

PGF CAPITAL BERHAD
(Company No. 197801005142 (42138-X))
(Incorporated in Malaysia)
and its subsidiaries

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MAY 2023**

	Individual Quarter		Cumulative Quarters	
	Current Quarter 31 May 2023 RM'000 (Unaudited)	Preceding Quarter 31 May 2022 RM'000 (Unaudited)	Current Year To Date 31 May 2023 RM'000 (Unaudited)	Preceding Year To Date 31 May 2022 RM'000 (Unaudited)
Revenue	28,486	25,900	28,486	25,900
Operating Expenses	(22,230)	(20,157)	(22,230)	(20,157)
Other operating income	10	20	10	20
Results from operating activities	6,266	5,763	6,266	5,763
Share of (loss)/profit of equity - accounted associate	294	220	294	220
Interest income	44	41	44	41
Interest expenses	(603)	(191)	(603)	(191)
Profit before taxation	6,001	5,833	6,001	5,833
Tax expense	(2,056)	(830)	(2,056)	(830)
Profit after taxation	3,945	5,003	3,945	5,003
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period attributable to owners of the Company	3,945	5,003	3,945	5,003
Earnings per share:				
Basic (based on ordinary shares of RM1 each) (sen)	2.41	3.13	2.41	3.13
<i>(Calculated based on the weighted average number of shares in issue during the period)</i>	163,381	159,975	163,381	159,975

The selected explanatory notes form an integral part of, and, should be read in conjunction with, this interim financial report

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2023**

	As at end of Current Quarter 31 May 2023 RM'000 (Unaudited)	As at Preceding Financial Year End 28 February 2023 RM'000 (Audited)
Assets		
Property, plant and equipment	57,541	57,530
Right-of-use assets	11,449	4,502
Investment property	5,258	5,290
Investment in an associate	2,684	1,623
Investment in joint venture	374	393
Inventories	146,672	146,664
Other investment	768	768
Deferred tax assets	856	714
Prepayment	339	339
Total non-current assets	225,941	217,823
Inventories	34,446	28,886
Trade and other receivables	23,075	23,278
Current tax assets	105	185
Cash and cash equivalents	20,693	19,234
Total current assets	78,319	71,583
Total assets	304,260	289,406
Equity		
Share capital	206,015	213,402
Irredeemable convertible preference shares	7,637	-
Reserves	(7,245)	(11,190)
Effect of exchange difference	(14)	-
Equity attributable to owners of the Company	206,393	202,212
Liabilities		
Contract liabilities	3,997	3,998
Lease liabilities	5,627	557
Loans and borrowings	15,709	16,226
Deferred tax liabilities	31,916	31,569
Total non-current liabilities	57,249	52,350
Contract liabilities	359	256
Lease liabilities	1,969	112
Loans and borrowings	18,826	17,794
Trade and other payables	17,850	16,626
Current tax liabilities	1,614	56
Total current liabilities	40,618	34,844
Total liabilities	97,867	87,194
Total equity and liabilities	304,260	289,406
Net assets per share (sen)	126.33	126.40

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MAY 2023**

	Share capital RM'000	Irredeemable convertible preference share RM'000	Translation reserve RM'000	Accumulated losses RM'000	Capital reserve RM'000	Prepaid share reserve RM'000	Total RM'000
At 1 March 2022	202,762	-		(18,479)	670	-	184,953
Total comprehensive income for the period	-	-		5,003	-		5,003
Issuance of irredeemable convertible preference shares		7,999		(7,999)		-	-
At 31 May 2022	<u>202,762</u>	<u>7,999</u>	<u>-</u>	<u>(21,475)</u>	<u>670</u>	<u>-</u>	<u>189,956</u>
At 1 March 2023	205,734	7,668	(36)	(11,824)	670	-	202,212
Total comprehensive income for the period	-			3,945	-		3,945
Conversion of irredeemable convertible preferences share	281	(31)	-	-	-		250
Effect of exchange difference			(14)	-			(14)
At 31 May 2023	<u>206,015</u>	<u>7,637</u>	<u>(50)</u>	<u>(7,879)</u>	<u>670</u>	<u>-</u>	<u>206,393</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MAY 2023

	31 May 2023	31 May 2022
	RM'000	RM'000
	(Unaudited)	(Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	6,001	5,833
Adjustments for :		
Depreciation of property, plant and equipment	2,307	2,046
Depreciation of right-of-use assets	434	80
Depreciation of investment property	33	33
Plant and equipment written off	8	6
Interest income	(44)	(41)
Interest expense	603	191
Share of loss/(profit) of equity accounted associate and joint venture	(294)	(220)
Operating profit before changes in working capital	9,048	7,928
<i>Changes in working capital :</i>		
Inventories	(6,423)	(4,074)
Trade and other receivables	704	(6,511)
Contract liabilities	103	9
Trade and other payables	724	(4,782)
Cash from/(used in) operations	4,156	(7,430)
Tax paid	(215)	(38)
Net cash from/(used in) operating activities	3,941	(7,468)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	44	41
Acquisition of plant and equipment	(1,524)	(224)
Additions of investment in joint venture	(748)	(100)
Net cash used in investing activities	(2,228)	(283)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MAY 2023

	31 May 2023 RM'000 (Unaudited)	31 May 2022 RM'000 (Audited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(603)	(191)
Repayment to hire purchase creditors	(449)	(29)
Drawdown of short term borrowings, net	1,231	(4,550)
(Repayment)/Drawdown of term loans, net	(669)	3,059
Proceed from conversion of irredeemable convertible preference shares	250	-
Refund of excess application of irredeemable convertible preference shares	-	(3,950)
Net cash from/(used in) financing activities	(240)	(5,661)
Net increase/(decrease) in cash and cash equivalents	1,473	(13,412)
Cash and cash equivalents at 1 March 2023/2022	19,234	21,959
Effect of exchange difference on cash and cash equivalents	(14)	-
Cash and cash equivalents at end of period	20,693	8,547
Note :		
Cash & cash equivalents		
Cash & bank balances	14,661	1,484
Short-term deposits	6,032	7,063
Bank overdrafts	-	-
	20,693	8,547
	-	-

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2023

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with MFRS 134, Interim Financial Reporting and the additional disclosure requirements as in Part A of Appendix 9B of the Revised Listing Requirements.

The interim financial report should be read in conjunction with the most recent annual audited financial statements of the Group for the year ended 28 February 2023. These explanatory notes 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 year ended 28 February 2023.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with the most recent annual audited financial statements for the year ended 28 February 2023 except for the adoption of the following new and revised MFRSs, IC Interpretations and Amendments which are effective from the annual period beginning on or after 1 January 2023:-

MFRSs and amendments effective for annual periods beginning on or after 1 January 2023

- 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 – Disclosures 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

MFRSs and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, Leases – Lease Liability in a Sale and Leaseback
- Amendment to MFRS 101, Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current

MFRSs and amendments effective for annual periods beginning on or after a 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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2023 (cont'd)

2. Audit Report for Preceding Financial Year

There was no qualification on the audit report of the preceding annual financial statements of PGF Capital Berhad (“PGF”).

3. Seasonal or Cyclical Factors

The Insulation segment normally expects a fall in revenue of about 30% during the festive holiday season.

4. Unusual Items

There were no unusual items for the current quarter and financial period to-date.

5. Exceptional Items

There were no exceptional items for the current quarter and financial period-to-date.

6. Changes in Estimates

There were no changes in estimates in the prior interim periods and the prior years that have a material effect in the current quarter and financial period to-date.

7. Equity Structure

On 13 & 19 April 2023 and 2 & 16 May 2023, there were a total of 312,200 ordinary shares issued pursuant to the conversion of 312,200 Irredeemable Convertible Preference Shares (“ICPS”) by way of conversion of 1 unit of ICPS with cash payment of RM0.80 each for 1 new ordinary share.

Other than the above, there were no issuance and repayment of debt and equity shares, shares buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period ended 31 May 2023.

8. Dividends Paid

There was no dividend paid for the current quarter under review.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2023
 (cont'd)

9. Segmental Reporting

Financial data by business segment for the Group

	Current Year To-Date ← 31 May 2023 →				
	Insulation and related products RM'000	Property development RM'000	Investment holding RM'000	Others RM'000	Consolidated RM'000
Revenue from external customers	28,292	-	96	98	28,486
Segment results	7,819	(206)	(679)	(668)	6,266
Share of profit of equity-accounted associate and joint venture					294
Interest income					44
Interest expense					(603)
Net profit before taxation					6,001
Taxation					(2,056)
Net profit after taxation					3,945
Segment assets	127,313	149,578	14,252	13,117	304,260
	Preceding Year To-Date ← 31 May 2022 →				
	Insulation and related products RM'000	Property development RM'000	Investment holding RM'000	Others RM'000	Consolidated RM'000
Revenue from external customers	25,295	-	97	508	25,900
Segment results	7,257	(210)	(797)	(487)	5,763
Share of profit of equity-accounted associate and joint venture					220
Interest income					41
Interest expense					(191)
Net profit before taxation					5,833
Taxation					(830)
Net profit after taxation					5,003
Segment assets	100,472	138,444	16,767	4,665	260,348

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10. Valuation of Property, Plant and Equipment

Not applicable.

No valuation policy was adopted for property, plant and equipment. The Group availed the transitional provisions issued by the Malaysian Accounting Standards.

The Board of Directors (“**Board**”) adopted the International Accounting Standard No 16 (Revised) that entails the assets of the Group comprising land and buildings that were revalued in 1992 to be stated at their existing carrying amounts less accumulated depreciation.

11. Material Events Subsequent to the End of the Period Reported On Not Reflected in the Financial Statements for the Said Period

There were no material events subsequent to the end of the period reported which have not been reflected in the financial statements as at 31 May 2023 except for the allotment of 4,000 ordinary shares pursuant to the conversion of 4,000 ICPS for cash consideration of RM3,200 on 24 July 2023.

12. Changes in Composition of the Group

There were no changes in the composition of the Group for the current quarter and financial period to-date except PGF Insulation Pty. Ltd., a wholly-owned subsidiary of the Company increased its investment in Select Insulation Pty. Ltd., a 50% owned joint venture company, through subscription of 250,000 ordinary shares at AUD 1 each, for a total cash consideration of AUD250,000 on 4 May 2023.

13. Contingent Liabilities

There were no changes in the contingent liabilities since the last annual balance sheet date.

14. Related Party Transactions

There were no other significant related party transactions during the current quarter and year-to-date under review.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2023 (cont'd)

15. Capital Commitments

Contractual but not provided for in the financial statements.

	31 May 23 RM'000
Property, Plant & Equipment	<u>3,495</u>

16. Profit for the Period

This is arrived at after crediting/ (charging):

	Current Quarter 31 May 23 RM'000	Current Year To-Date 31 May 23 RM'000
Interest income	44	44
Interest expense	(603)	(603)
Depreciation and amortisation	(2,774)	(2,774)
Foreign exchange gain/(loss) (realised and unrealised)	(82)	(82)

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ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S ("BURSA SECURITIES") LISTING REQUIREMENTS FOR THE PERIOD ENDED 31 MAY 2023

1. Review of Performance of the Company and its Principal Subsidiaries for the Current Quarter and Financial Period To-date

	← Individual Quarter →			← Cumulative Quarter →		
	Current Quarter 31 May 23 RM'000	Preceding Quarter 31 May 22 RM'000	Changes Increase/ (Decrease) %	Current Year To-Date 31 May 23 RM'000	Preceding Year To-Date 31 May 22 RM'000	Changes Increase/ (Decrease) %
<u>Revenue</u>						
Insulation and related products	28,292	25,295	11.85	28,292	25,295	11.85
Property development	-	-	-	-	-	-
Investment holding	96	97	(1.03)	96	97	(1.03)
Others	98	508	(80.71)	98	508	(80.71)
	<u>28,486</u>	<u>25,900</u>	<u>9.98</u>	<u>28,486</u>	<u>25,900</u>	<u>9.98</u>
<u>Profit/ (loss) before tax</u>						
Insulation and related products	7,351	7,157	2.71	7,351	7,157	2.71
Property development	(204)	(209)	2.39	(204)	(209)	2.39
Investment holding	(452)	(857)	47.26	(452)	(857)	47.26
Others	(694)	(258)	(168.99)	(694)	(258)	(168.99)
	<u>6,001</u>	<u>5,833</u>	<u>2.88</u>	<u>6,001</u>	<u>5,833</u>	<u>2.88</u>

Group

The revenue of the Group for the current quarter ended 31 May 2023 was RM28.49 million, an increase of about RM2.59 million or 9.98% as compared to the preceding year quarter. The current quarter registered profit before tax of RM6.0 million as compared to the preceding year quarter of RM5.83 million.

For the current quarter ended 31 May 2023, the revenue achieved by the Insulation segment was RM28.29 million as compared to preceding quarter of RM25.30 million. However, the profit before tax registered by the Insulation segment was RM7.35 million for the current quarter ended 31 May 2023 as compared to the preceding year's quarter of RM7.16 million. The Insulation segment recorded higher profit before tax in the current quarter as compared to the preceding year's quarter mainly due to the increase in sales.

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Insulation and related products segment

The revenue for the current quarter ended 31 May 2023 increased by 11.85% to RM28.29 million as compared to the preceding year quarter of RM25.30 million. The current quarter registered profit before tax of RM7.35 million as compared to the preceding quarters of RM7.16 million. Despite higher sales revenue recorded for the current quarter under review, the Insulation and related products segment only achieved marginally higher profit before tax of 2.71% as it was partly offset by the increase in production costs especially energy and raw material costs.

Property development segment

No revenue was achieved for this segment in the current quarter ended 31 May 2023 and the preceding year's quarter. Consequently, the property development segment recorded a loss before tax of RM0.20 million for the current quarter as compared to the preceding year's quarter's loss before tax of RM0.21 million.

Investment holding segment

The segment includes investment holding company activities, rental of property, and other investment in associate companies. The segment registered a lower loss before tax of RM0.45 million for the current quarter as compared to the preceding quarter's loss before tax of RM0.86 million.

Others

The segment registered a loss before tax of RM0.69 million for the current quarter ended 31 May 2023 as compared to the preceding year's quarter loss before tax of RM0.26 million. The increase in the loss before tax was mainly due to RM0.38 million incurred on agriculture activities before harvesting, RM0.03 million for meltblown non-woven fabric activities and RM0.28 million pre-operating expense on Permeable Membrane manufacturing activities.

2. Material Change in the Profit Before Taxation for the Quarter Reported on As Compared to the Results of the Immediate Preceding Quarter

	Current Quarter 31 May 23 RM'000	Immediate Preceding Quarter 28 Feb 23 RM'000	Changes Increase/ (Decrease) %
Revenue	28,486	24,976	14.05
Profit before tax	6,001	11,522	(47.92)

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("BURSA SECURITIES") LISTING REQUIREMENTS FOR THE PERIOD ENDED 31 MAY 2023
(Cont'd)**

The Group recorded a profit before tax of RM6.00 million for the current quarter ended 31 May 2023 as compared to the immediate preceding quarter's profit before tax of RM11.52 million. The profit before tax for the immediate preceding quarter included the reversal of impairment loss of RM10.74 million on development properties previously provided for by its wholly owned subsidiary, Golden Approach Sdn Bhd ("**GASB**").

The revenue from the Insulation segment has increased from RM23.87 million in the immediate preceding quarter to RM28.29 million in the current quarter due to higher sales delivery. The higher revenue recorded coupled with lower elimination of unrealised profit for inventories held by related companies has resulted in the corresponding increase in the profit before tax for the current quarter under review of RM7.35 million as compared to immediate preceding quarter of RM1.74 million.

3. Prospects for the Current Financial Year

The Insulation and related products segment will remain as the key driver of the Group's results. We anticipate to achieve a lower revenue in the forthcoming quarter 2 due to lower contribution from our subsidiary in Australia in view of the recent challenges faced by builders and construction firms in Australia. Additionally, other factors such as rising input costs, supply chain delays and labour shortages have also impacted the construction industry in Australia. Despite all these headwinds, our Group is not exposed to the credit risks associated with our customers in Australia. We expect these challenges to be less prevalent from quarter 3 onwards and will contribute to the revenue generation for our Group from the Australian market. In light of this, we are cautiously optimistic on the future outlook of this segment for our Group. As such, barring any unforeseeable circumstances, the Insulation business is expected to continue to contribute to the growth momentum of the Group for the second half of the financial year.

We are currently in the process of applying for the Planning Permission (or Kebenaran Merancang) for our joint venture project with Malvest Properties Sdn Bhd ("**Malvest**") involving the development of a 45.0 acres land designated for a township. However, due to legacy issues, the authorities require GASB to submit a masterplan rezoning to realign with the long-term local plan (Rancangan Tempatan Muallim 2035). This has caused a delay in the submission of Planning Permission. As such, GASB, together with Malvest, expect to obtain the Planning Permission in the financial year 2024.

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For the agriculture segment, durian trees are continuously being replanted from the nursery to the designated orchard land. Cash crops such as kumquat and passion fruit have been planted to generate cash flow for Diamond Creeks Eco Farm Sdn Bhd. Harvesting of passion fruit has commenced since the beginning of the current financial year and the sales of passion fruit have been well received by the consumer. The contribution to our Group's cash flow is expected to improve as the harvest yield improves from this agriculture segment.

The Group will endeavour to continuously seek out new business opportunities for the other segments that will add value to the shareholders such as investing in property development, eco-tourism, agriculture and aquaculture to unlock the value of the land held by the Group.

4. Variance of Actual Profit from Forecast Profit/ Profit Guarantee

Not Applicable.

5. Income Tax

	← Individual Quarter →		← Cumulative Quarter →	
	Current Quarter 31 May 23 RM'000	Preceding Quarter 31 May 22 RM'000	Current Year To-Date 31 May 23 RM'000	Preceding Year To-Date 31 May 22 RM'000
Malaysia Taxation	1,709	830	1,709	830
Deferred Taxation	347	-	347	-
	<u>2,056</u>	<u>830</u>	<u>2,056</u>	<u>830</u>

6. Profits/ (Losses) on sale of unquoted investments and/or properties

There were no profits/ (losses) on sale of unquoted investments and/or properties for the current quarter and financial period to-date.

7. Quoted Securities

There were no purchases or disposals of quoted securities for the current quarter and financial period to-date.

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8. Status of Corporate Proposals

Renounceable Rights Issue of ICPS and Proposed Amendments to the Constitution of PGF ("Proposals")

On 3 November 2021, PGF proposed to undertake a renounceable rights issue of up to 79,987,474 new ICPS in PGF on the basis of 1 ICPS for every 2 existing ordinary shares in PGF ("**Right Issue**"). In conjunction with the Right Issue, PGF proposed to amend the Constitution of PGF to facilitate the creation and issuance of the ICPS. The Right Issue have been completed on 9 March 2022 with the listing of and quotation for 79,987,474 ICPS on the Main Market of Bursa Securities.

The status of the utilisation of the proceeds pursuant to the Right Issue as at 28 April 2023 (being the latest practicable date) was as follows:

Details of Utilisation	Intended Time Frame for Utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	Balance RM'000
Expansion of business	Within 24months	6,000	3,712	-	2,288
General working capital	Within 12 months	1,459	1,459	-	-
Estimated expense in relation to the Proposals	Upon completion of the Right Issue	540	540	-	-
Total		7,999	5,711	-	2,288

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9. Group Borrowings

	As at 31 May 2023		
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured			
<i>Term loans</i>	15,001	4,854	19,855
<i>Other borrowings</i>	708	218	926
Total secured	15,709	5,072	20,781
Unsecured			
<i>Term loans</i>	-	-	-
<i>Bank overdrafts</i>	-	-	-
<i>Other borrowings</i>	-	13,754	13,754
Total unsecured	-	13,754	13,754
Total group borrowings	15,709	18,826	34,535

	As at 28 February 2023		
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured			
<i>Term loans</i>	15,464	5,060	20,524
<i>Other borrowings</i>	762	211	973
Total secured	16,226	5,271	21,497
Unsecured			
<i>Term loans</i>	-	-	-
<i>Bank overdrafts</i>	-	-	-
<i>Other borrowings</i>	-	12,523	12,523
Total unsecured	-	12,523	12,523
Total group borrowings	16,226	17,794	34,020

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Details of the borrowings denominated in each currency:

	As at 31 May 23 RM'000	As at 28 Feb 23 RM'000
Malaysian Ringgit	17,802	16,333
United States Dollar	16,733	17,687
	<u>34,535</u>	<u>34,020</u>

10. Dividend

The Board does not recommend any dividend for the period ended 31 May 2023.

11. Earnings Per Share

Basic Earnings Per Share - The basic earnings per ordinary share have been calculated by dividing the Group's net profit for the current year to-date of RM3,944,567 (2022: net profit RM5,003,425) by the weighted average number of ordinary shares of the Company in issue during the current financial year to-date of 163,380,672 shares (2022: 159,974,948).

By Order of the Board

Ch'ng Lay Hoon
Company Secretary

Dated this 31 July 2023