



HHRG BERHAD

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

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 JUNE 2024

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

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30.06.2024 ⁽¹⁾ RM'000	Preceding Year Corresponding Quarter 30.06.2023 RM'000	Current Year Period 30.06.2024 ⁽¹⁾ RM'000	Preceding Year Corresponding Period 30.06.2023 RM'000
Revenue	31,033	28,943	31,033	28,943
Cost of sales	(22,472)	(20,516)	(22,472)	(20,516)
Gross profit	8,561	8,427	8,561	8,427
Other income	4,390	572	4,390	572
Administrative expenses	(4,536)	(5,635)	(4,536)	(5,635)
Selling and distribution expenses	(820)	(746)	(820)	(746)
Allowance for expected credit losses on trade receivables				
- Addition	-	(16)	-	(16)
- Reversal	-	46	-	46
Operating profit	7,595	2,648	7,595	2,648
Finance income	136	122	136	122
Finance costs	(395)	(470)	(395)	(470)
Profit before tax	7,336	2,300	7,336	2,300
Taxation	(1,029)	(894)	(1,029)	(894)
Total comprehensive income	6,307	1,406	6,307	1,406
Total comprehensive income attributable to:				
- Owners of HHRG	5,976	1,512	5,976	1,512
- Non-controlling interests	331	(106)	331	(106)
	6,307	1,406	6,307	1,406
Earnings per share (sen) attributable to owners of HHRG:				
- Basic ⁽²⁾	0.69	0.18	0.69	0.18
- Diluted ⁽²⁾	0.65	0.16	0.65	0.16

Notes:

⁽¹⁾ The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2024 and the accompanying explanatory notes attached to this interim financial report.

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

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

	As at 30.06.2024 ⁽¹⁾ RM'000 (unaudited)	As at 31.03.2024 RM'000 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	132,358	71,887
Investment properties	33,225	27,249
Right-of-use assets	3,166	3,638
Inventories	26,083	26,083
Intangible assets	17,753	18,084
Deferred tax asset	954	954
Keyman insurance contracts	649	656
	214,188	148,551
Current assets		
Inventories	12,838	12,364
Trade and other receivables	55,802	43,788
Asset held for sales	-	8,676
Current tax assets	1,685	1,551
Other investment	2,566	24,108
Cash and cash equivalents	17,197	28,349
	90,088	118,836
TOTAL ASSETS	304,276	267,387
EQUITY AND LIABILITIES		
Share capital	153,817	153,776
Other reserves	(417)	(407)
Retained profits	35,640	29,664
	189,040	183,033
Non-controlling interests	23,246	22,307
Total equity	212,286	205,340
Non-current liabilities		
Lease liabilities	-	299
Borrowings	18,909	21,216
Deferred tax liabilities	1,863	1,863
	20,772	23,378
Current liabilities		
Trade, other payables and provision	54,169	23,973
Contract liabilities	-	1,594
Borrowings	15,226	11,085
Lease liabilities	1,823	2,016
Current tax liabilities	-	1
	71,218	38,669
Total liabilities	91,990	62,047
TOTAL EQUITY AND LIABILITIES	304,276	267,387
NET ASSETS PER SHARE (RM)	0.24⁽²⁾	0.24⁽³⁾

Notes:

- (1) The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2024 and the accompanying explanatory notes attached to this interim financial report.
- (2) Calculated based on the Company's existing issued share capital for the financial period ended as at 30 June 2024 of 868,227,559 ordinary shares.
- (3) Calculated based on the Company's existing issued share capital for the financial year ended as at 31 March 2024 of 867,835,759 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 2024	153,776	(5,185)	1,864	2,914	29,664	183,033	22,307	205,340
Acquisition of subsidiaries	-	-	-	-	-	-	608	608
Total comprehensive income for the financial period	-	-	-	-	5,976	5,976	331	6,307
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-
Issuance of shares pursuant to:								
- Warrant exercised	41	-	(10)	-	-	31	-	31
- SIS exercised	-	-	-	-	-	-	-	-
At 30 June 2024	153,817	(5,185)	1,854	2,914	35,640	189,040	23,246	212,286
At 1 April 2023	140,079	(5,185)	2,090	6,319	22,577	165,880	23,390	189,270
Total comprehensive income for the financial period	-	-	-	-	7,087	7,087	769	7,856
Issuance of shares pursuant to:	-	-	-	-	-	-	-	-
- Warrant exercised	949	-	(226)	-	-	723	-	723
- SIS exercised	12,748	-	-	(3,405)	-	9,343	-	9,343
Dividend paid to non-controlling interests	-	-	-	-	-	-	(1,852)	(1,852)
At 31 March 2024	153,776	(5,185)	1,864	2,914	29,664	183,033	22,307	205,340

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 2024 and the accompanying explanatory notes attached to this interim financial report.

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

	Year-to-date ended	
	30.06.2024 RM'000	30.06.2023 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	7,336	2,300
<u>Adjustments for:</u>		
Allowance for expected credit losses		
- current year	-	16
- reversal	-	(46)
Amortisation of intangible assets		
- customer relationship	323	323
- trademarks	8	7
Depreciation of:		
- investment properties	127	169
- property, plant and equipment	1,258	1,151
- right-of-use assets	472	661
Fair value adjustment on derivative of financial instruments	-	77
Fair value loss/(gain) on keyman insurance contracts	6	(17)
Gain on disposal of investment properties	(3,817)	(87)
Gain on disposal of property, plant and equipment	(46)	-
Interest expense	395	470
Interest income	(254)	(122)
Unrealised loss/(gain) on foreign exchange	8	(54)
	<hr/>	<hr/>
Operating profit before working capital changes	5,816	4,848
Inventories	(474)	(164)
Receivables	940	290
Payables	(7,500)	(4,719)
Contract liabilities	(1,583)	(894)
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Cash (used in) operations	(2,801)	(639)
Income tax paid	(829)	(1,035)
Real property gains tax paid	(336)	(131)
	<hr/>	<hr/>
Net cash (used in) operating activities	(3,966)	(1,805)
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in fixed deposits pledged with licensed banks	175	3,721
Interest received	254	122
Proceeds from disposal of property, plant and equipment	251	327
Proceeds from investment properties	10,218	331
Subscription for shares in subsidiary in investing activities	(40,130)	-
Purchase of property, plant and equipment	(500)	(2,619)
Purchase of investment properties	-	(2,837)
Changes in other investment	21,543	2,374
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Net cash used in investing activities	(8,189)	1,419

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

	Year-to-date ended	
	30.06.2024	30.06.2023
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to non-controlling interests	-	(1,852)
Interest paid	(395)	(470)
Proceeds from exercise of warrants	31	219
Proceeds from exercise of SIS	-	9,162
Proceeds from exercise of ordinary shares	200	-
Repayment of bankers' acceptance	330	430
Repayment of term loans	(980)	(2,280)
Repayment of hire purchase	(268)	(117)
Repayment of lease liabilities	(492)	(653)
Net cash from financing activities	(1,574)	4,439
Net (decrease)/increase in cash and cash equivalents	(13,729)	4,053
Cash and cash equivalents at beginning of the financial period	13,867	23,193
Cash and cash equivalents at end of the financial period	138	27,246
Cash and cash equivalents comprise the following:		
Cash and bank balances	7,327	13,323
Fixed deposits with licensed banks	9,870	19,389
Short-term money market deposit	-	1,050
Cash and cash equivalents per statement of financial position	17,197	33,762
Less: Bank overdraft	(11,739)	(796)
Less: Fixed deposits pledged to financial institutions	(5,320)	(5,720)
	138	27,246

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 2024 and the accompanying explanatory notes attached to this interim financial report.

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

A1. BASIS OF PREPARATION

The condensed consolidated interim financial statements as contained in this interim financial report are unaudited and have been prepared 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 2024 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 2024.

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 2024 as disclosed below:

Adoption of Amendments to MFRSs

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

Initial application of the above new standard/amendments to MFRSs did not have material impact to the financial statements upon adoption, except for Amendments to MFRS 101 Presentation of Financial Statements: Disclosure of Accounting Policies. The amendments change the requirements in MFRS 101 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant’ with ‘material’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in MFRS 101 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The Malaysian Accounting Standards Board (“MASB”) has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in MFRS Practice Statement 2.

The amendments have had an impact on the Group’s and the Company’s disclosures of accounting policies but not on the measurement, recognition or presentation of any items in the Group’s financial statements.

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 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 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements

Effective for annual periods beginning on or after 1 January 2025

Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability

Effective for annual periods beginning on or after 1 January 2027

MFRS 18 Presentation and Disclosure in Financial Statements

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 new standard/amendments to MFRSs is not expected to have any material impact to the financial statements of the Group and of the Company upon adoption, except for MFRS 18 Presentation and Disclosure in Financial Statements.

MFRS 18 introduces new requirements on presentation within the statements of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements and the notes. In addition, there are consequential amendments to MFRS 107 Statement of Cash Flows and MFRS 134 Interim Financial Reporting.

The amendments will have an impact on the Group’s and on the Company’s presentation of statements of comprehensive income, statements of cash flows and additional disclosures in the notes to the financial statements but not on the measurement or recognition of any items in the Group’s and the Company’s financial statements.

The Group is currently assessing the impact of MFRS 18 and plans to adopt the new standard on the required effective date.

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 2024 were not subject to any qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATION

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

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

A5. UNUSUAL ITEMS

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

A6. MATERIAL CHANGES IN ESTIMATES

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

A7. DEBTS AND EQUITY SECURITIES

Proposed Fund Raising: Announcement dated 23 April 2024

On 23 April 2024, on behalf Board of Directors of the HHRG Berhad ("Company"), TA Securities Holdings Berhad ("TA Securities") announced that the Company proposes to undertake the Proposed Private Placement of 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 of the Board of Directors, 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 the 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.

On 16 July 2024, on behalf of the Board of Directors, TA Securities announced that 38,522,700 shares were allotted and issued pursuant to the 1st tranche of the Private Placement that was announced on 11 July 2024.

On 19 July 2024, on behalf of the Board of Directors, TA Securities announced that 13,300,000 HHRG Shares were allotted and issued pursuant to the Private Placement that was announced on 11 July 2024.

On 24 July 2024, on behalf of the Board of Directors, TA Securities announced that 35,000,000 HHRG Shares were allotted and issued pursuant to the Private Placement that was announced on 18 July 2024 and marked the completion of the Private Placement.

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

A8. DIVIDEND PAID/ DECLARED

The Board of Directors did not recommend any payment of dividend during the current quarter and financial period under review. (For Financial Year Ended 31 March 2024: 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 18 April 2024, HHRG acquired 51% stake in PKB Open Road (SP Circuit) Sdn Bhd and ORIC Development (SP) Sdn Bhd which own 150 acres of land in Sungai Patani. The intention of this acquisition is for future land development.

On 13 August 2024, HHRG had incorporated a wholly-owned subsidiary company, namely Open Sea (Langkawi) Sdn Bhd (“OSL”). OSL was incorporated in Malaysia as a private limited company under the Companies Act, 2016. OSL is principally an investment holdings company.

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

A11. CHANGES IN CONTINGENT LIABILITIES

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

A12. CAPITAL COMMITMENTS

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

A13. SEGMENT INFORMATION

The Group, through its subsidiaries, is principally engaged in manufacturing and trading of biomass materials, manufacturing and trading of furniture, mattresses and related products, credit business, 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 four (4) 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) Credit business
Licensed credit business.
- (iv) Property development and management
Real property, property development, property management, property renting and trading and investment holding.

	Current quarter ended		Year-to-date ended	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
Biomass materials and related products	18,294	17,047	18,294	17,047
Furniture, mattresses and related products	13,973	13,853	13,973	13,853
Credit business	616	-	616	-
Property development and management	319	335	319	335
	33,202	31,235	33,202	31,235
Elimination of intragroup transactions	(2,169)	(2,292)	(2,169)	(2,292)
Revenue from external customers	31,033	28,943	31,033	28,943

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	Current quarter ended		Year-to-date ended	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	RM'000	RM'000	RM'000	RM'000
<u>Segment Results</u>				
Biomass materials and related products	3,997	4,090	3,997	4,090
Furniture, mattresses and related products	648	(26)	648	(26)
Credit business	215	-	215	-
Property development and management	4,037	(313)	4,037	(313)
	8,897	3,751	8,897	3,751
Unallocated corporate income and expenses (net)	439	477	439	477
Elimination of intragroup transactions and profits	(2,000)	(1,928)	(2,000)	(1,928)
Profit before tax of the Group	7,336	2,300	7,336	2,300

	Current quarter ended		Year-to-date ended	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	RM'000	RM'000	RM'000	RM'000
<u>Segment Assets</u>				
Biomass materials and related products	68,937	64,796	68,937	64,796
Furniture, mattresses and related products	73,194	69,960	73,194	69,960
Credit business	24,290	-	24,290	-
Property development and management	104,744	75,599	104,744	75,599
	271,165	210,355	271,165	210,355
Tax assets	1,685	106	1,685	106
Unallocated assets	21,844	21,563	21,844	21,563
Elimination of intragroup balances	9,582	20,470	9,582	20,470
Total assets of the Group	304,276	252,494	304,276	252,494

<u>Segment Liabilities</u>				
Biomass materials and related products	19,480	16,165	19,480	16,165
Furniture, mattresses and related products	28,057	26,026	28,057	26,026
Credit business	23,851	-	23,851	-
Property development and management	49,226	15,210	49,226	15,210
	120,614	57,401	120,614	57,401
Tax liabilities	1,863	1,514	1,863	1,514
Unallocated liabilities	26,839	916	27,839	916
Elimination of intragroup balances	(57,326)	(5,542)	(57,326)	(5,542)
Total liabilities of the Group	91,990	54,289	91,990	54,289

A14. RELATED PARTY TRANSACTIONS

	Current quarter ended		Year-to-date ended	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	RM'000	RM'000	RM'000	RM'000
Purchase of coconut fibre	503	611	503	611
Purchase of furniture semi part	1,228	1,347	1,228	1,347
	1,751	1,958	1,751	1,958

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 30.06.2024	Preceding 30.06.2023			Current 30.06.2024	Preceding 30.06.2023		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	31,033	28,943	2,090	7.22	31,033	28,943	2,090	7.22
Profit before tax	7,336	2,300	5,036	218.96	7,336	2,300	5,036	218.96
Profit after tax	6,307	1,406	4,901	348.58	6,307	1,406	4,901	348.58

Revenue

For the current quarter and financial period ended 30 June 2024, the group recorded revenue of RM31.03 million, representing increase of RM2.09 million or 7.22% as compared to the revenue of RM28.94 million in the preceding year corresponding quarter and financial period.

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

- i. Increase in sales volume of bio-oil division, where total quantities sold during the current quarter and financial period under review has increase by approximately 9.40% as compared to the preceding year corresponding quarter and financial period.
- ii. Additional segment from credit business division with increase 100% as compared to the preceding year corresponding quarter and financial period.

However, the increase of sales performance was partially offset by the decrease in sales demand in the furniture and mattress division, which has reduced approximately 35.36% as compared to the preceding year corresponding quarter and financial period.

Profit Before Tax

Our Group reported a profit before tax of approximately RM7.34 million for the current quarter and financial period ended 30 June 2024, representing an increase of approximately RM5.04 million or 218.96% as compared to the profit before tax of RM2.30 million recorded in the preceding year corresponding quarter and financial period.

The increase of profit before tax for the current quarter and financial period under review as compared to the preceding year corresponding quarter and financial period, was primarily due to the increase in other income due to gain on disposal of investment properties with RM3.92 million.

Profit After Tax

Our Group reported a profit after tax of approximately RM6.31 million for the current quarter and financial period ended 30 June 2024, representing an increase of approximately RM4.90 million or 348.58% as compared to the profit after tax of RM1.41 million recorded in the preceding year corresponding quarter and financial period.

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B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current quarter ended 30.06.2024 RM'000	Preceding quarter ended 31.03.2024 RM'000
Profit before taxation	7,336	2,300

Our Group recorded a profit before tax of approximately RM7.34 million for the current quarter ended 30 June 2024, increased by approximately RM5.04 million or 218.96% as compared to the preceding quarter ended 31 March 2024. The moderation in performance was primarily due to increase in other income as gain on disposal of investment properties with RM3.92 million.

B3. PROSPECTS

The Group's 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 have increased and that has negatively impacted the sales of our furniture export to the European market.

HHRG has embarked on diversifying its business into the field of property development by acquiring approximately 202.60 acres for future opportunities in industrial, residential, and sports and recreation development. This strategic move allows us to expand our portfolio and leverage our expertise in the real estate sector. We are committed to deliver high-quality properties with innovative designs and recreational landscapes, while providing exceptional management services to meet the evolving needs of our customers.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

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

B5. TAX EXPENSE

	Current quarter ended 30.06.2024 RM'000	Year-to-date ended 30.06.2024 RM'000
Current tax expense	(1,029)	(1,029)
Deferred tax income	-	-
Total tax expense	(1,029)	(1,029)
Effective tax rate	14.03%	14.03%

The Group's effective tax rate for the current quarter and financial period under review stood at 14.03%. The prevailing statutory tax rate applicable to the Group is 24%.

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

B6. STATUS OF CORPORATE PROPOSALS

Proposed Fund Raising: Announcement dated 24 July 2024

On 24 July 2024, Company announced that the Proposed Private Placement has been completed, where a total of 86,822,700 new shares were placed out. Total gross proceeds raised amounted to RM12,396,792. The status of utilization of the proceeds as per reporting date as follow:

Purpose	Intended Timeframe for Utilisation	Proposed Utilisation RM'000	Actual Utilisation as at 27 August 2024 RM'000	Balance of Proceeds RM'000
Working capital for subsidiaries	Within 12 months	12,285	3,200	9,085
Estimated expenses for the Proposed Private Placement	Immediately	112	112	-
Total		12,397	3,312	9,085

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 the following agreements:

- i. Share Sale Agreement (“SSA”) with Nexus Applause Sdn Bhd (“NASB”) to dispose-off 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 of RM1,470,000 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 RM735,000; and
 - b. in respect of the financial year ending 31 March 2025, shall not be less than the sum of RM735,000.
- iii. Being the 49% of the total aggregate of Profit Before Tax of RM3,000,000 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 (IQZAN) 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.

On 31 July 2024, the Board of Directors announced that HHIH has via its appointed solicitor, Messrs. Olivia Lim & Co, served the Parties the SSA, PGA, SHA and Guarantee Agreement (collectively referred to as the "Agreements"), as well as a termination Letter to terminate the Agreements between HHIH and NASB due to the delisting of IQZAN from the Official List of Bursa Malaysia Securities Berhad.

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

B7. BORROWINGS

The Group's borrowings as at 30 June 2024 are as follows:

	Short Term (Within 12 months) RM'000	Long Term (> 12 months) RM'000	Total RM'000
<i>Secured and guaranteed</i>			
Bankers' acceptance	330	-	330
Bank overdrafts	11,739	-	11,739
Hire purchase	1,086	275	1,361
Term loans	2,071	18,634	20,705
Total Borrowings	15,226	18,909	34,135

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	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
Basic earnings per share				
Profit attributable to owners of the Company (RM'000)	5,976	1,512	5,976	1,512
Weighted average number of ordinary shares in issue ('000)	868,035	843,571	868,035	843,571
BEPS (sen)	0.69	0.18	0.69	0.18

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	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
Diluted earnings per share				
Profit attributable to owners of the Company (RM'000)	5,976	1,512	5,976	1,512
Weighted average number of ordinary shares in issue ('000)	868,035	843,571	868,035	843,571
Adjustment for dilutive effects of:				
- Warrants ('000)	44,804	61,327	44,804	61,327
- SIS ('000)	3,486	17,358	3,486	17,358
	916,325	922,256	916,325	922,256
DEPS (sen)	0.65	0.16	0.65	0.16

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 HHRG Berhad (3rd Defendant or Company) and its wholly-owned subsidiaries, HK Gua Musang Sdn Bhd (5th Defendant) and Fibre Star (M) Sdn Bhd (6th Defendant) and a sub-subsidiary, HK Kitaran Sdn Bhd (4th Defendant) 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.

On 29 May 2024, the Board of Directors of the Company announced that the Companies had received 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.

On 19 June 2024, the Board of Directors announced that the Court had on 18 June 2024 decided that the inter partes against 3rd to 6th Defendants have been dismissed with no order as to cost. Therefore, the ex-parte injunction has been lapsed on 18 June 2024. There is no more injunction against the 3rd to 6th Defendants from 18 June 2024 onwards.

Writ of summons and statement of claim received from Ch'ng Chen Mong, Tan Poh Cheng, Ch'ng Boon Sin and Cfamily Holdings Sdn. Bhd. Penang High Court Civil Suit no. PA-22NCvC-111-07/2024

On 2 August 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 HHRG Berhad (“3rd Defendant”, “Company” or “HHRG”) and its wholly-owned subsidiary, HH Land and

Development Sdn Bhd (“HHLD” or “4th Defendant”) received a letter dated 31 July 2024 from Messrs Gan Partnership, the solicitors acting for Ch’ng Chen Mong (“1st Plaintiff”), Tan Poh Cheng (“2nd Plaintiff”), Ch’ng Boon Sin (“3rd Plaintiff”) and Cfamily Holdings Sdn Bhd (“4th Plaintiff”), enclosing, among others, a Writ of Summons (“Writ”) and Statement of Claim (“SOC”) both dated 23 July 2024, Notice of Application (Ex-Parte) dated 23 July 2024, Affidavit in Support affirmed by the 3rd Plaintiff on 23 July 2024 (4 Volumes), Supplementary Affidavit affirmed by the 3rd Plaintiff on 26 July 2024 and an Ex-Parte Order dated 26th July 2024 (“Ex-Parte Order”).

On 8 August 2024, the Board of Directors announced that the following update in relation to the above.

1. The inter-partes hearing scheduled for 8.8.2024 has been postponed.
2. The Court has therefore fixed the matter for case management on 19.8.2024 via e-Review.

On 21 August 2024, the Board of Directors announced that the following update in relation to the above.

1. A notice of application to set aside the ex-parte order granted on 26.7.2024 has been filed.
2. The Court has scheduled the next case management on 4 October 2024.
3. The hearing for the inter-partes and setting aside application has been scheduled for 19 November 2024.

Further announcements on the material development of the above matter will be made from time to time, where necessary.

B10. DISCLOSURE ON SELECTED INCOME/EXPENSE ITEMS

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

	Current quarter ended 30.06.2024 RM’000	Year-to-date ended 30.06.2024 RM’000
Interest income	254	254
Other income including investment income	128	128
Interest expense	(395)	(395)
Depreciation expenses	(1,857)	(1,857)
Amortisation expenses	(331)	(331)
Unrealised gain/(loss) on foreign exchange	(8)	(8)
Gain on disposal of property, plant and equipment	46	46
Loss on disposal of investment properties	3,937	3,937
Fair value gain on derivative instruments	(6)	(6)
Allowance for expected credit losses:		
- Current year	-	-
- Reversal	-	-
Impairment loss on property, plant and equipment		
- Current year	-	-
- Reversal	-	-
Property, plant and equipment written off	-	-
Intangible assets written off	-	-

Provision for and write off of inventories	-	-
Gain/(loss) on disposal of quoted or unquoted investments or properties	-	-
Equity-settled share-based payment	-	-
Exceptional items	-	-

B11. FINANCIAL INSTRUMENTS

Derivatives

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