions.

## **B3. PROSPECTS**

The group business operation environment remained challenging. Our biomass division operation has stabilised with the CPO price hovering around RM3,800 per tonne. However, our furniture and mattresses business faced uncertainties in view of the conflict in the middle east. Logistics and transportation cost has increased and that has an negative impact to the sales of our furniture exporting to the European market.

The Group will continue to monitor and implement cost control measures, enhance operational efficiency and prudent manage of the Group's cash flow.

## **B4. PROFIT FORECAST OR PROFIT GUARANTEE**

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

**B5. TAX EXPENSE**

	<b>Current quarter ended 31.03.2024 RM'000</b>	<b>Year-to-date ended 31.03.2024 RM'000</b>
Current tax expense	(812)	(3,498)
Deferred tax income	606	606
Total tax expense	<u>(206)</u>	<u>(2,892)</u>
Effective tax rate	<u>45.98%</u>	<u>27.19%</u>

The Group's effective tax rate for the current quarter and financial period under review stood at 45.98% and 27.19% respectively. The prevailing statutory tax rate applicable to the Group is 24%.

The effective tax rate is higher than the applicable statutory tax rate of 24% as certain subsidiaries of the Group was incurred real property gains tax as result of disposal of investment properties and deferred tax liabilities in certain subsidiaries of the group

**B6. STATUS OF CORPORATE PROPOSALS**

**Proposed Acquisition: Announcement dated 23 June 2023**

On 23 June 2024, the Board of Directors announced that the HHRG Berhad had on 23 June 2023, accepted the Letter of Irrevocable Offer from Jeenuat Foodstuffs Industries Sdn Berhad, for acceptance to acquire a piece of vacant industrial leasehold land known as Lot 20164, Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang held under No. Hakmilik PN 10902 for a total purchase consideration of RM15,742,250.

The Board of Directors announced that the HHRG Berhad had on 14 August 2023 entered into an Option Agreement with Jeenuat Foodstuffs Industries Sdn Berhad.

The Board of Directors had on 21 February 2024 announced that Option Agreement be extended for another 6 months commencing from 14 February 2024 and ending on 13 August 2024.

The Board of Directors announced that due to the non-fulfillment of certain terms and conditions of the Option Agreement, the Company has served notice to the Grantor on 9 April 2024, to terminate the Option Agreement and demand the deposit sum and first liquidated damages.

**Proposed Acquisition: Announcement dated 18 April 2024**

On 18 April 2024, the Board of Directors announced that HHRG Berhad had on 18 April 2024, offered to acquire from Open Road World Sdn Bhd (“ORW”), 51,000 ordinary shares in PKB Open Road (SP Circuit) Sdn Bhd (“PKBOR”) and 51 Ordinary Shares in ORIC Development (SP) Sdn Bhd (“ORICD”), representing a 51% equity interest each in PKBOR and ORICD, for a total cash consideration of RM40,000,000. ORW had, on 18 April 2024, agreed to and accepted the offer from the HHRG Berhad as stipulated in the Letter of Intent dated 18 April 2024.

The Board of Directors announced had on 17 May 2024 proposed to ORW to extend the offer period for an additional one (1) month, with a new expiration date of 16 June 2024. This extension will allow the parties to finalize the terms and condition of Share Sale Agreement thoroughly and responsibly.

The Board of Directors announced that it had, on 21 May 2024, entered into the share sale agreements with ORW for the acquisition of PKBOR and ORICD.

Further to the announcements above mentioned, the Board of Directors announced that all the Conditions Precedent as stated in the agreements have been fulfilled on 21 May 2024 and that the Unconditional date was 21 May 2024.

**Proposed Disposal: Announcement dated 23 April 2024**

On 23 April 2024, on behalf Board of Directors of the HHRG Berhad (“HHRG”), TA Securities Holdings Berhad wishes to announce that the Company proposes to undertake the Proposed Private Placement up to 10% of the number of issued shares in the company (excluding any treasury shares) pursuant to the general mandate obtained from the company's shareholders.

On behalf Board of Director, TA Securities announced that Bursa Securities has, vide its letter dated 8 May 2024, approved the listing and quotation of up to 98,031,400 Placement Shares to be issued pursuant to the Proposed Private Placement subject to the following conditions:

- i. HHRG and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement;
- ii. HHRG and TA Securities to inform Bursa Securities upon the completion of the Proposed Private Placement;
- iii. HHRG to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Private Placement is completed; and
- iv. HHRG to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders of the Company pursuant to Sections 75 and 76 of the Companies Act 2016, in the event the current General Mandate expires prior to the completion of the Proposed Private Placement.

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**Proposed Disposal: Announcement dated 16 May 2024**

On 16 May 2024, the Board of Directors announced that, Heng Huat Industries Holdings Sdn. Bhd. (“HHIH”), a wholly-owned subsidiary of HHRG, had entered into following agreements:

- i. Share Sale Agreement (“SSA”) with Nexus Applause Sdn Bhd (“NASB”) to dispose of 2,508,690 ordinary shares, representing 51% equity interest in HK Kitaran Sdn. Bhd. (“HK Kitaran”) for a total cash consideration of RM6,121,020 in the manner as set out in the SSA;
- ii. Profit Guarantee Agreement (“PGA”) with NASB in relation to the Profit Before Tax (“PBT”) of RM3,000,000 guaranteed by the HHIH to NASB that the PBT as recorded in audited financial statement of HK Kitaran with following details:
  - a. in respect of the financial year ended 31 March 2024, shall not be less than the sum of RM765,000; and
  - b. in respect of the financial year ending 31 March 2025, shall not be less than the sum of RM765,000.
- iii. being the 49% of the total aggregate of Profit Before Tax of RM3,000,000.00 of HK Kitaran for two (2) financial year ended 31 March 2024 and 31 March 2025;
- iv. Shareholders Agreement (“SHA”) with NASB to govern the relationships of HHIH and NASB, being the shareholders of HK Kitaran; and
- v. Guarantee & Indemnity Agreement by Iqzan Holding Berhad in favour of HHIH to settle the balance purchase price for the sale shares in the event the purchaser fails to settle the balance purchase price for the sale shares.

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

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## B7. BORROWINGS

The Group's borrowings as at 31 March 2024 are as follows:

	Short Term (Within 12 months) RM'000	Long Term (> 12 months) RM'000	Total RM'000
<b><u>Secured and guaranteed</u></b>			
Bankers' acceptance	-	-	-
Bank overdrafts	9,090	-	9,090
Hire purchase	717	911	1,628
Term loans	1,278	20,305	21,583
<b>Total Borrowings</b>	<b>11,085</b>	<b>21,216</b>	<b>32,301</b>

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

## B8. EARNINGS PER SHARE

### **Basic Earnings per Share ("BEPS")**

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

	Current quarter ended		Year-to-date ended	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
<b>Basic earnings per share</b>				
Profit attributable to owners of the Company (RM'000)	133	9,905	6,966	27,294
Weighted average number of ordinary shares in issue ('000)	867,836	803,769	859,804	742,553
BEPS (sen)	0.02	1.23	0.81	3.68

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### **Diluted Earnings per Share (“DEPS”)**

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

	Current quarter ended		Year-to-date ended	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
<b>Diluted earnings per share</b>				
Profit attributable to owners of the Company (RM'000)	133	9,905	6,966	27,294
Weighted average number of ordinary shares in issue ('000)	867,836	803,769	859,804	742,553
Adjustment for dilutive effects of:				
- Warrants ('000)	50,997	68,825	54,140	66,334
- SIS ('000)	9,609	51,195	13,840	44,668
	928,441	923,789	927,784	853,556
DEPS (sen)	0.01	1.07	0.75	3.20

### **B9. CHANGES IN MATERIAL LITIGATION**

#### **Writ of summons and statement of claim received from Ooi Chieng Sim and Skylitech Resources Sdn. Bhd. Penang High Court Civil Suit no. PA-22ncvc-58-04/2024.**

On 29 April 2024, Pursuant to Rule 9.04(f) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors announced that the Company and its wholly-owned subsidiaries, HK Gua Musang Sdn. Bhd., Fibre Star (M) Sdn. Bhd. and a sub-subsidiary, HK Kitaran Sdn. Bhd. had received a letter dated 26 April 2024 from Messrs Shafee & Co., the solicitors acting for Ooi Chieng Sim and Skylitech Resources Sdn Bhd, accompanied by a Writ of Summons and Statement of Claim both dated 23 April 2024 issued by the Penang High Court.

Further to the announcements made on 29 April 2024, the Board of Directors of the Company announced that the Companies had respectively on 29 May 2024 received a letters dated 29 May 2024 from Messrs Shafee & Co., the solicitors acting on behalf of the Plaintiffs, accompanied by, amongst others, the sealed copy of the Court's Order (Ex-Parte) dated 27 May 2024 pertaining to the Mareva Injunction against the Companies.

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**B10. DISCLOSURE ON SELECTED INCOME/EXPENSE ITEMS**

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

	<b>Current quarter ended 31.03.2024 RM'000</b>	<b>Year-to-date ended 31.03.2024 RM'000</b>
Interest income	203	676
Other income including investment income	224	642
Interest expense	(637)	(1,983)
Depreciation expenses	(3,998)	(9,922)
Amortisation expenses	(331)	(1,324)
Bad debts written-off	-	-
Unrealised gain/(loss) on foreign exchange	100	12
Gain on disposal of property, plant and equipment	64	164
Loss on disposal of investment properties	-	(108)
Fair value gain on derivative instruments	-	22
Allowance for expected credit losses:		
- Current year	58	-
- Reversal	(54)	10
Impairment loss on property, plant and equipment		
- Current year	-	-
- Reversal	-	-
Property, plant and equipment written off	2	(255)
Intangible assets written off	-	-
Provision for and write off of inventories	-	-
Gain/(loss) on disposal of quoted or unquoted investments or properties	-	-
Equity-settled share-based payment	-	-
Exceptional items	-	-

**B11. FINANCIAL INSTRUMENTS**

*Derivatives*

There were no outstanding derivatives financial instruments entered into by the Group during the current quarter and financial period under review.

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