



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 THIRD QUARTER ENDED 31 DECEMBER 2023

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

	Individual Quarter		Cumulative Period	
	Current Year Quarter 31.12.2023 ⁽¹⁾ RM'000	Preceding Year Corresponding Quarter 31.12.2022 RM'000	Current Year Period 31.12.2023 ⁽¹⁾ RM'000	Preceding Year Corresponding Period 31.12.2022 RM'000
Revenue	36,271	37,669	94,881	121,041
Cost of sales	(25,273)	(22,046)	(66,695)	(85,107)
Gross profit	10,998	15,623	28,186	35,934
Other income	283	1,251	1,488	3,686
Administrative expenses	(6,546)	(4,145)	(16,230)	(12,099)
Selling and distribution expenses	(849)	(560)	(2,390)	(3,944)
Allowance for expected credit losses on trade receivables				
- Addition	(38)	(41)	(58)	(74)
- Reversal	17	50	64	561
Operating profit	3,865	12,178	11,060	24,064
Finance income	192	41	473	219
Finance costs	(444)	(600)	(1,346)	(1,383)
Profit before tax	3,613	11,619	10,187	22,900
Taxation	(1,197)	(755)	(2,686)	(1,745)
Total comprehensive income	2,416	10,864	7,501	21,155
Total comprehensive income attributable to:				
- Owners of HHRG	1,854	9,483	6,833	17,389
- Non-controlling interests	562	1,381	668	3,766
	2,416	10,864	7,501	21,155
Earnings per share (sen) attributable to owners of HHRG:				
- Basic ⁽²⁾	0.21	1.23	0.80	2.41
- Diluted ⁽²⁾	0.20	1.05	0.74	2.05

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 2023 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 31.12.2023 ⁽¹⁾ RM'000 (unaudited)	As at 31.03.2023 RM'000 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	71,103	73,502
Investment properties	40,146	41,511
Right-of-use assets	7,516	6,238
Inventories	21,585	21,585
Intangible assets	18,421	19,206
Keyman insurance contracts	615	621
	159,386	162,663
Current assets		
Inventories	12,211	12,275
Trade and other receivables	28,420	26,330
Derivative financial assets	-	84
Current tax assets	846	-
Cash and cash equivalents	65,604	49,853
	107,081	88,542
TOTAL ASSETS	266,467	251,205
EQUITY AND LIABILITIES		
Share capital	153,586	140,079
Other reserves	(380)	3,224
Retained profits	29,410	22,577
	182,616	165,880
Non-controlling interests	22,206	23,390
Total equity	204,822	189,270
Non-current liabilities		
Lease liabilities	59	2,195
Borrowings	25,534	28,977
Deferred tax liabilities	1,514	1,552
	27,107	32,724
Current liabilities		
Trade, other payables and provision	20,354	21,979
Contract liabilities	-	894
Borrowings	11,956	3,347
Lease liabilities	2,228	2,719
Derivative financial liabilities	-	106
Current tax liabilities	-	166
	34,538	29,211
Total liabilities	61,645	61,935
TOTAL EQUITY AND LIABILITIES	266,467	251,205
NET ASSETS PER SHARE (RM)	0.24⁽²⁾	0.23⁽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 2023 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 31 December 2023 of 865,798,805 ordinary shares.
- ⁽³⁾ 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	-	-	-	-	6,833	6,833	668	7,501
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 31 December 2023	153,586	(5,185)	1,915	2,890	29,410	182,616	22,206	204,822
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	-	-	-	-	17,389	17,389	3,766	21,155
Issuance of shares pursuant to:								
- Warrant exercised	7,270	-	(1,731)	-	-	5,539	-	5,539
- SIS exercised	3,537	-	-	(955)	-	2,582	-	2,582
Share issuance expenses	(94)	-	-	-	-	(94)	-	(94)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(66)	(66)
At 31 December 2022	136,912	(5,185)	2,518	6,689	12,672	153,606	24,451	178,057

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	
	31.12.2023	31.12.2022
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	10,187	22,900
<u>Adjustments for:</u>		
Allowance for expected credit losses		
- current year	58	74
- reversal	(64)	(561)
Amortisation of intangible assets		
- customer relationship	968	968
- trademarks	25	18
Depreciation of:		
- investment properties	484	294
- property, plant and equipment	3,572	5,744
- right-of-use assets	1,868	1,759
Fair value adjustment on derivative of financial instruments	-	(280)
Fair value loss/(gain) on keyman insurance contracts	5	(23)
Gain on disposal of investment properties	(59)	-
Loss on disposal of investment properties	167	-
Gain on disposal of property, plant and equipment	(100)	(207)
Property, plant and equipment written off	257	-
Gain on derecognition of right of use and lease liabilities	-	(1)
Loss on modification	760	-
Impairment loss on goodwill	-	51
Interest expense	1,346	1,383
Interest income	(473)	(219)
Unrealised loss/(gain) on foreign exchange	88	55
Operating profit before working capital changes	19,089	31,955
Decrease in inventories	64	385
Decrease/(Increase) in trade and other receivables	(2,171)	1,774
Decrease in trade, other payables and provision	(1,645)	(6,068)
Decrease in contract liabilities	(894)	(1,248)
Cash (used in)/generated from operations	14,443	26,798
Income tax paid	(3,494)	(2,630)
Real property gains tax paid	(206)	-
Net cash from operating activities	10,743	24,168
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in fixed deposits pledged with licensed banks	3,188	(1,171)
Interest received	473	219
Proceeds from disposal of property, plant and equipment	681	266
Proceeds from investment properties	7,631	-
Proceeds from written off property, plant and equipment	(302)	-
Subscription for shares in subsidiary in investing activities	(4,630)	-
Development costs incurred	634	-
Purchase of property, plant and equipment	(5,642)	(6,586)
Purchase of investment properties	(3,031)	(19,386)
Net cash used in investing activities	(998)	(26,658)

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

	Year-to-date ended	
	31.12.2023 RM'000	31.12.2022 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to non-controlling interests	(1,852)	(66)
Interest paid	(1,346)	(1,383)
Proceeds from exercise of warrants	560	5,539
Proceeds from exercise of SIS	9,343	2,582
Drawdown of term loan	-	7,000
Drawdown of finance lease liabilities	-	428
Repayment of bankers' acceptance	-	(3,141)
Repayment of term loans	(3,930)	(1,802)
Repayment of hire purchase	(456)	(590)
Repayment of lease liabilities	(2,676)	(1,577)
Share issuance expenses paid	-	(94)
Net cash from financing activities	(357)	6,896
Net (decrease)/increase in cash and cash equivalents	9,388	4,406
Cash and cash equivalents at beginning of the financial period	40,412	23,697
Cash and cash equivalents at end of the financial period	49,800	28,103
Cash and cash equivalents comprise the following:		
Cash and bank balances	22,664	15,894
Fixed deposits with licensed banks	13,745	11,685
Short-term money market deposit	29,195	12,594
Short-term investments	-	-
Cash and cash equivalents per statement of financial position	65,604	40,173
Less: Bank overdraft	(9,551)	(385)
Less: Fixed deposits pledged to financial institutions	(6,253)	(11,685)
	49,800	28,103

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 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.

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, 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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
<i>Segment Revenue</i>				
Biomass materials and related products	19,657	20,347	55,483	68,136
Furniture, mattresses and related products	18,725	19,540	45,908	60,169
Property development and management	408	245	1,082	284
	38,790	40,132	102,473	128,589
Elimination of intragroup transactions	(2,519)	(2,463)	(7,592)	(7,548)
Revenue from external customers	36,271	37,669	94,881	121,041

	Current quarter ended		Year-to-date ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
<i>Segment Results</i>				
Biomass materials and related products	3,776	8,591	12,798	19,088
Furniture, mattresses and related products	1,052	4,069	1,472	8,041
Property development and management	(243)	(11)	(690)	(1,466)
	4,585	12,649	13,580	25,663
Unallocated corporate income and expenses (net)	1,028	9,736	7,535	19,998
Elimination of intragroup transactions and profits	(2,000)	(10,766)	(10,928)	(22,761)
Profit before tax of the Group	3,613	11,619	10,187	22,900

A13. SEGMENT INFORMATION (cont'd)

	Current quarter ended		Year-to-date ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
<u>Segment Assets</u>				
Biomass materials and related products	68,813	71,290	68,813	71,290
Furniture, mattresses and related products	74,670	79,363	74,670	79,363
Property development and management	82,332	68,148	82,332	68,148
	225,815	218,801	225,815	218,801
Tax assets	846	795	846	795
Unallocated assets	37,726	17,064	37,726	17,064
Elimination of intragroup balances	2,080	14,527	2,080	14,527
Total assets of the Group	266,467	251,187	266,467	251,187
<u>Segment Liabilities</u>				
Biomass materials and related products	19,707	24,613	19,707	24,613
Furniture, mattresses and related products	29,714	34,020	29,714	34,020
Property development and management	22,849	22,286	22,849	22,286
	72,270	80,919	72,270	80,919
Tax liabilities	1,514	2,522	1,514	2,522
Unallocated liabilities	9,642	1,739	9,642	1,739
Elimination of intragroup balances	(21,781)	(12,050)	(21,781)	(12,052)
Total liabilities of the Group	61,645	73,130	61,645	73,130

A14. RELATED PARTY TRANSACTIONS

	Current quarter ended		Year-to-date ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Purchase of coconut fibre	466	865	1,854	4,066
Purchase of furniture semi part	1,162	1,862	4,514	4,829
	1,628	2,727	6,368	8,895

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 31.12.2023	Preceding 31.12.2022			Current 31.12.2023	Preceding 31.12.2022		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	36,271	37,669	(1,398)	(3.71)	94,881	121,041	(26,160)	(21.61)
Profit before tax	3,613	11,619	(8,006)	(68.90)	10,187	22,900	(12,713)	(55.52)
Profit after tax	2,416	10,864	(8,448)	(77.76)	7,501	21,155	(13,654)	(64.54)

Revenue

For the current quarter and financial period ended 31 December 2023, the group recorded revenue of RM36.27 million and RM94.88 million during the current quarter and financial period, representing decrease of RM1.40 million or 3.71% and RM26.16 million or 21.61% 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 30.59% and 42.93% 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 8.14% and 22.97% 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 4.35% and 31.06% 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 geopolitical conflicts in Europe countries and also slow of demand from local market.

However, the moderation of sales performance was partially offset by the increase in sales volume of bio-oil product, which has improved approximately 6.39% and 0.13% respectively as compared to the preceding year corresponding quarter and financial period.

Profit Before Tax

Our Group reported a profit before tax of approximately RM3.61 million for the current quarter and a profit before tax of approximately RM10.18 million for the financial period ended 31 December 2023, representing a decrease of approximately 68.90% and 55.52% 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 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 RM2.42 million and RM7.50 million respectively for the current quarter and financial period ended 31 December 2023, representing a decrease of approximately 77.76% and 65.54% respectively as compared to the preceding year corresponding quarter and financial period.

B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current quarter ended 31.12.2023	Preceding quarter ended 30.09.2023
	RM'000	RM'000
Profit before taxation	3,613	4,274

Our Group recorded a profit before tax of approximately RM3.61 million for the current quarter ended 31 December 2023, decreased by approximately RM0.66 million or 15.00% as compared to the preceding quarter ended 30 September 2023. The moderation in performance was primarily due to lower gross profit recorded, which was in line with higher production costs and moderation in revenue from biomass, furniture and mattress divisions.

B3. PROSPECTS

Ongoing uncertainties in the global market have presented challenges to the Group's operation. The decline in revenue was due to the softening demand in biomass, furniture, and mattresses, both locally and in the export market, especially from European market.

Despite these challenges, the Group is actively addressing them by implementing measures to control costs, enhance operational efficiency, manage capital expenditure and cash flow. Additionally, the Group is engaged in proactive exploration of new markets.

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 31.12.2023 RM'000	Year-to-date ended 31.12.2023 RM'000
Current tax expense	(1,197)	(2,686)
Deferred tax income	-	-
Total tax expense	<u>(1,197)</u>	<u>(2,686)</u>
Effective tax rate	<u>33.13%</u>	<u>26.37%</u>

The Group's effective tax rate for the current quarter and financial period under review stood at 33.13% and 26.37 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.

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 noticed 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 31 December 2023 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	-	-	-
Bank overdrafts	9,551	-	9,551
Hire purchase	671	1,003	1,674
Term loans	1,733	24,531	26,264
Total Borrowings	11,955	25,534	37,489

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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Basic earnings per share				
Profit attributable to owners of the Company (RM'000)	1,854	9,483	6,833	17,389
Weighted average number of ordinary shares in issue ('000)	865,799	768,337	857,146	722,519
BEPS (sen)	0.21	1.23	0.80	2.41

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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Diluted earnings per share				
Profit attributable to owners of the Company (RM'000)	1,854	9,483	6,833	17,389
Weighted average number of ordinary shares in issue ('000)	865,799	768,337	857,146	722,519
Adjustment for dilutive effects of:				
- Warrants ('000)	57,029	81,279	56,482	78,608
- SIS ('000)	15,649	55,131	14,933	48,354
	938,477	904,747	928,561	849,481
DEPS (sen)	0.20	1.05	0.74	2.05

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:

	Current quarter ended 31.12.2023 RM'000	Year-to-date ended 31.12.2023 RM'000
Interest income	193	473
Other income including investment income	136	418
Interest expense	(444)	(1,346)
Depreciation expenses	(1,948)	(5,924)
Amortisation expenses	(331)	(993)
Bad debts written-off	-	-
Unrealised gain/(loss) on foreign exchange	(156)	(88)
Gain on disposal of property, plant and equipment	39	100
Loss on disposal of investment properties	(92)	(108)
Fair value gain on derivative instruments	-	22
Allowance for expected credit losses:		
- Current year	(38)	(58)
- Reversal	17	64
Impairment loss on property, plant and equipment		
- Current year	-	-
- Reversal	-	-
Property, plant and equipment written off	-	(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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