

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 MARCH 2024

8. INVESTMENT IN SUBSIDIARIES

	NOTE	COMPANY	
		2024 RM	2023 RM
Unquoted shares, at cost			
Balance at beginning		97,711,432	97,711,422
Additions	8.1	130,000	10
Balance at end		97,841,432	97,711,432
Less: Accumulated impairment losses			
Balance at beginning		(11,499,999)	(11,499,999)
Reversal	8.2	11,499,999	-
Balance at end		-	(11,499,999)
		<u>97,841,432</u>	<u>86,211,433</u>
Investment in Convertible Redeemable Preference Shares			
Balance at beginning		70,659,000	-
Additions	8.3	6,741,000	70,659,000
Redemption	8.3	(6,500,000)	-
Balance at end		<u>70,900,000</u>	<u>70,659,000</u>
		<u>168,741,432</u>	<u>156,870,433</u>

The details of the subsidiaries, all of which were incorporated and their principal place of business are in Malaysia, are as follows:

Name of entities	Effective Equity Interest		Principal Activities
	2024 %	2023 %	
Alam Fibre Sdn. Bhd. ("AFSB")	100	100	Processing of coconut fibre, fibre sheet and peat.
Fibre Star (M) Sdn. Bhd. ("FSM")	100	100	Manufacturing and marketing of mattress and related products.
Heng Huat Industries Holdings Sdn. Bhd. ("HHIH")	100	100	Investment holding.
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. The Company has not commence operation during the financial year.
HHRG Capital Sdn. Bhd. (Formerly known as H & K Enterprise Sdn. Bhd.) ("HHC")	100	-	Money lending.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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8. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of entities	Effective Equity Interest		Principal Activities
	2024	2023	
	%	%	
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.
MG Furniture Sdn. Bhd. ("MGF")	51	51	Manufacturing and sale of furniture.
Indirect - held through HHHH			
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	Dormant.
Indirect - held through MGF			
MG Furniture Innovation Sdn. Bhd. ("MGFI")	51	51	Dormant.
Indirect - held through HHL D			
KNG Resource Enterprise Sdn. Bhd. ("KNG")	51	51	Property developer, trading in real estate property and investment holding.
HH Eastern Realty Sdn. Bhd. ("HHER")	100	100	Investment holding.
HH Supreme Realty Sdn. Bhd. ("HHSR")	100	100	Real estate activities with own or leased property and investment holding.
* HH Northern Point Sdn. Bhd. ("HHNP")	100	100	Dormant.
Indirect - held through HHPK			
* Kulim Property Sdn. Bhd. ("KPSB")	100	-	Investment holding.
Indirect - held through HKGM			
HHRG Biotech Sdn. Bhd. ("HHBT")	100	-	Manufacture and trading in bio-compost and agrochemical products.

* Not audited by Grant Thornton Malaysia PLT.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 MARCH 2024

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

8.1 Acquisition of subsidiaries

2024

HHC

On 12 September 2023, the Company had acquired 100,000 ordinary shares, representing 100% equity interest, in HHC for a total cash consideration of RM130,000.

KPSB

On 17 November 2023, a wholly-owned subsidiary of the Company, HHPK, had acquired 1,176,471 ordinary shares, representing 100% equity interests, in KPSB for a total cash consideration of RM4,500,000.

HHBT

On 6 October 2023, a wholly-owned subsidiary of the Company, HKGM, had incorporated a wholly-owned subsidiary, HHBT, for a total cash consideration of RM10. On 30 May 2024, HKGM had subscribed to an additional 129,990 ordinary shares in HHBT for a total cash consideration of RM129,990. Arising from the subsequent fund raising of HHBT, the equity interest of HKGM in HHBT had reduced from 100% to 65%.

2023

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, a wholly-owned subsidiary of the Company, HHLA, had acquired 4,167,100 ordinary shares, representing 100% equity interest, in HHER for a total cash consideration of RM4,167,069.

HHSR

On 11 November 2022, a wholly-owned subsidiary of the Company, HHLA, had incorporated a wholly-owned subsidiary, HHSR, for a total cash consideration of RM100.

HHNP

On 30 September 2022, a wholly-owned subsidiary of the Company, HHLA, had acquired 1,880,001 ordinary shares, representing 100% equity interest, in HHNP, for a total cash consideration of RM2,370,000.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 MARCH 2024

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

8.1 Acquisition of subsidiaries (Cont'd)

The financial information relevant to the acquisition of subsidiaries are as follows:

2024

Fair value of identifiable assets acquired and liabilities assumed and goodwill arising from acquisitions

	HHC RM	KPSB RM	Total RM
Inventory properties	-	4,498,000	4,498,000
Cash and cash equivalents	8,905	2,000	10,905
Current tax liabilities	(2,784)	-	(2,784)
Payables	(30,439)	-	(30,439)
	<u> </u>	<u> </u>	<u> </u>
Fair value of net identified (liabilities assumed)/assets acquired	(24,318)	4,500,000	4,475,682
Less: Total purchase consideration transferred	(130,000)	(4,500,000)	(4,630,000)
	<u> </u>	<u> </u>	<u> </u>
Goodwill	(154,318)	-	(154,318)
	<u> </u>	<u> </u>	<u> </u>

Net cash arising from acquisitions

	HHC RM	KPSB RM	Total RM
Purchase consideration settled in cash	130,000	4,500,000	4,630,000
Less: Cash and cash equivalents of subsidiaries acquired	(8,905)	(2,000)	(10,905)
	<u> </u>	<u> </u>	<u> </u>
Net cash outflow	121,095	4,498,000	4,619,095
	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 MARCH 2024

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

8.1 Acquisition of subsidiaries (Cont'd)

2023

Fair value of identifiable assets acquired and liabilities assumed and goodwill arising from acquisitions

	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)
Fair value of net identified assets acquired/ (liabilities assumed)	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)
Goodwill	-	-	-	-	-

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

8.2 Reversal of impairment loss on investment in subsidiaries

Management reviews the material investments in subsidiaries for impairment when there is an indication of impairment.

The recoverable amounts of the investment in subsidiaries are assessed by reference to the value-in-use or fair value less cost to sell, whichever is higher.

Estimating a value in use requires significant judgements and estimates about the future results and key assumptions applied to the cash flow projections of the subsidiaries in determining the recoverable amounts. These key assumptions include different forecast growth in future revenue and operating cash flows, as well as determining an appropriate pre-tax discount rate for used for the subsidiary.

A reversal of impairment loss of **RM11,499,999** (2023: RM Nil) has been recognised in respect of investment in HKGM during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 MARCH 2024

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

8.3 Subscription and redemption of Convertible Redeemable Preference Shares ("CRPS")

2024

Subscription

- (i) On 10 April 2023, the Company has subscribed 6,741,000 CRPS issued by HHL D for a total cash consideration of RM6,741,000.
- (ii) On 16 January 2024, the Company has redeemed 6,500,000 CRPS issued by HHL D for a total cash consideration of RM6,500,000.

2023

The Company had capitalised the debts owing from its subsidiaries by way of subscribing to the CRPS issued by the respective subsidiaries which shown 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>

8.4 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:

	MGF	Other individually immaterial*	Total
2024			
Percentage of ownership interest and voting interest (%)	49.00%	-	
Carrying amount of NCI (RM)	<u>22,337,754</u>	<u>(31,065)</u>	<u>22,306,689</u>
Profit/(Loss) allocated to NCI (RM)	<u>782,943</u>	<u>(14,053)</u>	<u>768,890</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 MARCH 2024

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

8.4 Subsidiary with material non-controlling interests ("NCI") (Cont'd)

	MGF	Other individually immaterial*	Total
2023			
Percentage of ownership interest and voting interest (%)	49.00%	-	-
Carrying amount of NCI (RM)	<u>23,407,011</u>	<u>(17,012)</u>	<u>23,389,999</u>
Profit/(Loss) allocated to NCI (RM)	<u>3,092,012</u>	<u>(373,783)</u>	<u>2,718,229</u>

* Others comprise of individually immaterial non-controlling interests' subsidiaries, namely MGFI, KNG, HKF, HHBT and SKT.

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

	MGF	
	2024	2023
	RM	RM
Statement of financial position as at 31 March		
Non-current assets	36,550,160	43,384,585
Non-current liabilities	(10,233,575)	(13,526,205)
Current assets	25,656,281	27,238,563
Current liabilities	(6,385,613)	(9,327,533)
Net assets	<u>45,587,253</u>	<u>47,769,410</u>
Summary of financial performance for the financial year ended 31 March		
Revenue	44,886,627	57,118,237
Profit for the financial year, representing total comprehensive income for the financial year	<u>1,597,843</u>	<u>6,310,229</u>
Summary of cash flow for the financial year ended 31 March		
Net cash from operating activities	2,799,925	8,980,165
Net cash from investing activities	5,662,305	771,777
Net cash used in financing activities	(8,204,737)	(6,841,415)
Net changes in cash and cash equivalents	<u>257,493</u>	<u>2,910,527</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 MARCH 2024

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

8.4 Subsidiary with material non-controlling interests ("NCI") (Cont'd)

Material accounting policy information

Investments in subsidiaries are measured at cost less any impairment losses in the Company's separate financial statements.

9. KEYMAN INSURANCE CONTRACTS

	GROUP	
	2024 RM	2023 RM
At fair value through profit or loss ("FVTPL"):		
Non-current	449,119	620,690
Current	206,721	-
	655,840	620,690

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 19 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.

Material accounting policy information

The keyman insurance contract is initially recognised at the amount of the premium paid and subsequently carried at fair value at the end of each reporting period, with changes in fair value recognised in profit or loss.

10. DEFERRED TAX (ASSETS)/LIABILITIES

	GROUP		COMPANY	
	2024 RM	2023 RM	2024 RM	2023 RM
Balance at beginning	1,551,984	1,831,094	5,000	5,000
Acquisition of a subsidiary	-	691,037	-	-
Recognised in profit or loss	(800,046)	(386,412)	-	-
	751,938	2,135,719	5,000	5,000
Over/(Under) provision in prior year	156,681	(583,735)	-	-
Balance at end	908,619	1,551,984	5,000	5,000