



## **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 SECOND QUARTER ENDED 30 SEPTEMBER 2023**

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

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30.09.2023 <sup>(1)</sup> RM'000	Preceding Year Corresponding Quarter 30.09.2022 RM'000	Current Year Period 30.09.2023 <sup>(1)</sup> RM'000	Preceding Year Corresponding Period 30.09.2022 RM'000
Revenue	29,667	35,879	58,610	83,372
Cost of sales	(20,906)	(25,793)	(41,422)	(63,061)
Gross profit	8,761	10,086	17,188	20,311
Other income	633	1,657	1,205	2,435
Administrative expenses	(4,049)	(3,793)	(9,684)	(7,954)
Selling and distribution expenses	(795)	(1,264)	(1,541)	(3,384)
Allowance for expected credit losses on trade receivables				
- Addition	(4)	(21)	(20)	(33)
- Reversal	1	477	47	511
Operating profit	4,547	7,142	7,195	11,886
Finance income	159	84	281	178
Finance costs	(432)	(420)	(902)	(783)
Profit before tax	4,274	6,806	6,574	11,281
Taxation	(595)	(500)	(1,489)	(990)
<b>Total comprehensive income</b>	<b>3,679</b>	<b>6,306</b>	<b>5,085</b>	<b>10,291</b>
<b>Total comprehensive income attributable to:</b>				
- Owners of HHRG	3,467	5,597	4,979	7,906
- Non-controlling interests	212	709	106	2,385
	<b>3,679</b>	<b>6,306</b>	<b>5,085</b>	<b>10,291</b>
<b>Earnings per share (sen) attributable to owners of HHRG:</b>				
- Basic <sup>(2)</sup>	0.40	0.75	0.58	1.13
- Diluted <sup>(2)</sup>	0.37	0.63	0.54	0.93

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 30.09.2023 <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	71,322	73,502
Investment properties	44,501	41,511
Right-of-use assets	4,962	6,238
Inventories	21,585	21,585
Intangible assets	18,744	19,206
Keyman insurance contracts	626	621
	161,740	162,663
<b>Current assets</b>		
Inventories	12,931	12,275
Trade and other receivables	21,484	26,330
Derivative financial assets	-	84
Current tax assets	44	-
Cash and cash equivalents	60,950	49,853
	95,409	88,542
	<b>257,149</b>	<b>251,205</b>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
Share capital	153,586	140,079
Other reserves	(380)	3,224
Retained profits	27,556	22,577
	180,762	165,880
Non-controlling interests	21,644	23,390
	<b>202,406</b>	<b>189,270</b>
<b>Total equity</b>		
<b>Non-current liabilities</b>		
Lease liabilities	234	2,195
Borrowings	26,474	28,977
Deferred tax liabilities	1,514	1,552
	28,222	32,724
<b>Current liabilities</b>		
Trade, other payables and provision	17,634	21,979
Contract liabilities	-	894
Borrowings	5,471	3,347
Lease liabilities	3,416	2,719
Derivative financial liabilities	-	106
Current tax liabilities	-	166
	26,521	29,211
	<b>54,743</b>	<b>61,935</b>
<b>Total liabilities</b>		
	<b>257,149</b>	<b>251,205</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		
	<b>0.23<sup>(2)</sup></b>	<b>0.23<sup>(3)</sup></b>
<b>NET ASSETS PER SHARE (RM)</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 30 September 2023 of 865,798,805 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
Total comprehensive income for the financial period	-	-	-	-	4,979	4,979	106	5,085
Dividend paid to non-controlling interests	-	-	-	-	-	-	(1,852)	(1,852)
Issuance of shares pursuant to:								
- Warrant exercised	736	-	(175)	-	-	561	-	561
- SIS exercised	12,771	-	-	(3,429)	-	9,342	-	9,342
At 30 September 2023	153,586	(5,185)	1,915	2,890	27,556	180,762	21,644	202,406
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	-	-	-	-	7,906	7,906	2,385	10,291
Issuance of shares pursuant to:								
- Warrant exercised	3,693	-	(879)	-	-	2,814	-	2,814
- SIS exercised	889	-	-	(240)	-	649	-	649
Share issuance expenses	(94)	-	-	-	-	(94)	-	(94)
At 30 September 2022	130,687	(5,185)	3,370	7,404	3,189	139,465	23,136	162,601

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	
	30.09.2023 RM'000	30.09.2022 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	6,574	11,281
<u>Adjustments for:</u>		
Allowance for expected credit losses		
- current year	20	33
- reversal	(47)	(511)
Amortisation of intangible assets		
- customer relationship	646	646
- trademarks	16	12
Depreciation of:		
- investment properties	320	169
- property, plant and equipment	2,331	4,460
- right-of-use assets	1,325	1,064
Fair value adjustment on derivative of financial instruments	-	665
Fair value gain on keyman insurance contracts	(5)	(38)
Gain on disposal of investment properties	(25)	-
Loss on disposal of investment properties	41	-
Gain on disposal of property, plant and equipment	(61)	(207)
Property, plant and equipment written off	257	-
Impairment loss on goodwill	-	51
Interest expense	902	783
Interest income	(281)	(178)
Unrealised gain on foreign exchange	(68)	(173)
	11,945	18,057
Operating profit before working capital changes	11,945	18,057
Increase in inventories	(656)	(711)
Decrease/(Increase) in trade and other receivables	4,942	1,363
(Decrease)/Increase in trade, other payables and provision	(4,364)	(177)
Decrease in contract liabilities	(894)	(1,248)
	10,973	17,284
Cash (used in)/generated from operations	10,973	17,284
Income tax paid	(1,701)	(1,247)
Real property gains tax paid	(1)	-
	9,271	16,037
<b>Net cash from operating activities</b>	<b>9,271</b>	<b>16,037</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Changes in fixed deposits pledged with licensed banks	3,628	4,377
Interest received	280	178
Proceeds from disposal of property, plant and equipment	629	375
Proceeds from investment properties	3,531	-
Proceeds from written off property, plant and equipment	(302)	-
Subscription for shares in subsidiary in investing activities	(130)	-
Purchase of property, plant and equipment	(4,606)	(3,030)
Purchase of investment properties	(3,031)	(12,630)
	(1)	(10,730)
<b>Net cash used in investing activities</b>	<b>(1)</b>	<b>(10,730)</b>

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

	Year-to-date ended	
	30.09.2023 RM'000	30.09.2022 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to non-controlling interests	(1,852)	-
Interest paid	(902)	(783)
Proceeds from exercise of warrants	560	2,813
Proceeds from exercise of SIS	9,343	649
Drawdown of term loan	-	7,000
Drawdown of finance lease liabilities	-	428
Repayment of bankers' acceptance	323	(975)
Repayment of term loans	(2,913)	(1,205)
Repayment of hire purchase	(350)	(587)
Repayment of lease liabilities	(1,313)	(940)
Share issuance expenses paid	-	(94)
<b>Net cash from financing activities</b>	<b>2,896</b>	<b>6,306</b>
Net (decrease)/increase in cash and cash equivalents	12,166	11,613
Cash and cash equivalents at beginning of the financial period	40,412	23,771
<b>Cash and cash equivalents at end of the financial period</b>	<b>52,578</b>	<b>35,384</b>
Cash and cash equivalents comprise the following:		
Cash and bank balances	29,212	39,888
Fixed deposits with licensed banks	21,027	6,137
Short-term money market deposit	1,050	-
Short-term investments	9,661	-
Cash and cash equivalents per statement of financial position	60,950	46,025
Less: Bank overdraft	(2,560)	(4,504)
Less: Fixed deposits pledged to financial institutions	(5,812)	(6,137)
	<b>52,578</b>	<b>35,384</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 H&K Enterprise Sdn Bhd ("HKE"), representing 100% equity interest in HKE, for a cash consideration of RM130,000. The company is principally involved in Licensed Money Lending Activities.

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.

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### A13. SEGMENT INFORMATION

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

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

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

	Current quarter ended		Year-to-date ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
<b><i>Segment Revenue</i></b>				
Biomass materials and related products	18,779	19,558	35,826	47,789
Furniture, mattresses and related products	13,330	18,666	27,183	40,629
Property development and management	339	23	674	39
	32,448	38,247	63,683	88,457
Elimination of intragroup transactions	(2,781)	(2,368)	(5,073)	(5,085)
<b>Revenue from external customers</b>	<b>29,667</b>	<b>35,879</b>	<b>58,610</b>	<b>83,372</b>

	Current quarter ended		Year-to-date ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
<b><i>Segment Results</i></b>				
Biomass materials and related products	4,932	4,869	9,022	10,497
Furniture, mattresses and related products	446	2,283	420	3,972
Property development and management	(134)	(309)	(447)	(1,455)
	5,244	6,843	8,995	13,014
Unallocated corporate income and expenses (net)	6,030	5,590	6,507	10,262
Elimination of intragroup transactions and profits	(7,000)	(5,627)	(8,928)	(11,995)
<b>Profit before tax of the Group</b>	<b>4,274</b>	<b>6,806</b>	<b>6,574</b>	<b>11,281</b>

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

	Current quarter ended		Year-to-date ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
<b><u>Segment Assets</u></b>				
Biomass materials and related products	61,780	78,852	61,780	78,852
Furniture, mattresses and related products	73,710	81,528	73,710	81,528
Property development and management	78,606	57,427	78,606	57,427
	<u>214,096</u>	<u>217,807</u>	<u>214,096</u>	<u>217,807</u>
Tax assets	44	117	44	117
Unallocated assets	28,068	28,670	28,068	28,670
Elimination of intragroup balances	14,941	(1,776)	14,941	(1,776)
<b>Total assets of the Group</b>	<b><u>257,149</u></b>	<b><u>244,818</u></b>	<b><u>257,149</u></b>	<b><u>244,818</u></b>
<b><u>Segment Liabilities</u></b>				
Biomass materials and related products	15,303	34,266	15,303	34,266
Furniture, mattresses and related products	29,396	39,840	29,396	39,840
Property development and management	18,395	10,360	18,395	10,360
	<u>63,094</u>	<u>84,466</u>	<u>63,094</u>	<u>84,466</u>
Tax liabilities	1,514	1,831	1,514	1,831
Unallocated liabilities	1,002	22,982	1,002	22,982
Elimination of intragroup balances	(10,867)	(27,062)	(10,867)	(27,062)
<b>Total liabilities of the Group</b>	<b><u>54,743</u></b>	<b><u>82,217</u></b>	<b><u>54,743</u></b>	<b><u>82,217</u></b>

**A14. RELATED PARTY TRANSACTIONS**

	Current quarter ended		Year-to-date ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Purchase of coconut fibre	777	1,512	1,388	3,201
Purchase of furniture semi part	2,006	1,601	3,353	2,967
	<u>2,783</u>	<u>3,113</u>	<u>4,741</u>	<u>6,168</u>

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

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

**B1. ANALYSIS OF PERFORMANCE**

Profit and loss	Individual Quarter		Changes		Cumulative Period		Changes	
	Current 30.09.2023	Preceding 30.09.2022			Current 30.09.2023	Preceding 30.09.2022		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	29,667	35,879	(6,212)	(17.31)	58,610	83,372	(24,762)	(29.70)
Profit before tax	4,274	6,806	(2,532)	(37.20)	6,574	11,281	(4,707)	(41.73)
Profit after tax	3,679	6,306	(2,627)	(41.66)	5,085	10,291	(5,206)	(50.59)

**Revenue**

Our Group's total revenue for the current quarter and financial period ended 30 September 2023 stood at RM29.67 million and RM58.61 million respectively, representing decrease of RM6.21 million or 17.31% and RM24.76 million or 29.70% 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) A reduction in the average selling price of bio-oil was observed, with total quantities sold during the current quarter and financial period experience a decline of approximately 7.95% and 3.38% compared to the corresponding quarter and financial period of the previous year. 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
- (ii) A notable decline in the sales performance of furniture and mattresses was observed, with the total sales during the current quarter and financial period experience a reduction of 24.90% and 30.49% compared to the corresponding quarter and financial period of the previous year. The decline can be attributed to market conditions influenced by factors such as inflation and geopolitical conflicts in Europe countries.

**Profit Before Tax**

Our Group reported a profit before tax of approximately RM4.27 million for the current quarter and a profit before tax of approximately RM6.57 million for the financial period ended 30 September 2023, representing a decrease of approximately 37.20% and 41.73% respectively as compared to the preceding year corresponding quarter and financial period.

**Current Quarter and Financial Period Under Review**

The moderation 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 increase in administrative expenses approximately 6.75% and 21.75% as compared to the preceding year correspond quarter and financial period.

**B1. ANALYSIS OF PERFORMANCE (cont'd)**

However, the decrease of profit before tax was partially offset by the decrease of selling and distribution expenses during the current quarter and financial period under review, which had reduced by approximately 37.10% and 54.46% respectively as compared to the preceding year corresponding quarter and financial period.

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

	<b>Current quarter ended 30.09.2023</b>	<b>Preceding quarter ended 30.06.2023</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	<u>4,274</u>	<u>2,300</u>

Our Group recorded a profit before tax of approximately RM4.27 million for the current quarter ended 30 September 2023, as compared to a profit before tax of RM2.30 million in the preceding quarter ended 30 June 2023, was primarily due to increase of sales performance and lower administrative expenses.

**B3. PROSPECTS**

Prevailing uncertainties in the global economic landscape continued and the business environment has posed challenges for the Group. Softening demand and reduced revenue have been observed in our furniture and mattress sectors. Notably, the export market for our furniture division, particularly from European countries, has experienced a slowdown. The Group foresees slow in demand for these products due to market conditions influenced by factors such as inflation and geopolitical conflicts in Europe.

Conversely, the Group's core business in biomass products anticipates stable demand. We are actively monitoring pricing dynamics in this segment. Additionally, strategic investments in bio-compost production facilities has seen improvement and it also demonstrate our commitment to environmentally friendly practices, aligning with the current trend of waste reduction and social responsibility.

In response to these challenges, the Group has implemented measures to enhance operational efficiency and costs control. Rigorous reviews of cash flow management and capital expenditures have been conducted, instilling confidence in our ability to navigate these challenges and mitigate market risks.

**B4. PROFIT FORECAST OR PROFIT GUARANTEE**

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

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**B5. TAX EXPENSE**

	<b>Current quarter ended 30.09.2023 RM'000</b>	<b>Year-to-date ended 30.09.2023 RM'000</b>
Current tax expense	(595)	(1,489)
Deferred tax income	-	-
Total tax expense	<u>(595)</u>	<u>(1,489)</u>
Effective tax rate	<u>13.92%</u>	<u>22.65%</u>

The Group's effective tax rate for the current quarter and financial period under review stood at 13.92%. 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 Change of Name of Company From “Heng Huat Resources Group Berhad” to “HHRG Berhad”: Announcement dated 20 May 2023**

On 20 May 2023, the Board of Directors announced 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.

On 31 May 2023, The Company had received notified from of registration of New Name pursuant to Section 28 of the Companies Act 2016 issued by the Companies Commission of Malaysia notifying the change of name of the Company from "Heng Huat Resources Group Berhad" to "HHRG Berhad" with effect from 29 May 2023.

**Proposed Acquisition: Announcement dated 13 September 2023**

On 13 September 2023, the Board of Directors announced that the Company had entered into an Agreement (the “Agreement”) to acquire the 1,176,471 Ordinary Shares in Kulim Property Sdn Bhd (“KPSB”), representing the entire equity interest in KPSB for a total consideration of RM4,500,000.00 (the “Acquisition”).

On the 6 October 2023, the Board of Directors announced that the CP Period of the Agreement and the completion of the Due Diligence inquiry had been extended up to 31 October 2023. The extension of the CP Period to 31 October 2023 was due to all the Conditions Precedent have not fulfilled as at to date.

On the 17 November 2023, the Board of Directors announced that the acquisition of the entire equity interest of Kulim Property Sdn Bhd by HH Properties Kulim Sdn Bhd, a wholly owned subsidiary of the company, for a total consideration of RM4,500,000 has been completed on 17 November 2023.

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 September 2023 are as follows:

	Short Term (Within 12 months) RM’000	Long Term (> 12 months) RM’000	Total RM’000
<b><i>Secured and guaranteed</i></b>			
Bankers’ acceptance	323	-	323
Bank overdrafts	2,560	-	2,560
Hire purchase	702	1,079	1,781
Term loans	1,886	25,395	27,281
<b>Total Borrowings</b>	<b>5,471</b>	<b>26,474</b>	<b>31,945</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	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
<b>Basic earnings per share</b>				
Profit attributable to owners of the Company (RM'000)	3,467	5,597	4,979	7,906
Weighted average number of ordinary shares in issue ('000)	861,922	744,009	852,797	699,485
BEPS (sen)	0.40	0.75	0.58	1.13

### 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	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
<b>Diluted earnings per share</b>				
Profit attributable to owners of the Company (RM'000)	3,467	5,597	4,979	7,906
Weighted average number of ordinary shares in issue ('000)	861,922	744,009	852,797	699,485
Adjustment for dilutive effects of:				
- Warrants ('000)	54,543	104,326	56,007	102,961
- SIS ('000)	12,393	45,965	14,311	43,387
	928,858	894,300	923,115	845,833
DEPS (sen)	0.37	0.63	0.54	0.93

## B9. CHANGES IN MATERIAL LITIGATION

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



## B10. DISCLOSURE ON SELECTED INCOME/EXPENSE ITEMS

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

	<b>Current quarter ended 30.09.2023 RM'000</b>	<b>Year-to-date ended 30.09.2023 RM'000</b>
Interest income	159	281
Other income including investment income	-	-
Interest expense	(432)	(902)
Depreciation expenses	(1,995)	(3,976)
Amortisation expenses	(332)	(662)
Bad debts written-off	-	-
Unrealised gain on foreign exchange	14	68
Gain on disposal of property, plant and equipment	-	61
Gain on disposal of investment properties	-	25
Fair value loss on derivative instruments	-	-
Allowance for expected credit losses:		
- Current year	(4)	(20)
- Reversal	1	47
Impairment loss on property, plant and equipment		
- Current year	-	-
- Reversal	-	-
Property, plant and equipment written off	(257)	(257)
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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